

**SCHEDULE B**

**ELECTRICITY PURCHASE AGREEMENT – TERM SHEET**

**LARGE PROJECTS**

The following is a summary of the key terms and conditions of the proposed standard form electricity purchase agreement (“EPA”) for all Large Projects. The “base” Term Sheet applies to projects that do not elect the (i) Green, (ii) GHG emission offset transfer, (iii) the “hourly firm” or (iv) the “split bid” options. The special provisions applicable to projects that elect those options are described in separate sections at the end of the Term Sheet. For a description of these options see the Procurement Process Description and Schedule A – Tender Evaluation Criteria and Methodology. **This summary has no legal effect, and the rights and obligations of BC Hydro and the Seller will be governed exclusively by the executed EPA.**

<b>Parties</b>
<ul style="list-style-type: none"> <li>• Buyer – BC Hydro.</li> <li>• Seller – Bidder as described in the tender.</li> </ul>
<b>Term</b>
<ul style="list-style-type: none"> <li>• 15, 20, 25, 30, 35, or 40 years from COD, as tendered.</li> <li>• No renewal rights.</li> </ul>
<b>Regulatory Filing</b>
<ul style="list-style-type: none"> <li>• The EPA must be filed with the BCUC as an “energy supply contract” under the <i>Utilities Commission Act (British Columbia)</i>.</li> <li>• Either party may terminate if within 120 days after filing, the BCUC convenes a hearing and either (i) no order is made, or (ii) an order is made which contains terms that could reasonably be expected to have an adverse effect on the party terminating.</li> <li>• On termination all securities are returned to Seller, but no termination payments are made by either party.</li> </ul>
<b>Project Development</b>
<ul style="list-style-type: none"> <li>• <i>Project Size</i>: Seller required to construct Seller’s Plant to a size not to exceed the size specified in MW in the Seller’s tender.</li> <li>• <i>Increase in Project Size</i>: Seller may increase project size by up to 10% on notice to Buyer at any time up to 30 days prior to COD, provided that all necessary interconnection/transmission-related studies have been completed. Seller will be responsible for all resulting delays and costs associated with the increase in the project size.</li> <li>• <i>Progress Reports</i>: Seller to provide quarterly progress reports on project development, including interconnection issues and any regulatory disputes/issues.</li> </ul>

- Metering: Seller to ensure that Seller's Plant is equipped with electronic metering and SCADA capability.
- Point of Interconnection: Seller will be responsible for any increase in costs associated with any change, after the date of EPA signing, in the expected point of interconnection or any other information in the preliminary interconnection study application.

### Commercial Operation Date

- Guaranteed COD: Seller guarantees COD as tendered (between 1 October 2008 and 1 October 2009).
- Actual COD: COD occurs when:
  - Seller's Plant has generated electricity in compliance with all Material Permits for 72 continuous hours at an uninterrupted hourly rate equal to 95% of the monthly firm energy tendered by the Seller for that month divided by the number of hours in the month,
  - If the hourly rate for the applicable month is less than 20% of the nameplate capacity of Seller's Plant, COD occurs when Seller's Plant has generated electricity in compliance with all Material Permits for 72 continuous hours at an uninterrupted hourly rate equal to 95% of the average hourly rate for the previous three calendar months (including the month in which the COD test occurs),
  - Seller has obtained all Material Permits,
  - Seller has obtained a Certificate of Compatibility – Generator or similar document from the Transmission or Distribution Authority as applicable, and
  - Seller is not bankrupt or insolvent, or in material default under the EPA, Interconnection Agreement, Facilities Agreement, any Material Permit or any land tenure agreement for Seller's Plant site.
- COD Certificate: Seller to deliver a COD Certificate and long-term and annual operating plans within 30 days after the date on which COD occurs as set out above. If not delivered by that time, COD will not occur until the COD Certificate and operating plans are actually delivered.
- Early COD
  - COD can occur up to 12 months before Guaranteed COD, but not earlier than 1 January 2008.
  - Seller responsible for any incremental costs borne, directly or indirectly, by Buyer resulting from COD occurring before Guaranteed COD.
- Late COD
  - Seller pays liquidated damages (see below).
  - Buyer can terminate EPA (see below).

