

## SCHEDULE A

BC HYDRO

### CALL FOR TENDERS FOR CAPACITY AND ENERGY SUPPLY ON VANCOUVER ISLAND

July 25, 2003

#### 1. **PURPOSE AND OBJECTIVES:**

1.1 **Purpose:** The purpose of the Call for Tenders (“CFT”) is to determine the preferred option for meeting BC Hydro’s need for dependable electrical capacity and associated electrical energy to serve load on Vancouver Island.

1.2 **Objectives:** The CFT process will be consistent with the process described in this Schedule A. The detailed design and execution of the process will be guided by these objectives:

- The interests of BC Hydro’s ratepayers will be served first and foremost.
- The process will be fair and seen to be fair. An independent reviewer will monitor the process. It will report to the BCUC on the fairness of process design and execution and on the impartiality of the evaluation.
- So far as practicable, the widest range of supply technologies and options will be accommodated.
- Bidders will be afforded meaningful opportunities to understand the process and will be consulted on the contract forms prior to tender.
- Contract terms will be generally consistent with commercial and legal terms and conditions in long-term supply arrangements used by other utilities in procuring electrical capacity and energy, recognising however the critical nature and timing of the need for new Vancouver Island supply.
- Evaluation criteria and methodology will be clearly disclosed and consistently applied. Criteria will include monetary and non-monetary elements.
- The preferred option will be determined by comparing the preferred tenders or suite of tenders with the BC Hydro build-own-operate option to which the CPCN is applicable and evaluating options in accordance with BC Hydro’s net present value portfolio analysis.

#### 2. **INVITATION AND PRODUCT AND TENDER OPTIONS:**

2.1 **Open Tender Invitation:** The CFT will be an open tender invitation.

2.2 **BC Hydro Requirements:** The CFT will invite tenders to meet BC Hydro’s need for 20 years’ supply of dependable electrical capacity of a minimum of 240 MW in aggregate on Vancouver Island and associated energy (if any), with a commercial operation date on or before November 2006.

2.3 **Product Options:** The CFT will accommodate a range of product options, including:

- Dependable Capacity and associated energy,

- Dependable Peaking Capacity and
- Demand Side Management (load displacement, load curtailment, PowerSmart, adjusted to reflect BC Hydro’s need for new Dependable Capacity on Vancouver Island).

2.4 **Multiple Projects:** Bidders tendering more than one project may choose to file separate bids for each project or aggregate their projects in one or more tendered project suites. Bidders may also file alternate priced tenders representing single and/or aggregated projects.

2.5 **Pricing:** Tendered pricing shall be firm. Pricing for new generation will include a capacity charge (expressed in \$/MW) and an energy charge (expressed in \$/MWh) for delivery at the point of interconnection with the transmission or distribution system.

2.6 **VIGP Option:** Bidders may choose to tender for the acquisition of the existing VIGP assets and completion of that project on a build-own-operate basis (the “VIGP Option”). Assets include the site, existing site services agreement, steam turbine generator and associated supply contract, preliminary engineering and a completed Interconnection Study and Cost Estimate. Bidders will be asked to include the value they place on the pre-development assets. It is anticipated that an Environmental Assessment Approval Certificate will also be available. Bidders who elect the VIGP Option will be given access to relevant VIGP data, including equipment inspection and a site visit.

### 3. **INTERCONNECTION:**

3.1 **Interconnection Study:** Bidders must make timely application to BC Hydro – Office of Generator Interconnections for an Interconnection Study and Cost Estimate, which must be available by the tender closing time. Bidders will be responsible for concluding any required interconnection and facilities agreements with that office.

3.2 **VIGP Option:** Bidders who elect the VIGP Option will not be required to obtain a new or updated Interconnection Study and Cost Estimate, unless their project characteristics vary from those on which the existing study was based.

3.3 **Interconnection Costs:** BC Hydro will bear interconnection costs properly allocable to capacity committed to BC Hydro, except to the extent that costs are incurred as a result of the actual project characteristics differing from those on which the Interconnection Study and Cost Estimate were based. Cost borne by BC Hydro will be considered in tender evaluation.

