

BC HYDRO CLEAN POWER CALL
PROCUREMENT PROCESS TERM SHEET
November 14, 2007

- Process Type:** Call for Tenders (CFT). Process includes pre-tender opportunity to submit proposals for variations to stipulated forms of tender and/or EPA.
- In addition, BC Hydro invites stakeholder submissions on process features that afford further opportunities to facilitate more cost effective offers. For example, these features may include structured, time-disciplined negotiation of EPA terms.
- Pre-qualification:** Not required.
- Registration:** Bidder registration is required. Registration fee of \$5,000 per bidder.
- Target Quantity:** 5000 GWh/year of seasonal and hourly firm energy.
- BC Hydro will also purchase associated non-firm energy.
- BC Hydro may adjust the target quantity of firm energy at any time, including after tender submission, based on BC Hydro's load/resource balance and other information available to BC Hydro at the time of evaluation.
- Expected CFT Issue Date:** Spring 2008.
- Expected Tender Submission Date:** Summer 2008.
- Expected Award Date:** Fall 2008
- Eligibility Requirements:**
- Location: Projects to be located in British Columbia, excluding Fort Nelson and other areas of the Province from which BC Hydro would be required to transmit energy through another jurisdiction to the Lower Mainland.
 - Technology: Projects must use “proven” generation technologies. Nuclear technology is not eligible. “Proven” technologies are generation technologies, which are readily available in commercial markets and in commercial use (not demonstration use only), as evidenced by at least 3 generation plants (which need not be owned

or operated by the bidder) generating electrical energy for a period of not less than 3 years, to a standard of reliability generally required by good utility practice and the terms of the EPA.

- Clean: Entire output from the project must qualify as “clean energy” in accordance with guidelines published by the British Columbia Ministry of Energy, Mines and Petroleum Resources.
- Project Type: Projects may be new, refurbished, incremental or existing generation, except as noted below. Incremental generation from additional generator units to be installed in existing interconnected and synchronized facilities is eligible. Separate metering is not mandatory. Generation projects, which have received, or are entitled to receive, funding through a load displacement or demand side management contract with BC Hydro are not eligible. Existing load displacement generation is not eligible, unless those projects ceased to be synchronized with the transmission/distribution system before January 1, 2005.
- Metering: Project output must be capable of being metered separately or alternate measures must be available to accurately determine delivered energy for billing purposes.
- Point of Interconnection: Project must have a point of interconnection on the integrated BCTC transmission system or BC Hydro distribution system. Projects with indirect interconnections (including through a private transmission line, transmission service within British Columbia through a utility, other than BC Hydro or BCTC, or a BC Hydro customer interconnection) are eligible.
- Interconnection Study: Application for a Feasibility Interconnection Study by BCTC (for transmission-connected projects) or a Preliminary Interconnection Study by BC Hydro (for distribution-connected projects), as applicable, must be filed on or before a specified date shortly after issue of the Call for Tenders. All projects participating in the call will be studied on a stand alone basis, using the same base case. Prior studies will not be accepted. The completed interconnection study must be filed with the tender. The study, together with such other information developed or available to BC Hydro must demonstrate that interconnection facilities for the project

are anticipated to be completed by not later than 90 days prior to the guaranteed COD.

- **Biomass:** Projects that utilize forest-based biomass for fuel requirements are not eligible.
- **Existing Contracts:** None of the capacity or energy from the project under an existing contract to BC Hydro is eligible, unless the contract can be lawfully terminated by the bidder shortly after the call is issued. None of the capacity or energy from the project under a contract to any other party is eligible, except for contracts that can be lawfully terminated by the bidder prior to the guaranteed Commercial Operation Date (COD).

Project Size:

Firm energy profile must commit the bidder to deliver a minimum of 25 GWh per year of seasonal or hourly firm energy. No other restriction on project capacity.

Tender Security:

\$1.25/MWh multiplied by the volume of annual firm energy, in prescribed letter of credit form from qualifying financial institution. Variations, if any, to such form and/or issuing institution, to be submitted for BC Hydro's pre-tender approval. Tender security to be valid until 45 days after the EPA award date.

All bidders will be required to submit the proposed form of tender security to BC Hydro no later than 14 days before the tender submission date, for review and approval by BC Hydro prior to tender submission.

Tender and EPA Forms:

Stipulated form, subject to completion in accordance with tender options (see below) and approved variations (see below).

