



Vancouver Island Call for Tenders

**VI CFT Evaluation Methodology Workshop
January 6, 2004**

The material presented in this session and on these slides is a summary only of certain provisions of the Vancouver Island Call for Tenders and is not intended to provide legal advice. Where there is any conflict with the material in this session or in these slides, the provisions of the Vancouver Island Call for Tenders govern and bidders should carefully review those documents.

Workshop Agenda

Slide 2

Introduction

Rohan Soulsby

Mandatory Criteria & Risk Assessment

Steve Eckert

Evaluation Spreadsheets - Overview

Rohan Soulsby

Break

Live Demonstration

David Ince

Questions

Panel

Closing Remarks

Rohan Soulsby



Overview of Workshop

Slide 3

- Review of Mandatory Criteria and risk assessment
- Overview of the prototype evaluation (Tender and Portfolio) spreadsheets
- Live demonstration
- Questions and Answers



Agenda and Format

Slide 4

- Interactive presentation - questions can be asked throughout
- Wrap up with a Q&A session
- Questions will not be recorded or posted to the web. If further clarification is required, please use web Q&A tool
- Process has been developed for bidders to provide comments on the Evaluation Methodology (see VI CFT Addendum 5)



Housekeeping Details

Slide 5

- Workshop will run from 8:30 am to 12:00 pm
- Coffee break
- Exits and access to washrooms on either side of the Auditorium
- Cell phones off or in “quiet” mode



Scope of Workshop

Slide 6

- Purpose: to convey the technical aspects of the evaluation spreadsheets
- The evaluation spreadsheets reflect the VI CFT Addendum 1 and Addendum 6
- Bidders are not required to use the evaluation spreadsheets
- ***This workshop involves illustrative examples only - bidders are not to rely on any such example or on any data used in such illustrations***
- Purpose of the release of the evaluation spreadsheets: transparency



Next Steps

Slide 7

Bidders should refer to the revised VI CFT Schedule, issued December 15, 2003.

9 Jan 2004 - Deadline for submission of Bidder Reply/Comment Forms

13 Jan 2004 - Issue revised CFT, Prelim. Form EPA & VIGP Transfer Form Agreements, and Bidder Reply/Comment Forms, filed with BCUC

23 Jan 2004 - Deadline for BCUC approval of revised CFT, including Preliminary Form Agreements

QUESTIONS ?

