

Columbia Power Corporation Information Request No. 1.1.1 Dated: June 5, 2006 British Columbia Hydro & Power Authority Response issued June 30, 2006	Page 1
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1.0 Reference: Exhibit B-1A, Page 3-51.

“BC Hydro operates in a business environment where there are significant risks and uncertainties...Development Risk - Long lead times associated with large projects, increasing public opposition to new infrastructure development and increasingly onerous project siting and permitting requirements present significant challenges to project developers. BC Hydro needs to take a proactive approach to acquiring new supply which allows time for the resolution of development challenges.”

1.1.1 What size and/or other criteria does BCH use to define a “large project”, and more specifically a large hydro project?

RESPONSE:

In Exhibit B1-A, Section 3.5.2, BC Hydro identifies the significant risks and hurdles facing all projects in obtaining siting and permits. The identified risks and hurdles are not limited to large hydro projects and thermal projects, and are generally risks that any developer may face.

BC Hydro does not have any overall criteria for defining a “large project”. The use of “large” in the reference is intended to describe relatively “larger” projects as compared to “smaller”, with no intent to distinguish a break point between “not large” and “large” projects. The distinction between “small” or “large” projects, be it hydroelectric or other resource types, varies depending on the jurisdiction. Many jurisdictions do distinguish the difference between large and small hydro in recognition of the greater environmental impacts that may be associated with larger reservoirs.

In the 2006 IEP, definitions used for hydro projects were:

- Small hydro – run of river projects less than or equal to 50 MW**
- Medium hydro – run of river projects greater than 50 MW**
- Large hydro - projects greater than 50 MW that have storage capability either behind the dam or at other upstream dams.**

The 2006 Call made no distinction between hydro and non-hydro projects. Instead the F2006 Call divided all projects greater than 10 MW into a “large project stream” and the less than 10 MW projects to the “small project stream”. In this case the division was based on a number of factors, including interconnection point (distribution or transmission), simplified bidding contract terms between small and large projects, as well as input from stakeholders and Independent Power Producer (IPP) proponents. Grouping of projects for the F2007 call has not yet been determined.

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1.1.2 Does classification as a “large project” differ between hydro and non-hydro?

RESPONSE:

Please refer to the response to CPC IR 1.1.1.

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1.1.3 If so, please explain the difference in classification in the context of the respective risks, uncertainties and development challenges.

RESPONSE:

Please refer to the response to CPC IR 1.1.1.

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- 1.1.4 What steps has BCH taken, or does it intend to take in the proposed F2007 and F2009 Calls to develop a proactive approach to address large hydro project development challenges? Please provide specific examples of how the terms and conditions of the Calls will accommodate, for example, long lead times, regulatory delays, cost uncertainties, and onerous siting and permitting requirements.

RESPONSE:

As identified in the Long Term Acquisition Plan (LTAP), future acquisitions will be made through open, transparent and competitive processes and will include commercial terms based on appropriate risk allocation. One call is planned in F2007 and another in F2009. Some of the potential call elements identified in the LTAP that are aligned with larger hydro projects are:

- **A larger call volume - to facilitate larger projects bidding into the call to support economies of scale. The F2007 and F2009 calls are each targeting 5,000 GWh/y of firm electrical energy.**
- **A longer period of time to reach COD (BC Hydro expects the F2007 call to have a commercial operating date window of at least six years).**
- **Dividing the F2007 call into a Call for Tender process for smaller projects and a Request for Proposals (RFP) process for larger projects. For larger, more complex projects, an adaptable acquisition process may be more appropriate to allow greater opportunity for dialogue on individual project characteristics and design more project specific contract terms).**

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IPPs that choose to participate in these calls generally will assume most if not all development and operation risk over the term of the contract. In turn, BC Hydro will generally assume price risk and non-delivery risk over the length of the contract. As each project is unique it is the developer's responsibility to assess the risks and status of their individual project relative to the final call terms and conditions.

As part of the coming F2007 call BC Hydro intends to obtain stakeholder input on potential ways to tailor acquisition approaches for projects, based on size and technology, and risk sharing between parties.

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- 1.1.5 Has BCH considered whether the terms of its planned proposal Calls would enable a project like Site C to be bid in?

RESPONSE:

Please refer to the response to CPC IR 1.1.4.

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- 1.1.6 What risks would the proponent have to assume if a project like Site C were bid by a private developer?

RESPONSE:

Please refer to the response to CPC IR 1.1.4.

