

**66.0 Reference: Exhibit B-1, Tab N, EPA Filing, GSX Issues**

- 2.66.1 Please describe any potential liabilities to BC Hydro or its affiliates and subsidiaries ("BCH Family"), under any circumstances, in the event the GSX pipeline project terminates.
- 2.66.1.1 What is the status of the GSX project and the agreements between its proponents and the BCH Family? From BC Hydro's perspective, is the project still an option for supplying the DPPLP plant?
- 2.66.1.2 Please file the contract(s) between BCH Family and Williams or other involved parties.
- 2.66.1.3 Do any of the BCH Family contracts with Williams or other GSX parties contain a clause of like effect to Article 3.2 of the EPA, and if so, what would be the amount potentially payable by BCH Family?

**RESPONSE:**

**This Information Request is out of scope.**

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**67.0 Reference: Exhibit B-1, Tab N, EPA Filing, Exhibit B-1, Tab N and Exhibit B-4**

2.67.1.1 Please file in confidence with the BCUC, a mark-up of the generic EPA showing all differences between the DPPLP and the EPA.

**RESPONSE:**

**THIS INFORMATION RESPONSE IS BEING FILED IN CONFIDENCE  
WITH THE BCUC.**

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**68.0 Reference: Exhibit B-1, Tab N, EPA Filing, Miscellaneous**

2.68.1 Why is the typical “improper draw” clause in favour of Seller regarding letters of credit draws not included?

**RESPONSE:**

**This Information Request is out of scope.**

**68.0 Reference: Exhibit B-1, Tab N, EPA Filing, Miscellaneous**

2.68.2 Please identify legislation, acts, regulations, or agreements that impose on Terasen a legal obligation to serve the DPLLP plant with gas transportation services.

2.68.2.1 What arrangements and action on the part of Terasen and BC Hydro are required to obtain such service? What is the status of the arrangements? Are negotiations for service underway? When is completion anticipated?

2.68.2.2 What risks does BC Hydro run in committing to DPPLP via its EPA and other agreements without (apparently) formal arrangements with gas transporters and suppliers? If BC Hydro sees no risk, please explain why.

2.68.2.3 Please file all communications between Terasen and BC Hydro relating to the negotiations for transportation service. Pricing or other confidential information may be redacted.

2.68.2.4 What is BC Hydro's fallback plan if, for whatever reason, gas or gas transportations service is not available at the plant in time for commissioning, testing, and COD?

**RESPONSE:**

**A public utility's special status results in four major obligations being imposed on it:**

- **Within its service area, it must serve any customer who is willing and able to pay for the service.**
- **It must render safe and adequate service, pursuant to recognized standards such as voltage requirements for electricity or pressure requirements for gas.**
- **Subject to legislative provisions to the contrary, it must serve all customers on equal terms, without unjust or undue discrimination.**
- **It must charge only a "just and reasonable" rate for the service rendered, a requirement that has no parallel with businesses that are not public utilities.**

**The basis for these obligations arose at common law and has been conceptualized variously: "businesses affected with a public interest," facilities that stand in the very gateway of commerce, and take toll from all who pass" or, in economic terms, as typifying a service with the characteristics of a "natural monopoly." Jurisdictions throughout North America have since codified, qualified or expanded the common law with statutes such as the**

***Utilities Commission Act*, R.S.B.C. 1996, c. 473 (the “Act”). Key provisions of the Act that reflect or relate to these principles and that could potentially affect TGVI’s obligation to supply gas transportation services to Duke Point are:**

- s. 1**           **Definitions of “public utility,” “rate,” “service”**
- s. 23**           **Commission’s supervisory power over utilities, including power to make orders about equipment, extensions, and other matters necessary for the safety, convenience or service of the public**
- s. 25**           **Commission power to determine adequacy of service and order its provision**
- s. 26**           **Commission power to set adequate, just and reasonable standards**
- s. 30**           **Commission power to order system extensions on terms**
- s. 38**           **Utility obligation to provide adequate, safe, reasonable service**
- s. 39**           **Utility obligation to provide service without undue discrimination or delay**
- s. 42**           **Utility obligation to obey Commission orders**
- ss. 59, 60**      **Utility obligation to not demand or receive unjust or unreasonable rates; Commission power to determine justness or reasonableness**
- ss. 61, 63**      **Utility obligation to file rates and charge only those rates**

**There are currently no agreements between TGVI and BC Hydro that would impose a legal obligation on TGVI to deliver gas to the Duke Point plant.**

2.68.2.1 What arrangements and action on the part of Terasen and BC Hydro are required to obtain such service? What is the status of the arrangements? Are negotiations for service underway? When is completion anticipated?