Workshop Agenda

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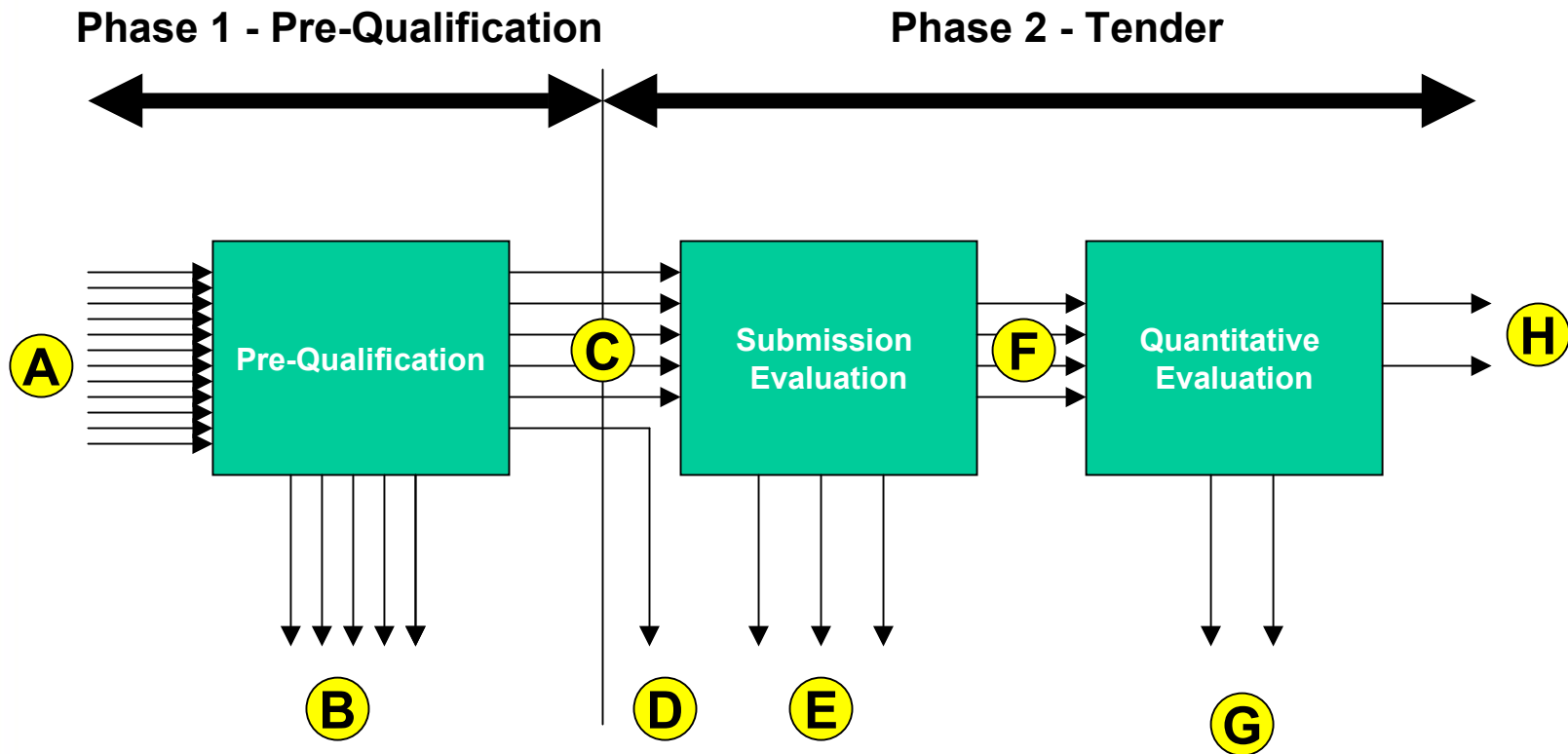
Mandatory Criteria & Risk Assessment

Slide 10

- Addressed in this workshop to provide context for Quantitative Evaluation
- All information more fully addressed in:
 - Pre-Qualification Workshop (14 Nov 2003)
 - Tender Workshop (2 June 2004)
- Detailed requirements included in:
 - CFT
 - Addendum 3 (Pre-Qualification Submission)
 - Addendum 4 (Development Risk Assessment)
 - Addendum 7 (Fuel Supply Certainty Assessment)

Mandatory Criteria and Risk Assessment - Overview

Slide 11



Application of Criteria (pre-QEC)

	<u>Pre-Qualification</u>	<u>Tender</u>
Bidder Criteria		
Financial Capacity and Creditworthiness	✓	✓
Experience	✓	✓
Project Criteria		
Location	✓	✓
Proven Technology	✓	✓
New Dependable Capacity	✓	✓
Fuel Certainty		✓
Tender Capacity	✓	✓
Project Capacity	✓	✓
COD	✓	✓
Term	✓	✓
No Split Bids		
Development Risk Assessment		✓



Mandatory Criteria – Bidder

Slide 13

- Financial Capacity and Creditworthiness
 - Demonstration of financial strength to successfully finance the proposed project(s)
 - Satisfaction that bidder can provide securities required under CFT and EPA
- Development/Operating Experience
 - Bidder must be reputable
 - Access to relevant experience necessary to successfully develop and operate the project(s)



Mandatory Criteria – Project

Slide 14

- Location – must be on Vancouver Island
- Technology – proven and in commercial use
- New Dependable Capacity - guaranteed availability of 97% from October to March inclusive
- Minimum Size – must be at least 25 MW
- COD – May 1, 2007
- Term – 10 to 25 years for EPA

Mandatory Criteria – Fuel Certainty

Slide 15

- Addendum 7
- Fuel supply consistent with 97% availability during the period October to March inclusive over the term of the EPA:
 - Fuel (including wind or water as applicable)
 - Fuel transportation as applicable
 - On-site fuel storage capacity as applicable