- **Deemed COD:** For projects connected to the distribution system only, if COD is delayed solely as a result of a delay in completion of interconnection-related infrastructure, where such delay is not attributable to Seller, COD will be deemed to occur on the Guaranteed COD, and Seller will receive payment for the monthly firm energy amount after that date for the amount of firm energy Seller could have delivered during the period from Guaranteed COD to the date of completion of the infrastructure. When the infrastructure is completed, Seller will be required to run a COD test as set out above. If Seller’s Plant fails that COD test, Seller will be required to refund to Buyer all payments made by Buyer prior to the date of the test.

**Operation**

- Seller to own Seller’s Plant and ensure it is managed and operated by qualified and experienced persons in accordance with Good Electric Industry Practice, permits, interconnection agreement, and other similar documents.
- Seller to use commercially reasonable efforts to deliver energy to the point of interconnection at a uniform rate within each hour.
- No expansion of Seller’s Plant without Buyer’s consent.
- No modification, without Buyer’s consent, of Seller’s Plant that could have adverse effect on the Seller’s ability to perform under the EPA.
- Seller to provide long-term operating plan, annual operating plan, notice of outages and monthly reports of actual outages for the preceding month.
- Seller to provide weekly schedules of expected daily energy deliveries for the next succeeding week. These schedules will be provided for planning purposes only and do not operate as a guarantee of, or cap on, deliveries during the week.
- Seller to use commercially reasonable efforts to resume generating promptly after a Forced Outage.
- Seller to maintain exemption from regulation as a public utility.
- Seller to operate in compliance with all applicable permits, laws and regulations.
- Seller to comply with all Canadian federal, provincial and local regulatory regimes for GHG emissions, regardless of whether or not the regimes are otherwise applicable to the Seller’s Plant, based on timing of COD or any other date stipulated in applicable laws and regulations. Seller must provide regular reports on GHG compliance. If Seller fails to meet GHG emission offset requirements, Buyer may do so, after due notice and a reasonable cure period, and recover its costs from Seller.

**Planned Outages**

- Planned Outages only allowed April to October inclusive, unless Buyer otherwise consents, such consent not to be unreasonably withheld, delayed or conditioned.
- Seller to give notice of proposed timing of Planned Outages in annual operating plan.

- Seller can change annual operating plan but must give 30 days advance notice of final schedule for any Planned Outage.
- Buyer can require Seller to reschedule a Planned Outage provided that the rescheduling does not have a materially adverse effect on the operation of the Seller's Plant.
- If a Planned Outage extends beyond the schedule, the period outside the original schedule will be treated as a Forced Outage.
- If a Planned Outage is shorter than originally scheduled, Buyer will pay the non-firm energy price for energy delivered during the period covered by the original schedule.

### **Delivery Obligation**

- Pre-COD Sales to Third Parties: Seller can sell to third parties until the earlier of COD and Guaranteed COD.
- No Third Party Sales Post-COD: After the earlier of COD and Guaranteed COD, Seller required to deliver entire output of Seller's Plant to Buyer.
- Delivery Point: Point at which Seller's Plant interconnects with the transmission or distribution system, as applicable.
- Delivery Obligation
  - In each month, Seller required to deliver monthly contracted firm energy amount.
  - Seller has "one-time" opportunity (exercisable not later than 30 days prior to COD) to increase or decrease the monthly contracted firm energy amount by up to 10% in each month, provided that: (i) any such increase must not result in the contracted firm energy amount for the period from April to July inclusive exceeding 1/3 of the annual contracted firm energy amount; and (ii) all necessary interconnection/transmission-related studies have been completed. The Seller will be responsible for all resulting delays and costs borne, directly or indirectly, by Buyer associated with any increase in the monthly contracted firm energy amount.
- Excuses
  - Force Majeure,
  - Planned Outages that do not exceed the scheduled period,
  - Transmission/distribution issues, not caused by Seller, and
  - Seller suspension based on Buyer default.