## **RESPONSE**

**The procedure for arranging service is that the customer (BC Hydro) requests service from the utility (TGVI). For a customer on the high pressure transmission system, such a request may lead to negotiations to conclude a service agreement, which is then filed as a rate schedule for review and approval by the Commission. Absent negotiations, or in the event that negotiations fail, the customer may apply to the Commission to order the utility to provide service on reasonable rates, terms and conditions.**

**Negotiations between BC Hydro and TGVI for a long term agreement for gas delivery to ICP and Duke Point commencing on 2007 have broken off. BC Hydro is currently considering its options in terms of securing service from TGVI as well as alternative that do not involve TGVI.**

2.68.2.2 What risks does BC Hydro run in committing to DPPLP via its EPA and other agreements without (apparently) formal arrangements with gas transporters and suppliers? If BC Hydro sees no risk, please explain why.

## **RESPONSE**

**BC Hydro sees very little risk. Gas commodity can be bought at Huntingdon/ Sumas or Station #2, both of which are liquid trading hubs. Long term agreements are not needed to ensure that gas commodity will be available to BC Hydro in 2007. As to gas delivery via the TGVI system for 2007, BC Hydro believes that a short-term arrangement can be in place with TGVI by November 2005 (see BC Hydro's responses to BCUC IRs 2.47.9 and 2.47.11). Such an arrangement would meet most of the firm delivery requirement for Duke Point in 2007.**

**BC Hydro also intends to investigate securing dual fuel capability for Duke Point, which would enhance the ability of the plant to produce dependable capacity with minimal expansion of the TGVI system. For 2008 and beyond, BC Hydro will continue to explore alternatives, including further short-term arrangements with TGVI, a potential long-term service arrangement with TGVI, and direct delivery of LNG.**

2.68.2.3 Please file all communications between Terasen and BC Hydro relating to the negotiations for transportation service. Pricing or other confidential information may be redacted.

## **RESPONSE**

**BC Hydro does not believe potential TGVI tolling issues are within the scope of this hearing. For convenience the basic positions were filed in response to BCUC IR 2.47.2. BC Hydro and TGVI have filed exhibits in TGVI's CPCN proceeding indicating the parties' respective positions on negotiation of a long term service agreement. These exhibits are attached to BC Hydro's response to BCUC IR 2.47.2. This information should allow the Commission to understand the key negotiating issues and the positions of the parties.**

2.68.2.4 What is BC Hydro's fallback plan if, for whatever reason, gas or gas transportations service is not available at the plant in time for commissioning, testing, and COD?

## **RESPONSE**

**It is reasonable to make the assumption that gas or gas transportation service will be available for commissioning, testing, and COD. As discussed in BC Hydro's response to BCUC IR 2.68.2.2, gas commodity is expected to be available at Huntingdon/Sumas and/or Station #2. With respect to gas transportation, the existing TGI system should have sufficient seasonal delivery capacity to permit commissioning of the Duke Point project.**

**However, if commissioning is delayed due to high loads or capacity shortfalls on the TGI system, the EPA permits COD to be delayed beyond May 1, 2007 if necessary. Further, as discussed in response to BCUC IR 2.47.11, it is reasonable to expect that TGI could complete compressor expansions by at least 2007, such that a minimum of 40 TJ/day of firm gas delivery could be provided to Duke Point for the winter of 2007/08.**

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**69.0 Reference: Report on CFT Process, Exhibit B-1, Background**

2.69.1 Page: 6: How many parties in the CFT process at April 30 2004 dropped out in March 2004 after the March 5 issuance of Addendum 10? Please identify the parties. Did any cite Addendum 10 as the reason, and if so, what, if any, specific provisions did they cite? Please file any relevant correspondence from bidders as to their reasons for dropping out of the process.

**RESPONSE:**

**One party withdrew in March 2004 after the issuance of Addendum 10. It did not cite Addendum 10 as the reason.**

**69.0 Reference: Report on CFT Process, Exhibit B-1, Background**

2.69.2 Page 8: Please file, in confidence with the BCUC if necessary, both BC Hydro's written recommendations and reports with the full reasons for disqualifying the three bidders mentioned in section 2.6, and the INRV's written confirmation of same. Please clearly indicate the mandatory criteria each bidder failed to meet, the evidence to that effect, and file the bidders' responses to the disqualification, if any. Please also file the reports of any third party experts involved in the evaluations leading to the disqualifications.