Development Risk Assessment

Slide 16

- Addendum 4 issued on 20 November 2003
- Criteria:
 - Realistic schedule that is readily achievable
 - Site control
 - Site properly zoned
 - Permits are (i) in hand or (ii) on schedule with high likelihood that permits can be secured in sufficient time to avoid COD delay
 - Public and First Nations consultations as required are (i) complete or (ii) on schedule with high likelihood that activities can be completed in sufficient time to avoid COD Delay
 - Design, engineering and procurement commitments and activities on schedule

Development Risk Assessment (cont.) Slide 17

- Development risk assessment of fuel transportation for tolled facilities completed prior to Tender Closing Time
- Development risk assessment of network upgrades completed prior to Tender Closing Time

Price and Quantitative Information

Slide 18

- Tenders meeting the Mandatory Criteria and determined not to have a high development risk
 - ⇒ Envelope containing Price and Quantitative Information opened and Tender evaluated by QEC
- Tenders not meeting the Mandatory Criteria or determined to have a high development risk
 - ⇒ Tender rejected, Tender Security returned, envelope containing Price and Quantitative Information returned unopened

QUESTIONS ?

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Live Demonstration David Ince

Questions Panel

Closing Remarks Rohan Soulsby



The Evaluation Process

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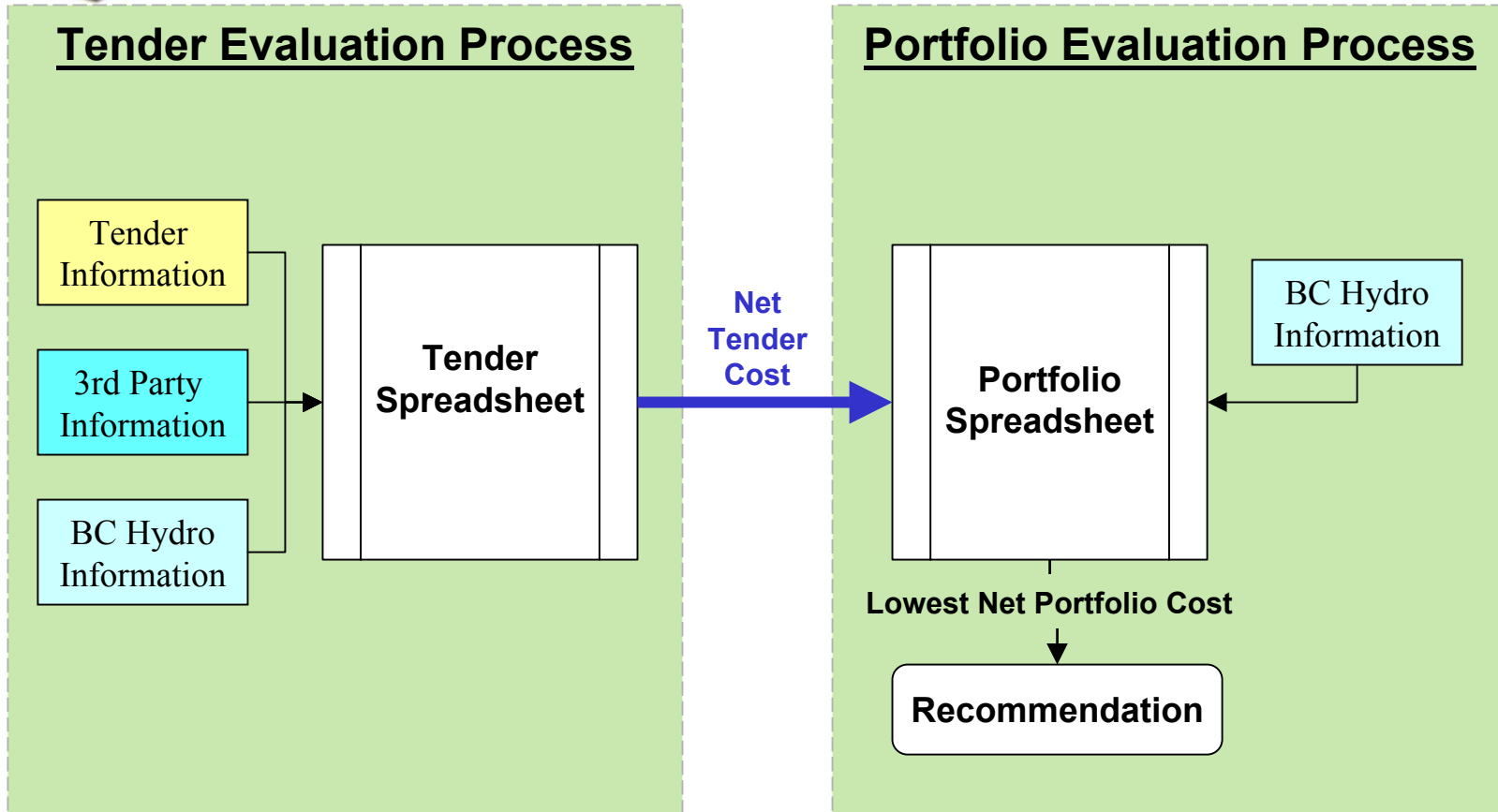
1. Mandatory Criteria Assessment
2. Development Risk Assessment
3. Net Tender Cost (Tender Spreadsheet)
4. Portfolio Assembly (Portfolio Spreadsheet)
5. Net Portfolio Cost (Portfolio Spreadsheet)
6. Portfolio with the lowest NPV will be recommended for EPA awards