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- 1.1.7 Has BCH considered alternative acquisition procedures for large hydro projects that expressly recognizes and accommodates their unique development challenges and risks?

RESPONSE:

Please refer to the response to CPC IR 1.1.4.

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- 1.1.8 Please confirm that in its F2006 Call BCH received bids for 53 separate hydro, wind, biomass or coal power projects, both large and small, totaling 1800 MW and 6500 GWh/y of firm energy. How many of these projects are large hydro projects?

RESPONSE:

The reference is to BC Hydro’s news release regarding tender submission for the F2006 Call. The full news release is attached.

No. 1
April 11, 2006

Contact: Elisha Moreno
Media Relations manager
Phone: 604-623-4099

**BC Hydro receives bids from across BC in
2006 Open Call for Power**

Wide range of resources proposed by private sector developers

PROVINCE-WIDE – BC Hydro has received bids for 53 separate projects from 37 independent power producers in response to the 2006 Open Call for Power, issued in December 2005. The projects submitted include electricity generation from both small and large facilities, include hydro, wind, biomass and coal resources and represent approximately 1,800MW. Firm energy tendered totals approximately 6,500 gigawatt hours (GWh) per year, enough power to supply 650,000 homes.

“Acquiring power from Independent Power Producers (IPPs) is a key aspect of the Long Term Acquisition Plan recently filed in conjunction with the 2006 Integrated Electricity Plan,” said BC Hydro’s Senior Vice President of Distribution, Bev Van Ruyven. “We will be looking to IPPs to play a lead role in filling the gap between existing supply and rising customer demand for electricity.”

“We are extremely pleased with the response to the Call as it indicates that private sector developers have confidence in projects utilizing a wide range of resources in many areas across the province,” added Van Ruyven. “Our plan was to acquire at least 2,500 GWh per year of firm energy through a competitive process and we now have the potential to acquire more than that target.”

Over the coming months BC Hydro will be evaluating the Tenders against the criteria that were provided in the Call documents. These criteria include a preference for BC Clean power, price and other factors. Contract awards will be announced in late summer 2006. Information related to the bid prices tendered and other factors that determine contract awards will be released once the contract awards are announced.

The Brilliant Expansion Power Corporation, an affiliate of the Columbia Power Corporation, also submitted an offer to sell energy from their Brilliant Expansion Project through a separate process. They will be awarded a contract if their offer is competitively priced as compared to those projects awarded contracts through the 2006 Call for Power process. This offer will not impact the amount of firm energy being sought under the 2006 Call for Power. For a full list of bidders, technologies and their geographical locations, please see the attached table.

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Visit BC Hydro’s web site at www.bchydro.com

F2006 CFT Tender Submissions

Bidder Name	Location	Generation Technology
3986314 Canada Inc.	Nelson	Run-of-River Hydro
Advanced Energy Systems Ltd.	Revelstoke	Run-of-River Hydro
AESWapiti Energy Corporation	Tumbler Ridge	Coal
Anyox Hydro Electric Corp.	Alice Arm	Hydro with Storage
Axiom Power Inc.	Woss	Hydro with Storage
AXOR Group Inc.	Chetwynd	Wind
	Tumbler Ridge	Wind
Bear Mountain Wind Limited Partnership	Dawson Creek	Wind
Canadian Hydro Developers	Kamloops	Run-of-River Hydro
	Kamloops	Run-of-River Hydro
	Revelstoke	Run-of-River Hydro
	Revelstoke	Run-of-River Hydro
Cogenix Power Corporation	Boston Bar	Run-of-River Hydro
Compliance Power Corporation	Princeton	Biomass - Woodwaste and Coal
District of Lake Country	Kelowna	Run-of-River Hydro
Dokie Wind Energy Inc.	Chetwynd	Wind
	Chetwynd	Wind
EnPower Green Energy Generation Inc.	150 Mile House	Waste Heat
	Quesnel	Waste Heat
	Hixon	Waste Heat
	Savona	Waste Heat
	Summit Lake	Waste Heat
Global Cogenix Industrial Corporation	Boston Bar	Run-of-River Hydro
Green Island Energy, Ltd.	Gold River	Biomass - Woodwaste
Hupacasath First Nation	Port Alberni	Run-of-River Hydro
Hydromax Energy Limited	Sechelt	Run-of-River Hydro
	Sechelt	Run-of-River Hydro
KMC Energy Corp.	Chilliwack	Run-of-River Hydro
Kwalsa Energy Limited Partnership	Mission	Run-of-River Hydro
Kwoiek Creek Resources Limited Partnership	Lytton	Run-of-River Hydro
Link Power Management Ltd	Chilliwack	Run-of-River Hydro
Mackenzie Green Energy Inc.	Mackenzie	Biomass - Woodwaste
Maroon Creek Hydro Partnership	Terrace	Run-of-River Hydro
Mount Hays Wind Farm Limited Partnership	Prince Rupert	Wind
Northwest Green Power Corporation	Smithers	Run-of-River Hydro
Plutonic Power Corporation	Powell River	Run-of-River Hydro
	Hope	Run-of-River Hydro
	Gibsons	Run-of-River Hydro
Raffuse Energy Corp.	Squamish	Run-of-River Hydro
Raging River Power & Mining Inc	Port Alice	Hydro with Storage
Remote Structures Inc	Golden	Run-of-River Hydro
Renewable Power Corp.	Sechelt	Run-of-River Hydro
Second Reality Effects Inc.	Squamish	Run-of-River Hydro
	Port Moody	Run-of-River Hydro
Songhees Creek Hydro Inc.	Port Hardy	Hydro with Storage
Sound Energy Inc.	Gibsons	Run-of-River Hydro
Spuzzum Creek Power Corp.	Agassiz	Run-of-River Hydro
Synex Energy Resources Ltd	Village of Tahsis	Run-of-River Hydro
	Village of Tahsis	Run-of-River Hydro
	Gold River	Run-of-River Hydro
	Port Alice	Run-of-River Hydro
Upper Stave Energy Limited Partnership	Mission	Run-of-River Hydro
Valisa Energy Inc.	Blue River	Run-of-River Hydro