**Purchase Obligation**

- Pre-COD
  - Buyer to make commercially reasonable efforts to accept output from Seller’s Plant commencing 3 months before COD.
- Post-COD
  - After COD, Buyer required to accept delivery of entire output of Seller’s Plant, including energy in excess of the contracted monthly firm energy amount (“non-firm energy”), provided that Buyer is not obliged to accept or pay for energy in excess of 120% of the maximum project capacity of Seller’s Plant sized at COD.
- Excuses
  - Force Majeure.
  - Transmission issues or disconnection of Seller’s Plant for reasons not attributable to Buyer.
  - Distribution issues where distribution authority entitled to disconnect the Seller or suspend firm distribution service.
  - Buyer suspension based on Seller default.

**Price**

- Pre-COD: \$25/MWh for energy delivered during a successful 72 hour COD test. No other amount is payable for any other pre-COD energy delivered to Buyer.
- Post-COD
  - Firm Energy: Energy up to the monthly firm energy amount - Seller’s bid price, adjusted by price adjustment table for deliveries in HLH and LLH in each month. A sample price adjustment table is attached to this Term Sheet as Appendix 1. The numbers in the attached price adjustment table are sample numbers only and may be changed when the CFT is issued.
  - Non-Firm Energy: Energy in excess of the contracted monthly firm energy amount (non-firm) – as follows:
    - Tier 1: non-firm energy volume up to the equivalent of 100% of firm energy volume, applicable firm energy price less a specified \$/MWh discount (escalated at CPI and seasonally adjusted based on a HLH/LLH table), and
    - Tier 2: non-firm energy volume in excess of Tier 1 non-firm energy volume, price is the lesser of (i) 70% of average LLH Mid C (less transmission charges to the border) and (ii) applicable LLH Tier 1 price.

- Calculation of Firm and Non-Firm Energy Amounts
  - To the extent that energy delivered in a month exceeds the monthly contracted firm energy amount, the energy delivered during HLH and LLH will be allocated into firm and non-firm amounts on a proportional basis. An example to illustrate the method of allocation is attached to this Term Sheet as Appendix 2.
  - The monthly contracted firm energy amount will be reduced to reflect the number of hours in the month in which the Seller's Plant is subject to a Planned Outage.
- Flow-Throughs: Payments to Seller will be adjusted to reflect the impact of 50% of property tax rate changes from the applicable rate prevailing on the tender submission date for a like project and location. No other "flow through" adjustments (including changes to assessed value of Seller's Plant) or reimbursements will apply whether for fuel costs (including water rentals), other taxes or costs.
- Escalation: A % tendered by Seller (between 0% and 50%) of the tendered firm energy price escalates at CPI, from January 2006 base month.
- "Deemed Available"
  - Buyer pays firm energy price for undelivered firm energy that could have been delivered but for the following events:
    - Transmission issues not attributable to Seller where BCTC authorized to disconnect the Seller or suspend firm transmission service,
    - Distribution issues not attributable to Seller, or
    - Seller suspension based on Buyer default.
  - Except in the case of Seller suspension based on Buyer default, the Seller's Plant will not be "deemed available", and no payment will be made in respect of the period, during the first 24 hours in aggregate in each month in which delivery of energy from the Seller's Plant is interrupted due to any of the foregoing events.
  - The amount of firm energy that could have been delivered during a "deemed available" event will be determined based on the Seller's energy schedule for the period, unless the Buyer can demonstrate that the Seller could not have complied with that schedule. Relevant evidence will include the meter readings before and after the "deemed available" period. The amount of "deemed available" firm energy will be included in calculating the deliveries of firm energy for the applicable month.
- Payment Terms: 30 days after receipt of invoice.
- Set-off: Either party can set-off liquidated damages, termination payment or other Final Amount (ie. amount determined under an arbitration award) where amount remains outstanding 30 days after notice.