Evolution of Spreadsheets

Slide 22

- The Tender Spreadsheet and the Portfolio Spreadsheet are prototypes.
- Revised Tender and Portfolio Spreadsheets will be issued no later than 30 days before Tender Closing Time.
- Bidders should refer to the revised VI CFT Schedule issued 15 December 2003.

Quantitative Evaluation





Tender Spreadsheet

Slide 24

Calculates the net present value of:

- the payments by BC Hydro to the Seller, plus
- the fuel supply costs (if any) incurred by BC Hydro, less
- the Energy Margin of the electricity produced by the Tender.



Portfolio Spreadsheet

Slide 25

- Mechanically assembles all possible combinations of Tenders into eligible portfolios, ranging in size from 150 MW to 300 MW, average degraded capacity, excluding all mutually exclusive Tenders
- Adds portfolio specific costs and credits to arrive at the NPV for each eligible portfolio



Tender Spreadsheet Inputs

Slide 26

- EPA Term
- Bid Capacity & Capacity Degradation Factor
- Capacity Conversion Table inputs (ambient conditions adjustment)
- Capital Charge, Fixed O&M Charge, Energy Charge
- Escalation rates
- Plant operation: Must Run or Dispatchable (specified for each calendar month)
- Scheduled Planned Outage Allowance Hours
- Maximum start-ups per year, cost of each start-up
- Minimum Turn Down (percentage)



Tender Spreadsheet Inputs (cont.)

Slide 27

Additional Inputs for Tolling Tenders:

- Guaranteed Heat Rate at COD and Average Ambient Conditions (AAC):
 - Baseload
 - Minimum Turndown
- Heat Rate Degradation Factor
- Heat Rate Conversion Table (ambient conditions adjustment)
- Fuel usage per start