**RESPONSE:**

**This Information Request is out of scope.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.69.3</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**69.0 Reference: Report on CFT Process, Exhibit B-1, Background**

2.69.3 Page 8: Section 2.6, paragraph 2, indicates 3 bidders were disqualified from 11, presumably leaving 8 pre-qualified bidders. The first paragraph of section 2.7 mentions 9 pre-qualified bidders submitted proposals at a later date. Please explain.

**RESPONSE:**

**Fourteen bidders submitted Pre-Qualification Submissions. Three were disqualified, resulting in 11 pre-qualified bidders.**

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**69.0 Reference: Report on CFT Process, Exhibit B-1, Background**

2.69.4 Page 8: Please file, in confidence with the BCUC if necessary, both BC Hydro's written recommendations and reports with the full reasons for disqualifying the three bidders mentioned in section 2.7, and the INRV's written confirmation of the fairness of the disqualifications. Please clearly indicate the "non-compliance" in detail, the evidence to that effect, and bidders' responses, if any. For the bidder disqualified due to "material conditions," please file a copy of those conditions, with the reasons BC Hydro feels they are material.

**RESPONSE:**

**This Information Request is out of scope.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.69.5</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**69.0 Reference: Report on CFT Process, Exhibit B-1, Background**

2.69.5 Has BC Hydro conducted any post mortem to determine why of 23 registered parties, only 11 pre-qualified as of April 29, and of that number, only 4 were not disqualified from tendering?

**RESPONSE:**

**No. Please refer to the CFT Report, section 2.7. BC Hydro considered that the six tenders and ten projects submitted by the deadline demonstrated a healthy competition.**

**69.0 Reference: Report on CFT Process, Exhibit B-1, Background**

2.69.6 Page 9: Please indicate the type and location of each of the 6 evaluated projects, and indicate if they are VIGP type projects.

**RESPONSE:**

The projects were gas-fired (with and without duct firing), dual fuel and biomass, and were located in Nanaimo, Gold River and Ladysmith. Please see Table IR 2.69.6 for a more detailed breakdown.

**Table IR 2.69.6**

<b>Type</b>	<b>Location</b>	<b>VIGP Type</b>
<b>252 MW gas-fired without duct firing</b>	<b>Nanaimo</b>	<b>Yes</b>
<b>280 MW gas-fired with duct firing</b>	<b>Nanaimo</b>	<b>Yes</b>
<b>250 MW gas-fired without duct firing</b>	<b>Nanaimo</b>	<b>Yes</b>
<b>285 MW gas-fired with duct firing</b>	<b>Nanaimo</b>	<b>Yes</b>
<b>75 MW biomass</b>	<b>Gold River</b>	<b>No</b>
<b>47 MW dual fuel gas-fired</b>	<b>Ladysmith</b>	<b>No</b>

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**69.0 Reference: Report on CFT Process, Exhibit B-1, Background**

2.69.7 Page 18: Please explain whether or not for emergency backup for Vancouver Island, BC Hydro expects to obtain the necessary permits for backup generation assuming the backup generation is operated only when necessary to “keep the lights on” on Vancouver Island?

**RESPONSE:**

**BC Hydro assumed that emergency backup generation would only be permitted to operate up to a maximum of 240 hours per year. This assumption is based on the air emission permit conditions for ICP related to fuel switching and operating on distillate.**

**BC Hydro does not know if the necessary permitting for this scenario could be obtained.**

**69.0 Reference: Report on CFT Process, Exhibit B-1, Background**

2.69.8 Page 24 section 9: BC Hydro states that “a competitive process should produce a cost effective outcome,” and that the BCUC should focus on competitiveness, not the outcome.

2.69.8.1 If a CFT process, including the EPA, imposed on bidders unduly harsh terms and conditions not typical of industry practice, or not commercially reasonable, and not required to attain the reliability and other requirements of Buyer, would that not directionally induce bidders to quit the process, or increase bid prices, compared to “normal” terms and conditions? If not, why not?

2.69.8.2 If such a scenario were to occur, would this not indicate that the process, although competitive, would not produce the lowest practical price or most “cost effective outcome” compared to a case where terms and conditions, while still appropriate, were less stringent?