**Liquidated Damages**

- COD Delay: Seller pays liquidated damages for each day COD is delayed after Guaranteed COD, plus 180 days, plus Force Majeure days, if any. Amount/day = Performance security amount/180 days, payable for up to 180 days of delay.
- Delivery Shortfall:
  - LDs will be payable for a shortfall in deliveries of the monthly firm energy amount.
  - Hours where the Seller is excused from its delivery obligation (eg. Force Majeure, Planned Outages etc.) will be excluded from the calculation of the monthly firm energy amount.
  - All delivered energy including all “deemed available energy” will be included in calculating the deliveries for the month.
- LD Relief: No LDs payable for delivery shortfalls prior to first anniversary of COD.
- LD Amount: LDs for delivery shortfall based on comparison of adjusted bid price (escalated at CPI) to the average of the Mid-C index prices for the month (with Mid-C price for this purpose capped at \$100/MWh, escalating at CPI, to limit Seller’s liability) plus all transmission charges and allowances for transmission of non-firm energy from Mid-C to the border. If the adjusted bid price is less than that amount, LDs will be payable based on the difference between the adjusted bid price and that amount. If the adjusted bid price exceeds that amount, no LDs will be payable.
- Exclusive Remedy: Except in case of Deliberate Breach, Buyer’s exclusive remedies for delivery shortfalls is LDs.
- Liability Limits: Except in case of Deliberate Breach, Seller’s annual liability for EPA breaches (including delivery shortfalls) during each calendar year of the EPA term is capped at 200% of the Performance Security (with a pro-rated amount for “stub” years at the beginning and end of the term). This does not include any termination payments, third party claim indemnity, interest or payment adjustments.
- Consequential Damages: No consequential damages.

**Security**

- Performance Security Amount:
  - Seller to provide clean, unconditional, and irrevocable letter of credit on EPA signing equal to \$60,000/MW of project capacity.
  - Performance Security reduced to \$40,000/MW on first anniversary of COD based on the annual tendered firm energy amount set out in the EPA divided by 8760.
  - Performance Security to remain constant throughout remainder of EPA term.
- Enforcement: Buyer entitled to enforce Performance Security if Seller fails to pay LDs or other Final Amount, if Buyer terminates EPA for Seller delay in achieving COD or for delivery

shortfalls or for any other Seller Termination Event. (For definition of “Seller Termination Event” see Termination below).

- Release: Performance Security returned on expiry or earlier termination of EPA after satisfaction of Seller’s outstanding obligations.
- Replenishment: If Buyer draws on the Performance Security, Seller required to replenish to full amount required under EPA.
- Withholding Payment: If there is a security shortfall or any letter of credit failure that has not been rectified within the specified cure period, Buyer entitled to withhold payment until corrected.

## Termination

- Buyer Termination Right:
  - Seller has not obtained Material Permits by 12 months before Guaranteed COD.
  - COD has not occurred by Guaranteed COD, plus 365 days, plus Force Majeure days (not exceeding 365 days), if any.
  - Post-COD Force Majeure is invoked by Seller and continues for more than 365 days, provided that this period may be extended up to a further 365 days if Seller has invoked Force Majeure and is diligently trying to resume generation and deliveries.
  - Seller is bankrupt or insolvent.
  - Letter of credit failure (eg. issuer of letter of credit has credit rating downgrade, Seller fails to replenish the letter of credit, etc.).
  - Amount owing by Seller is unpaid for 60 days.
  - Other material default by the Seller that is not cured within specified cure period, including any failure to comply with all GHG-related obligations of Seller.
  - Termination Payment: Except for termination for prolonged Force Majeure, Seller pays termination payment equal to required amount of Performance Security. If termination occurs before the first anniversary of COD due to Force Majeure invoked by Seller, then Seller must reimburse Buyer for interconnection/transmission-related costs to be borne, directly or indirectly, by Buyer, but not exceeding that amount of the Performance Security.
- Seller Termination Right:
  - After using commercially reasonable efforts, Seller fails to obtain Material Permits by 18 months before Guaranteed COD.
  - Post-COD Force Majeure is invoked by Buyer and continues for more than 365 days.
  - Buyer is bankrupt or insolvent.