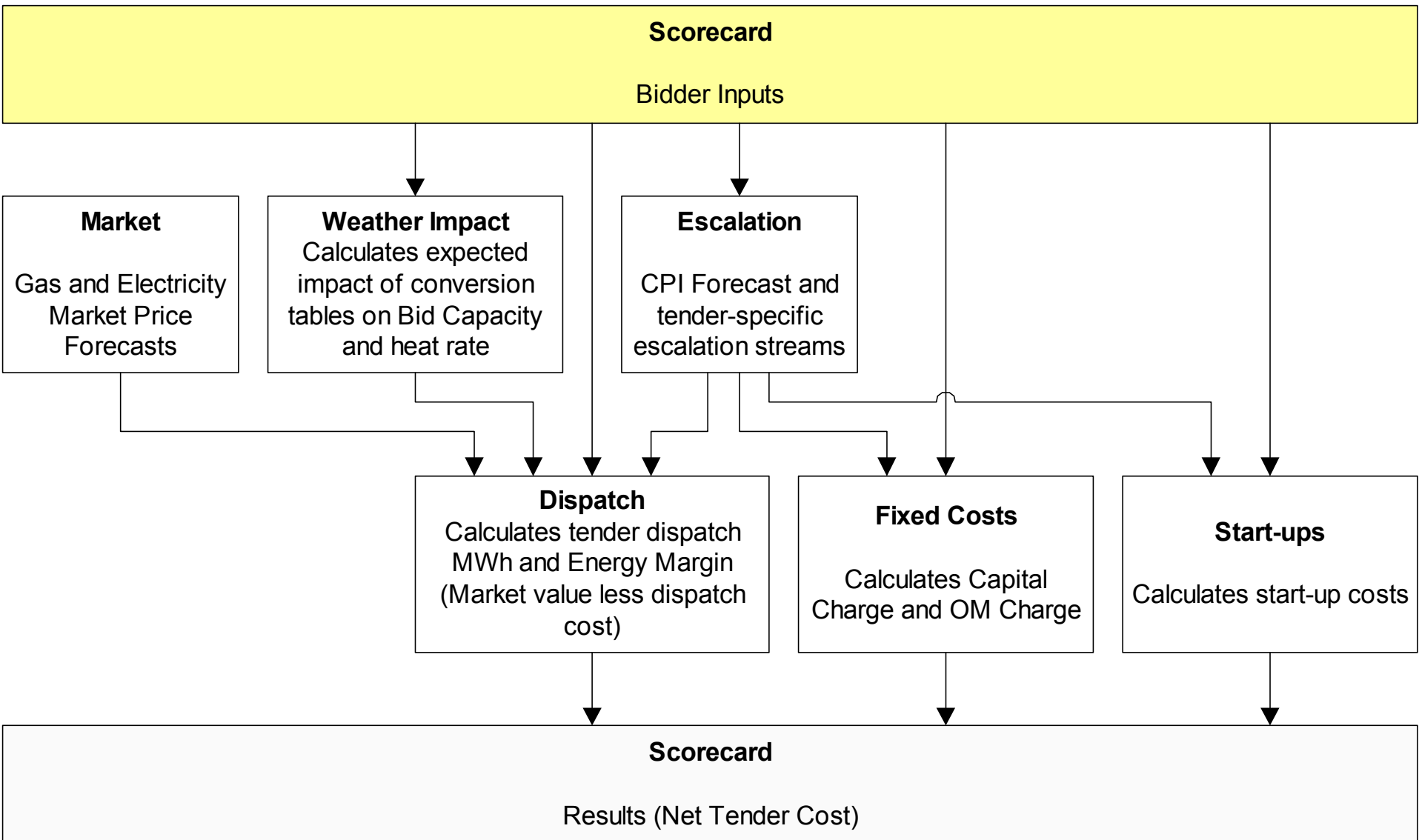
Tender Spreadsheet Outputs

Slide 28

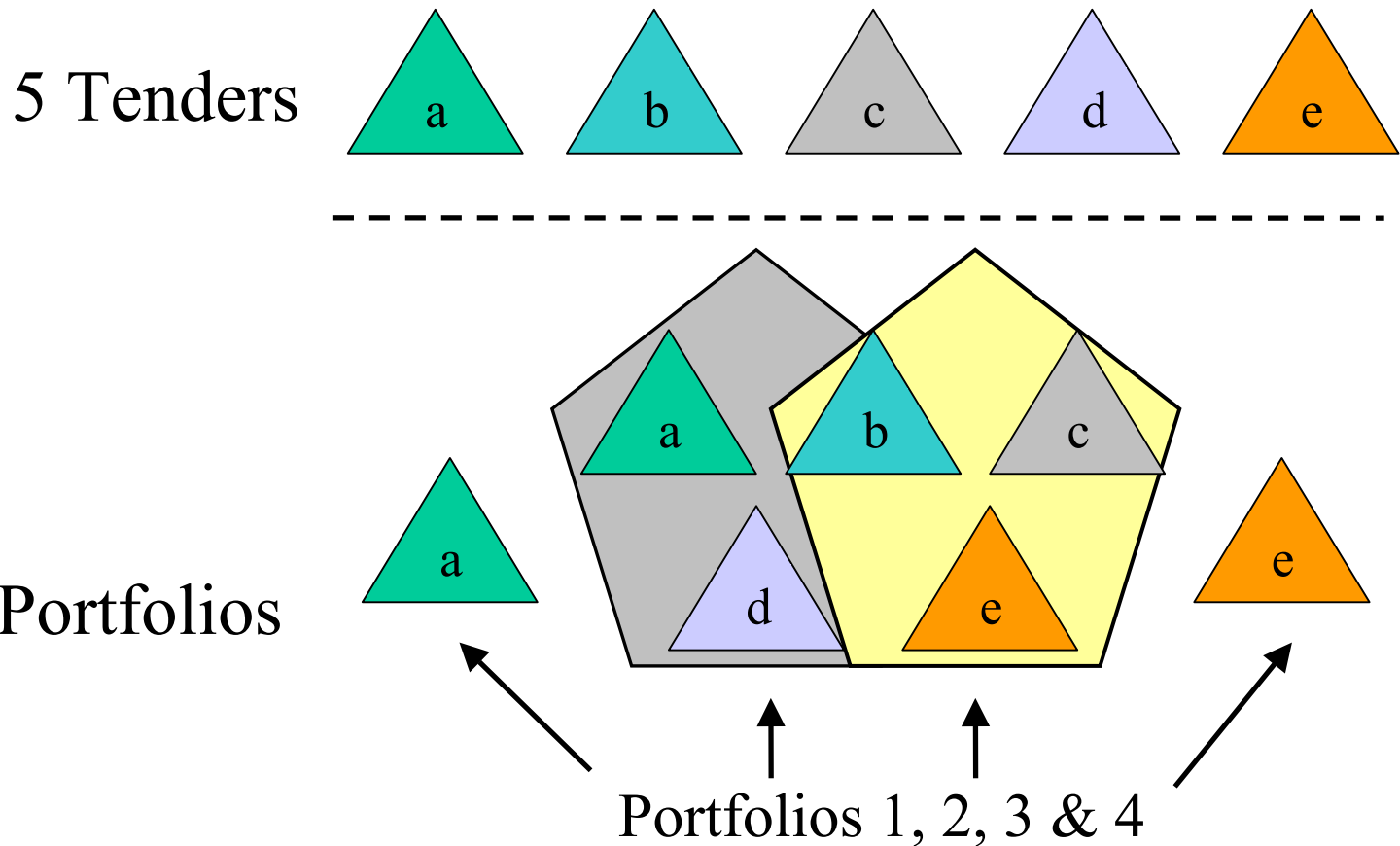
1. NPV of Capital and Fixed O&M Charges
2. NPV of Energy Margin =
NPV Market Value of Energy
- NPV Variable Cost of Dispatch
3. NPV of Start Up Costs

Net Tender Cost for each of the 5 price forecasts
= (1 - 2 + 3)

Tender Spreadsheet - Overview



Step 4: Portfolio Assembly



Portfolio Spreadsheet Inputs

Slide 31

- Based on Tender information, the Submission Evaluation Committee shall indicate which Tenders are mutually exclusive and which projects are peaking or must-run.
- The Quantitative Evaluation Committee shall input the following portfolio specific costs and credits:
 - The Net Tender Cost for each Tender (i.e. output from the Tender Spreadsheet) for each of the 5 market price forecasts
 - Transmission Deferral Value (based on Dependable Capacity)
 - VIGP Development Assets (\$50M), or VIGP Salvage (\$20M)
 - For tolling bids: Gas transportation costs incurred by BCH
 - Network Upgrade Costs specific to each portfolio



Portfolio Spreadsheet Outputs

Slide 32

Portfolio Net Present Values

- Listed in order of least cost to BC Hydro to highest cost to BC Hydro

Portfolio with the lowest NPV will form the basis of the QEC recommendation.

Tenders in the successful portfolio will be awarded EPAs.

QUESTIONS ?

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Questions Panel

Closing Remarks Rohan Soulsby

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