3.4 **Constraint Areas:** BC Hydro will identify any existing interconnection and transmission constraint areas on Vancouver Island, which may assist bidders in siting projects.

### 4. **GAS-FIRED GENERATION – FUEL RISK:**

Regardless of the gas transportation system utilized, bidders tendering gas-fired generation will have options on the treatment of fuel commodity and transportation delivery and cost risks, including the assumption of those risks or utilizing a “tolling type” option. Fuel risk treatment will be considered in tender evaluation.

### 5. **PROCESS:**

5.1 **Integrated Process:** All tenders, whether based on a VIGP Option or a non-VIGP option, will be consistently processed and evaluated within a single, integrated CFT process.

5.2 **Phase 1 – Pre-qualification:** The purpose of Phase 1 is to determine whether bidders and projects are likely to meet Mandatory Criteria and to avoid unnecessary effort and expense for those bidders which are unlikely to do so. This Phase will include:

- Early bidder registration of intent to participate in the process. Bidders may withdraw before the Tender Closing Time without liability or penalty.
- A Bidders' Pre-qualification Workshop.
- Website Q&As.
- Submission of a Pre-qualification Form containing information necessary to determine the likelihood that the bidder and project meet the Mandatory Criteria.
- Evaluation and short-listing.
- An opportunity for Bidders to provide input on contract forms before they are finalized prior to the tender closing time.

5.3 **Phase 2 – Tender:** Only short-listed bidders will be eligible to submit a tender. This Phase will include:

- A Bidders' Tender Workshop.
- Website Q&As.
- Submission of tenders, with tender security.
- Evaluation and determination of the preferred option(s), award and signing of contracts.

## 6. **EVALUATION:**

6.1 **Mandatory Criteria:** Tenders must meet Mandatory Criteria, which will include:

- ***The Bidder:***
  - Financial strength and creditworthiness,
  - Demonstrated and relevant development and operating experience, or secure access to that experience for the project,
- ***The Project:***
  - *Location:* Generating facilities located on Vancouver Island.
  - *Minimum Capacity:* 25 MW of Dependable Capacity for each bidder in the aggregate (minimum may consist of one or more projects tendered as a suite).
  - *Commercial Operation Date:* A realistic schedule demonstrating a high likelihood that COD will occur on or before November 2006.

- *Proven Technology:* The project must employ only proven technology and not nuclear technology.
- *Predevelopment Schedule:* The bidder must demonstrate that all permits and approvals required for the commencement of construction of the project have been obtained, or that it is reasonable to expect that they can be obtained in time to allow for COD on or before November 2006. Any condition contained in the tender relative to such permits and approvals must be satisfied before the signing date of an awarded contract.

6.2 **Desirable Criteria:** Bidders and projects that meet Mandatory Criteria, will be evaluated based on tendered prices and Desirable Criteria. These criteria will be clearly disclosed and weighted. To the extent fair and practicable, they will be monetized for evaluation and comparison purposes. Desirable Criteria are likely to include:

- Impact of interconnection costs borne by BC Hydro,
- Impact of fuel risk and cost borne by BC Hydro,
- Commercial operation date,
- Term,
- Operational flexibility, including dispatchability,
- Energy profile and volume,
- GHG emissions and “greenness”.

For tender comparison purposes, the BC Hydro “build-own-operate” option will be benchmarked to reflect risk allocation (e.g. construction, fuel/fuel efficiency risks, etc.). Tenders or tender suites will be evaluated in accordance with BC Hydro’s net present value portfolio analysis in a manner consistent with the CPCN application. Portfolio methodology will be outlined in the CFT and the Bidders’ Tender Workshop.

The evaluation will determine the relative cost-effectiveness and reliability of each tender and/or portfolio relative to BC Hydro’s obligation to serve load on a system-wide basis. Putting the interests of BC Hydro’s ratepayers first and foremost, the preferred supply option will be selected on the basis of incremental costs to BC Hydro net of recovered VIGP pre-development costs, and will be tested against key sensitivities such as alternative future market conditions for gas price and electricity price scenarios.