Tender Fee:

\$5,000 for each tender submitted, payable at time of tender submission.

Tender Options:

- **Term:** 15 to 40 years (in any whole integer) from COD.
- **Guaranteed COD:** From November 1, 2010 to November 1, 2016.
- **Firmness Election:** Bidder may tender all or a portion of output as firm energy. All firm energy must be designated as either seasonal firm or hourly firm. Seasonal firm to be based on four periods: (i) Winter

(November 1 to January 31), (ii) Spring (February 1 to April 30), (iii) System Freshet (May 1 to July 31), and (iv) Fall (August 1 to October 31). “Firm” means that a failure to deliver the tendered quantity of energy during a season or an hour, as elected by the bidder, will result in liquidated damages payable by the bidder with specified exceptions such as planned outages.

- Non-Firm Energy: As elected by the bidder in its tender from the following options:
 - Option (A): A fixed dollar amount expected to be in the range of \$50 to \$80/MWh (applicable price within range to be determined based on guaranteed COD and term of EPA), escalated at CPI from January 1, 2008, less line losses from the point of interconnection to Lower Mainland, and adjusted for time of delivery in accordance with the time of delivery table set out in the EPA Term Sheet; or

[The dollar range set out above is an indicative range only and is subject to change prior to issuance of the final form of the Call for Tenders and EPA.]

- Option (B):
 - for non-firm energy delivered during LLH, the lesser of (i) the average mid-C non-firm price during LLH for the month adjusted by a factor to account for wheeling charges and line losses from mid-C to the border; and (ii) \$250/MWh, escalating at CPI from January 1, 2008. Line losses from the point of interconnection to Lower Mainland will be deducted. No amount will be payable if average mid-C price is less than zero; and
 - for non-firm energy delivered during HLH, the lesser of (i) the average mid-C non-firm price during HLH for the month adjusted by a factor to account for wheeling charges and line losses from mid-C to the border; and

(ii) \$250/MWh, escalating at CPI from January 1, 2008. Line losses from the point of interconnection to Lower Mainland will be deducted. No amount will be payable if average mid-C price is less than zero.

- Bidder may elect to have 0%, 50% or 100% of the non-firm energy priced according to Option A above with the remainder of the non-firm energy priced according to Option B above.
- Firm Energy Profile: Bidder must tender a firm energy profile. The profile will determine the amount of firm energy the bidder will be required to deliver on a seasonal or hourly basis.
- Total Energy Profile: Bidder must submit a total energy profile, inclusive of firm energy and expected non-firm energy. For each period, firm energy must be less than or equal to total energy.
- Price Escalation: Reference index is CPI (Canada, All Items). Bidder may elect 0 to 200% of bid price to escalate at CPI from January 1, 2008 to COD, and 0% to 100% of bid price after COD.
- Alternates: Each tender may include not more than one alternate (e.g. bidder may include within one tender a bid, based on two different EPA terms, with alternate pricing).

Variations:

To enable bidders to optimize the cost effectiveness of a tender, bidders may file a pre-tender variation proposal. The proposal may contain, subject to the limitations noted below, specific proposals for variations in the stipulated forms of tender and/or EPA.

Variations may not include proposals on specified risk allocation items, which will include tender security, performance security, liquidated damages for delivery shortfalls, and liability limitations.

Variations may address adjustments required to meet project-specific needs (e.g. ownership structures, forms of land tenure, etc.), or, subject to the specified exclusions, may address risk allocation issues from the perspective of cost effectiveness to

BC Hydro. Variation proposals should be specific in detailing the variations requested, and may include the bidder's submissions on the benefits of the variations to BC Hydro.

BC Hydro will consider those variation proposals that, in BC Hydro's sole and unfettered opinion, are likely to encourage competitive participation and/or facilitate tenders that are more cost effective to BC Hydro. BC Hydro, in its sole and unfettered discretion, may approve or reject all or any of the variations proposed by a bidder.

Approved variation proposals will be reflected in a revised tender form and/or EPA form issued by BC Hydro to the bidder before the tender submission date. The bidder may then submit a tender using and based upon the revised form(s).

BC Hydro may seek from a bidder further information and/or clarification on its variation proposal, but is not obliged to do so. Bidders should note that the variations process is a pre-tender activity designed to afford bidders reasonable flexibility and to facilitate tenders that are more cost effective to BC Hydro. BC Hydro does not intend to negotiate contract terms before or after tender submission.