**RESPONSE:**

**2.69.8.1**

**The competitiveness of the CFT process is evidenced by the number of bidders who participated in the call. There were initially 23 registered bidders, of which 14 submitted pre-qualification submissions in late March 2004. Of the 11 who pre-qualified, six submitted tenders in August 2004. As stated in the final report of the Independent Reviewer (see Appendix K-4 of the CFT Report): “With respect to the conduct by BC Hydro of the entire CFT process, it is our finding that it was a competitive process and conducted in a fair and transparent manner.”**

**As to the commercial reasonableness of the CFT, the call was driven by the timing and reliability imperatives arising from the pending retirement of the HVDC system for planning purposes. In June 2004, BC Hydro retained an external expert on energy project financing to ensure that the CFT and EPA terms facilitated project financing. The external advisor advised that the EPA terms and conditions were reasonable and would not hamper financibility of CFT projects.**

**There is no evidence to suggest that CFT bid prices were unduly high. As evidenced in BC Hydro’s CFT Report, the winning CFT portfolio (the Duke Point Power project) showed a significant NPV saving relative to the VIGP benchmark.**

#### **2.69.8.2**

**As noted in the response to BCUC IR 2.69.8.1, the CFT was designed with the objective of having standard commercial terms whilst recognizing the critical nature and timing of the need for new Vancouver Island supply. Thus, the CFT contained Mandatory Criteria and other key EPA terms and conditions which reflected these key timing and reliability imperatives.**

**During the process of finalizing the CFT and EPA, BC Hydro made several changes in response to bidder comments which had the effect of decreasing the stringency of the CFT terms and conditions. However, it was always necessary to retain significant financial penalties to ensure that bidders honoured their construction and operating obligations in keeping with the overriding timing and reliability imperatives.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.70.1</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004 <b>REVISED Response issued 06 January 2005</b> <b>SECOND REVISED Response issued 12 January 2005</b>	Page 1
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**70.0 Reference: Report on CFT Process, Exhibit B-1, Background, Tab A**

2.70.1 Appendix A, Sch. A, Page 42: Please provide the documentation supporting the mandatory criteria regarding the successful bidder, in confidence with the BCUC if necessary. Please indicate the arrangement and the personnel for commissioning, startup, and operations. What parties have partnered with Bidder to ensure the criteria are met, and what are their qualifications?

**RESPONSE:**

**THIS INFORMATION RESPONSE IS BEING FILED IN**  
**CONFIDENCE WITH THE BCUC**

**70.0 Reference: Report on CFT Process, Exhibit B-1, Background, Tab A**

2.70.2 Appendix A, Sch. A, Page 43: Please rationalize the mandatory requirement that any conditions relative to permits in the tender be satisfied before a contract will be signed, vs. industry practice, and vs. the draft Exhibit B-1, Tab N, EPA Article 17.2(b). Was this required of ICG or any of the model contracts?

**RESPONSE:**

The initial Schedule A stipulation regarding permits and approvals reflected the timing and reliability imperatives for the CFT relating to the critical need to have new electricity supply in place on Vancouver Island by 2007. Subsequently, BC Hydro relaxed the requirements for permits/approvals and allowed bidders to use commercially reasonable efforts to obtain Material Permits within 180 days of filing the EPA with the BCUC. As provided for in Article 17 of the EPA, if bidders fail to obtain the required permits within this time frame, they can choose to terminate the EPA by giving notice to BC Hydro and paying an amount equal to \$20,000 per MW of bid capacity.

Industry practice regarding permitting requirements for power purchase agreement varies widely and is typically a function of the nature of the required product (capacity versus energy) and the associated timing requirement. In BC Hydro's previous energy calls (CBG and GPG), the requirement to obtain Material Permits within 180 days of EPA execution was a condition subsequent, whose failure allowed either party to terminate the contract.

For the Vancouver Island CFT, it should be noted that bidders in their Tender submissions could indicate whether or not they had all Material Permits at the Tender Closing Time. In fact, Duke Point Power indicated that it had all Material Permits in place, thus nullifying the provisions of subsection 17.2(b) of the EPA with regard to the failure to obtain Material Permits.

ICP was not used on a model because it is a contract for energy, not capacity.

**70.0 Reference: Report on CFT Process, Exhibit B-1, Background, Tab A**

2.70.3 Appendix A, Sch. A, page 44: In the early stages of the process, the proposed INRV role provided for communication between bidders and the INRV in the workshops. Did such contact occur, and if not, why not?

2.70.3.1 If such contact was prohibited between bidders and INRV at any time, who issued the prohibition and what was the rationale?

2.70.3.2 Were bidders restricted from communicating with any other parties? Please provide a complete list of the parties to whom they were not permitted to communicate, with the rationale.

**RESPONSE:**

**There was no direct contact between bidders and the Independent Reviewer, given the communication restrictions contained in section 18.20 of the CFT. As noted in the response to Question #3 on BC Hydro's VI CFT website, to have allowed bidders to communicate directly with the Independent Reviewer would have risked tainting the impartiality of the Independent Reviewer.**

**The intent of the bidder consultation contemplated in Schedule A was that the Independent Reviewer could receive bidder comments on the CFT process, particularly with regard to its fairness and impartiality. In fact, the Independent Reviewer had access to all bidder comments and submissions throughout the entire CFT process. Furthermore, BC Hydro reviewed and considered all bidder comments on a 'bidder blind' basis without attribution. The Independent Reviewer oversaw that review and had full access to all bidder comments through that process.**

- 2.70.3.1 If such contact was prohibited between bidders and INRV at any time, who issued the prohibition and what was the rationale?