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- 1.1.9 What is the capacity and firm energy output of each of the large hydro projects for which BCH received bids in its F2006 Call?

RESPONSE:

Please refer to the response to CPC IR 1.1.8.

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1.1.10 Has there been a high attrition rate in power projects put forward in previous BCH Calls?

RESPONSE:

Please refer to the response to CPC IR 1.1.11.

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1.1.11 What were the attrition rates?

RESPONSE:

Between 2000 and 2003, BC Hydro signed 43 electricity purchase agreements (EPAs) with IPPs. As of June 1, 2006, 18 are in service producing approximately 1100 GWh/y and a further 20 projects representing approximately 1700 GWh/y per year are under development. Five EPAs representing 278 GWh/y have subsequently been terminated. Of the 20 projects currently under development, some may not proceed due to various development risks faced by these IPPs.

The above figures do not include the Duke Point EPA which was terminated by BC Hydro in 2005.

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1.1.12 What were the principal reasons for the attrition rates in past Calls?

RESPONSE:

BC Hydro understands that the principal reasons for the attrition rates in past calls are higher than expected construction costs, less than expected fuel availability and permitting difficulties.

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1.1.13 What attrition rate does BCH expect in each of the F2006, and proposed F2007 and F2009 Calls?

RESPONSE:

BC Hydro is not expecting as much attrition for the F2006 Call as has been experienced for prior energy calls. In the F2006 Call, IPPs were allowed to bid competitive electricity prices rather than being bound by a ceiling price. Furthermore, BC Hydro incorporated several Call for Tender features with the aim of reducing attrition, including the following:

- **Requiring a \$5,000 non-refundable registration fee**
- **Need for application and payment for interconnection studies in advance of registration**
- **Increased Tender Security and Performance Security requirements**
- **Tender Risk Assessment process**

In designing the F2007 and F2009 calls, BC Hydro plans to incorporate similar provisions for the purpose of minimizing attrition rates.

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1.1.14 What measures, if any, is BCH taking to reduce attrition rates in its proposed F2007 and F2009 calls?

RESPONSE:

Please refer to the response to CPC IR 1.1.13.

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2.0 Reference: 2004 IEP, Page 59.

BCH defines Resource Smart projects as physical and operational modifications to existing facilities that provide additional electricity to BCH. They typically have very low environmental impacts, can enhance reliability through the replacement of older equipment and can have more limited licencing risk than new facilities.

- 1.2.1 Does BCH agree that projects at existing non-BCH facilities can also have Resource Smart potential (i.e. have very low environmental impacts, enhance reliability through the replacement of older equipment and have more limited financing risk than new facilities)?

RESPONSE:

BC Hydro's 2004 IEP is not the subject of this proceeding.

No, BC Hydro has defined Resource Smart as upgrades to its Heritage Assets. BC Hydro acknowledges there may be other projects with similar physical attributes to Resource Smart projects.