Differing EPA conditions arising from approved variations may be considered in tender evaluation.

All variations, whether or not approved, submitted to BC Hydro may be disclosed, in whole or in part, including the name of the bidder proposing the variation, during the CFT process or in any related regulatory or legal proceedings.

In addition, BC Hydro may require variations to accommodate project-specific matters disclosed in pre-tender submissions. These variations will be advised to bidders in advance of the tender submission date.

Tender Validity:

Tenders irrevocable until 180 days after tender submission date (validity period to be finalized in light of final call schedule).

Tender Evaluation Criteria:

BC Hydro to determine in its sole discretion the most cost effective portfolio of tenders meeting the eligibility criteria, based upon:

- Comparison of adjusted bid prices, determined by levelizing all prices applying specified credits/debits

as applicable to individual tenders as follows:

- Hourly Firm Adjustment: An adjuster will be deducted from the bid price for a bidder that has committed to deliver hourly firm energy. The magnitude of the adjuster will depend on the tendered profile of monthly HLH firm energy. Based on a recent estimate of BC Hydro's reference price for capacity, a project having a flat profile of monthly HLH firm energy will receive an adjuster of approximately \$3/MWh.
- Wind Integration Adjustment: An adjuster (in \$/MWh) will be added to each tender for a wind project. BC Hydro is currently reviewing the impact of wind generation on the system. A review of other jurisdictions has shown wind integration costs range from \$5 to \$15 per MWh.
- Interconnection and Transmission Impacts: An adjuster (in \$/MWh amount, to be determined for each project based on interconnection and portfolio studies) will be added to the bid price for the distribution and transmission impacts on BC Hydro, reflecting delivery of energy to the Lower Mainland.
- System Freshet Limitation: A portfolio target range of not more than 20-25% of the total energy tendered to be delivered in the System Freshet season, provided that BC Hydro may, in its sole and unfettered discretion, increase or decrease that target before or after tender submission, based on BC Hydro's load/resource balance and other information available to BC Hydro at the time of evaluation.
- Evaluation may include BC Hydro's consideration of all or any of the following factors:
 - Risk Assessment:
 - Project development certainty will be assessed, including consideration of First Nations consultation activities, strategies and status,

- Energy delivery certainty will be assessed based on required data submitted in the tender. For example, bidders proposing wind projects will be required to submit a minimum of 12 months (as available) of 10 minute wind data, wind farm energy transfer function(s) and reconciliation to proposed energy delivery, together with technical description of turbines, generators and wind farm characteristics.
- Approved variations, including value added risk allocation and/or cost effectiveness,
- BC Hydro load/resource balance at the time of evaluation,
- Portfolio distribution, transmission and other system impacts, if any, incremental to project-specific impacts or otherwise not accounted for in the adjustments to the bid price,
- Environmental impacts or benefits,
- GHG risk,
- Potential for beneficial impacts of generation technology and/or regional diversity,
- Cost effectiveness of comparable, non-CFT alternate resources,
- Other public interest criteria that BC Hydro considers have not otherwise been appropriately addressed in the evaluation.

EPA Award:

Successful bidders will be notified of award of an EPA, and required to sign and deliver the EPA, together with the performance security required thereunder in an initial amount equal to \$3/MWh multiplied by the volume of annual firm energy tendered, all within a specified period after notice of award.

Successful bidders will be required to apply to BCTC or BC Hydro, as applicable, for a facility impact study within

a prescribed time specified in the EPA.

Other Process Features:

- Web-based Q&A process.
- BC Hydro to convene bidder workshop(s) as required.
- BC Hydro may convene one-on-one pre-tender meetings with one or more bidders to review project details.
- Pre-tender process for submitting and vetting key project specification, hydrological/wind data, and other matters.
- BC Hydro reserves the right to waive any and all tender non-conformities, seek clarifications on submitted tenders, and conduct and rely upon independent due diligence for tender evaluation purposes.
- Bidders that have submitted an application, tender or proposal to BC Hydro in respect of the same project in another BC Hydro energy procurement process or program, may submit a tender in the Clean Power Call. If BC Hydro accepts any application, tender or proposal in respect of the project all other outstanding applications, tenders and proposals in respect of the project are deemed withdrawn.