

COLUMBIA POWER CORPORATION (“CPC”)

CPC Information Request No. 1 to B.C. Hydro and Power Authority (“BC Hydro”)

July 26, 2005

Project No. 3698388 / Letter No. L-28-05

BC Hydro – 2005 REAP

F2006 Open Call for Power Documents Issued July 15, 2005

Reference: Schedule B, Page 2: Price *“Guaranteed COD: Seller guarantees COD as tendered (between 1 October 2008 and 1 October 2009)”*

Q1. Since developers of independent power projects typically require a signed Power Purchase Agreement (“PPA”) prior to arranging project finance and proceeding with project construction, and since large hydro power projects typically have significantly longer permitting and construction times than smaller projects or large gas-fired thermal projects, doesn’t an October 2009 Guaranteed COD effectively preclude new large hydro power projects from bidding into the F2006 Call for Power?

Reference: Procurement Process Description, Page 5: Energy Profiles *“Large Projects: ... Note that the total amount of monthly or hourly firm energy that a Large Project may tender during April, May, June and July is limited to 1/3 of the annual firm energy tendered. BC Hydro will accept energy in excess of this limit during this period, but such energy will be subject to a discounted price”*

Q2a. Please explain why energy that can be provided on a firm basis during the months of April through July is treated as if it were non-firm and subjected to a discounted price? Doesn’t the Sample Price Premium/Discount Table in Appendix 1 already discount the price of firm energy on a monthly basis to reflect seasonal changes in the value of firm energy?

Q2b. Please provide the rationale for using 1/3 of the annual firm energy tendered? Doesn’t this create a bias against hydro power projects, and in favour of thermal power projects such as gas-fired plants?

Q2c. Does BC Hydro typically consider April part of freshet? If so, please provide specific examples of other BC Hydro policies that include April in the freshet period.

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Reference: Procurement Process Description, Page 5: “No Current Contracts: A project, whether or not developed, in respect of which the tendered output is already under contract to BC Hydro or others (including any right of first refusal or similar requirement) from the tendered COD is not eligible for this Call.”

Q3. Does this prohibit a bidder who currently has an existing sales contract with a third party that expires, or legally can be terminated, before COD from bidding into the F2006 Open Call for Power? If so, what is the rationale for this restriction, particularly in the case where the power is under contract to a third party?

Reference: Schedule B, Page 2: “Early COD: COD can occur up to 12 months before Guaranteed COD, but not earlier than 1 January 2008”

Q4. Can new projects with a COD before 1 January 2008 be bid into the F2006 Open Call for Power? If not, why not?

Reference: Schedule B, Page 4: “No Third Party Sales Post-COD: After the earlier of COD and Guaranteed COD, Seller required to deliver [the] entire output of Seller’s Plant to Buyer”

Q5. Please explain the apparent inconsistency between on the one hand requiring delivery of the entire output of a plant, and on the other hand allowing split bids for large projects

Reference: Schedule B, Page 7: Performance Security Amount: “Seller to provide clean, unconditional, and irrevocable letter of credit on EPA signing equal to \$60,000/MW of project capacity”

Q6. To reflect the provision for split bids, why isn’t the Performance Security Amount based on bid capacity rather than project capacity??

Reference: Schedule B, Page 4: “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.”

Q7. A Seller will typically schedule Planned Outages to minimize the financial impact of those outages. Does the referenced statement above restrict the Buyer’s right to require rescheduling of a Planned Outage if there would be a materially adverse effect on the sales revenues to the Seller?