- Amount owing by Buyer is unpaid for 60 days.
- Other material default that is not cured within specified cure period.
- Termination Payment:
  - Seller termination based on failure to obtain Material Permits = Seller pays \$20,000/MW based on annual tendered firm energy amount set out in EPA divided by 8760.
  - Seller termination before COD based on Buyer Termination Event = Buyer pays lesser of (i) 115% of the Seller's Development Costs; and (ii) amount by which Seller's losses arising from the termination exceed the Seller's gains arising from the termination. Losses and gains determined by comparing EPA firm energy price for the term to the market price for an equivalent amount of power with both amounts being discounted to a present value amount.
  - Seller termination after COD based on Buyer Termination Event = Buyer pays amount in (ii) above.
- Force Majeure: No termination payment, except that the Seller will be required to reimburse the Buyer for all interconnection/transmission-related costs to be borne, directly or indirectly, by Buyer in proportion to the number of years remaining in the EPA term relative to the initial EPA term.
- Exclusive Remedies: Except in case of Deliberate Breach, Seller's payment of termination payment is Buyer's exclusive remedy for termination. Buyer's payment of termination payment is Seller's exclusive remedy for termination.

### Suspension

- Buyer Suspension: Buyer right to suspend accepting deliveries for Seller default for up to 90 days or until default cured.
- Seller Suspension: Seller right to suspend making deliveries and can sell to third parties during Buyer default. No time limit. Any amounts recovered by the Seller from third parties during suspension deducted from the amount payable by Buyer to Seller.

### Insurance

- Insurance: Seller required to maintain commercial general liability insurance with limits of liability and deductibles consistent with those a prudent owner and its lenders would require.
- Major Damage:
  - Seller required to repair damage, other than major damage that occurs as a result of a Force Majeure event. "Major damage" is damage that would take more than 1 year to fix and where the repair costs exceed the present value of the bid price multiplied by the contracted firm energy amount for the remainder of the EPA term.
  - If major damage occurs as a result of a Force Majeure event, Seller can elect to rebuild or to terminate without liability.

### Option #1 – Environmental - Green Attributes

*Green Projects – Projects that elected to transfer “Green Attributes” to BC Hydro and received Green Credit in the tender evaluation process:*

- *Ownership of Green Attributes:* Buyer acquires all environmental attributes (broadly defined) of Seller’s Plant and energy generated by Seller’s Plant including all credits or other similar instruments for assumed displacement of off-site generation (“Green Attributes”).
- *Permit Allocations:* Seller retains all liability for on-site emissions and the permit allocations and other rights arising from on-site reductions in greenhouse gas (“GHG”) emissions.
- *Certification:*
  - Seller to obtain Ecologo<sup>M</sup> certification by one year after COD and maintain Ecologo<sup>M</sup> certification throughout remainder of EPA term.
  - Buyer will pay certification, audit and licensing fees.
- *Loss of Green Attributes:* If Seller fails to obtain certification by one year after COD or to maintain certification thereafter, or if Buyer is required to forfeit Green Attributes to government, energy price for firm and non-firm energy reduced by \$3.00/MWh, escalated at CPI. If Seller fails to obtain certification by one year after COD, Seller to refund \$3.00/MWh, escalated at CPI for post-COD energy delivered to that date.
- *Buyer Right to Require Cure:* Where Seller fails to obtain or maintain certification, Buyer can require Seller to undertake measures necessary to obtain certification and Buyer will reimburse Seller for reasonable costs incurred by Seller in implementing those measures. The payment reduction remains in effect if Buyer invokes this provision. If Seller fails to comply with a direction to cure at Buyer’s cost, Buyer can terminate the EPA.
- *Exclusive Remedy:* Except as set out in the immediately preceding paragraph, price reduction is the only remedy for failure to maintain certification.
- *Prohibition on Sale of Green Attributes:* Seller may not sell any Green Attributes to any third party at any time during the EPA term.
- *Information Requirements:* Seller to provide all information Buyer requires to verify energy generated, maintenance of Ecologo<sup>M</sup> or other applicable certification, and Green Attributes, including participation in green attributes and/or energy tracking systems.
- *Audit Right:* Buyer or its affiliate (or a third party who has entered into a contract with Buyer or its affiliate to purchase Green Attributes from Buyer or its affiliate) can audit Seller’s Plant at Buyer’s or third party’s cost to verify compliance with Ecologo<sup>M</sup>, or other applicable certification requirements.