## 7. **INDEPENDENT REVIEWER:**

7.1 **Selection/Role:** A qualified and experienced Independent Reviewer will be selected by BC Hydro through a competitive RFP process. The selection will be subject to BCUC approval. The Independent Reviewer will:

- Review and report on the fairness of the CFT terms before issue,
- Monitor and report on the fairness of the execution of Phase 1,
- Monitor and report on the fairness of the execution of Phase 2.

- Review and report on the impartiality of the evaluation.
- Provide to the BCUC such interim reports as it may reasonably request.

7.2 **Full Access to CFT Data:** The Independent Reviewer will be entitled to full confidential access to all CFT data, including the CFT documents, addenda, tenders, Q&As, workshop attendance and proceedings, other communications between BC Hydro and bidders and tender evaluations.

7.3 **Bidder Consultation:** Bidders will have the opportunity in workshop sessions, in the absence of BC Hydro representatives, to offer to the Independent Reviewer comment on the CFT process, and particularly its fairness and impartiality. Bidder comment, without attribution, may form the basis of the Independent Reviewer’s recommendations to BC Hydro on adjustments required to the CFT process in the interest of maintaining fairness and impartiality.

8. **TRANSPARENCY:**

The CFT will be transparent. Subject to protection of bidder’s proprietary and commercially sensitive information, public disclosure will include:

- The CFT and all addenda, workshop proceedings and Q&As,
- The terms of reference of the Independent Reviewer and all its reports,
- Phase 1 short list, including bidder and project name, location, capacity and technology type,
- Phase 2 preferred option, including as to contracts awarded, bidder and project name, location, capacity, technology type, pricing and contracts. Pricing of unsuccessful tenders will not be disclosed publicly.

9. **SCHEDULE:**

Based on a conditional CPCN issued September 2, 2003, the following is the proposed CFT schedule:

<b>Phase 1 – Pre-qualification</b>	<b>Date/Time</b>
Issue CFT/EPA	19 September 2003
Deadline for Bidder Registration/Prequalification Workshop Registration	26 September 2003
Access to VIGP data	29 September 2003
Bidders’ Pre-qualification Workshop	1 October 2003
VIGP Option Site Visit	2 – 9 October 2003
Deadline for Submission of Pre-qualification Form	15 October 2003
Filing of Independent Reviewer’s Phase 1 Report, announcement of Pre-qualified short list of Bidders and deadline for Bidders’ comments on Preliminary Form EPA	14 November 2003

<b>Phase 2 - Tender</b>	<b>Date/Time</b>
Deadline for filing Interconnection Study Application	21 November 2003
Issue of Final Form of EPA and VIGP Option Transfer Agreements	19 December 2003
Bidders' Tender Workshop	30 January 2004
Deadline for Submission of Tenders and Tender Security	27 February 2004
Filing of Independent Reviewer's Final Report	30 April 2004
Announcement of Preferred Option/Award of EPA(s)	30 April 2004
Execution of EPA(s) and, if applicable, VIGP Option Transfer Agreements	28 May 2004

10. **GENERAL CONDITIONS:**

The initial CFT may be modified by Addenda during Phase 1 and during Phase 2 before the tender closing time to accommodate issues arising in the course of executing the CFT. Modifications will be consistent with the purpose, objectives and principles set out in this Schedule A, or otherwise have the approval of the BCUC. BC Hydro may terminate the process if insufficient bidders participate or bidder participation represents insufficient Dependable Capacity. Bidders will be required to bid to prescribed contract forms. Tenders that include unauthorized conditions and qualifications will not be considered. Contract terms and conditions are not negotiable. Late delivered pre-qualification forms or tenders will not be considered. Tenders will constitute binding legal offers, supported by significant tender security. BC Hydro will be entitled to reject any or all tenders that are not evaluated as the preferred option. BC Hydro may reject all tenders if the acceptable aggregate Dependable Capacity is less than 240 MW. The CFT will contain other general terms and conditions typical of public tender procurement documents and designed to ensure a fair, transparent and truly competitive process.

11. **VARIATIONS:**

It is BC Hydro's intent to design and execute a process consistent with this document. However, this document is a summary, prepared before the CFT process detailed design is complete. Accordingly, BC Hydro may vary this document with the approval of the BCUC and with notice to interveners, in the course of finalizing the design and execution of the process.