**Option #2 – GHG Emission Offset Transfer**

*Sellers that elected in their tender to transfer GHG emission offset obligations to BC Hydro:*

- Buyer Obligation: Buyer to assume GHG emission offset obligation, limited to GHG intensity tendered by Seller.
- Seller Obligation: Seller to retain GHG emission offset obligation in respect of offsets attributable to GHG intensity exceeding that tendered, together with all other GHG-related liabilities and obligations.

**Option #3 – Hourly Firm**

*Sellers that elected the “hourly firm” option in their tender:*

- For projects that elect the hourly firm option, the EPA will provide for hourly pricing and an hourly delivery obligation.
- For projects that elect the hourly firm option there will be a HLH and LLH contracted firm energy delivery rate for each month.
- Any energy in excess of the hourly firm energy delivery rate will receive the applicable non-firm energy price.
- Any energy in excess of the hourly firm energy delivery rate will not be included in the calculation of firm energy deliveries. Therefore, any shortfall in deliveries of the hourly firm energy delivery rate (except in hours where delivery is excused such as for Force Majeure, Planned Outages etc.) will result in liquidated damages payable by Seller.
- Sellers who have elected the hourly firm option will be required to deliver day ahead energy schedules which show projected energy deliveries in each hour for the next succeeding day.
- Absolute prohibition on Planned Outages during periods other than April to October, inclusive.

**Option #4 – Split Bid**

*Sellers that elected the “split bid” option in their tender:*

- Hourly firm Sellers electing the “split bid” option must tender a Split Bid Threshold Level (HLH and LLH MWh/h delivery rate for each month) at or above their hourly firm delivery rate. Energy produced in excess of the Split Bid Threshold Level would not be sold to, or purchased by, Buyer under the EPA.
- Monthly firm Sellers electing the “split bid” option must tender a Split Bid Threshold Level (MWh/h delivery rate for each month) at or above their average firm energy delivery rate. Energy produced in excess of the Split Bid Threshold Level would not be sold to, or purchased by, Buyer under the EPA.
- For either the hourly firm or monthly firm Seller, to the extent that the Split Bid Threshold Level exceeds the firm energy amount, there is no liability for failure to deliver above the firm energy delivery rate.
- Bidders may not sell energy to third parties below their Split Bid Threshold Level.

**APPENDIX 1**

**Sample Price Premium/Discount Table**

	HLH	LLH
January	113%	97%
February	109%	102%
March	105%	100%
April	103%	88%
May	104%	73%
June	104%	71%
July	104%	77%
August	104%	97%
September	105%	98%
October	103%	89%
November	106%	104%
December	117%	101%

**APPENDIX 2**

**Sample Monthly Calculation of Firm and Non-Firm Energy Calculation (MWh)**

	HLH	LLH	Total
Tendered Monthly Firm Energy	N/A	N/A	20
Total Energy Delivered	30 (60% of total)	20 (40% of total)	50
Firm Energy	12 (60% of tendered firm energy amount)	8 (40% of tendered firm energy amount)	20
Non-Firm Energy - Tier 1	12	8	20
Non-Firm Energy -Tier 2	6	4	10