## **RESPONSE**

**As noted in the response to Question No. 3 posted on BC Hydro's VI CFT website, bidders were precluded from communicating with the Independent Reviewer in order to minimize the risk of tainting the Independent Reviewer's impartiality. This prohibition was requested by the Independent Reviewer shortly after being retained by BC Hydro. As further noted in the website response to Question No. 24, the Independent Reviewer had full access to all questions and comments submitted by bidders.**

- 2.70.3.2 Were bidders restricted from communicating with any other parties? Please provide a complete list of the parties to whom they were not permitted to communicate, with the rationale.

## **RESPONSE**

**As outlined in section 18.20 of the CFT (Appendix B), each bidder "will not engage in lobbying, or otherwise communicating directly to, any other director, officer, employee or agent of BC Hydro, the Independent Reviewer, any consultant or advisor to BC Hydro and/or VIEC, or any member of the Government of British Columbia".**

**Anti-lobbying provisions are common in competitive tendering processes, particularly involving public sector entities. In order to maintain fairness and transparency, BC Hydro did not permit direct contact with parties who could influence the outcome of the CFT process.**

**71.0 Reference: Report on CFT Process , Exhibit B-1, Tab B, Appendix 9, INRV, Role**

2.71.1 Why was the INRV not required to examine the terms and conditions of the CFT contracts, and particularly the EPA vs. the model contracts and perhaps the ICG EPA, to determine if they were reasonable vs. typical industry standards as adjusted for this project, and to ensure they were not biased towards a VIGP solution? Was this considered at any stage, either verbally or in writing?

2.71.1.1 Alternatively, why did BC Hydro not have the INRV review BC Hydro's work that set the terms and conditions to ensure they were reasonable and not likely to discourage competition unduly?

2.71.1.2 Please file all versions of the terms of reference for the INRV, and the RFP issued to those who bid on the INRV job.

2.71.1.3 Please file all responding tenders to the RFP. Pricing may be deleted.

**RESPONSE:**

**As outlined in the Independent Reviewer's Terms of Reference (Appendix 9 of the CFT), the initial role of the Independent Reviewer was to review and report on the fairness of the CFT terms before issue. Accordingly, the Independent Reviewer reviewed drafts of the CFT and the Preliminary Form EPA prior to their issuance on 31 October 2003. This document review allowed the Independent Reviewer to develop its Fairness Framework which focused on competitiveness, fairness and transparency. A key determinant of competitiveness was an assessment of the commercial terms of the CFT, including the EPA terms and conditions.**

**Throughout the entire CFT process, the Independent Reviewer reviewed and commented on various EPA revisions, culminating in the Final Form EPA issued on 31 July 2004.**

- 2.71.1.1 Alternatively, why did BC Hydro not have the INRV review BC Hydro's work that set the terms and conditions to ensure they were reasonable and not likely to discourage competition unduly?

## **RESPONSE**

**As outlined in its Initial Report (see Appendix K-1 of the Report on the CFT Process), the Independent Reviewer reviewed drafts of the CFT and Preliminary Form EPA during September and October 2004 as BC Hydro planned and developed the CFT. The Initial Report contains the following statements:**

- ***“Our team has received orientation on BC Hydro’s objectives for VICFT and been afforded the opportunity to discuss the development and preparation of the key documents for the VICFT.”***
- ***“IR Team members will monitor all interactions between BC Hydro and bidders as well as internal deliberations of BC Hydro officials throughout the solicitation and evaluation phases.”***
- ***“With this foundation, our judgment is that the VICFT is capable of producing a result that meets the objective for a fair and transparent competition.”***

**Following the issuance of the CFT on 31 October 2003, the Independent Reviewer was integrally involved in all subsequent revisions to the CFT and the EPA, including all CFT Addenda. As noted in the response to BCUC IR 2.71.1, a key element of the Independent Reviewer’s Fairness Framework was competitiveness, which included an assessment of the scope of the CFT and its commercial terms.**

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2.71.1.2 Please file all versions of the terms of reference for the INRV, and the RFP issued to those who bid on the INRV job.

## **RESPONSE**

**Attached is a copy of the Invitation for Proposals for Independent Reviewer services which was issued on July 29, 2003. The request for proposals contains a Scope of Work description which includes a 4-page terms of reference. The Terms of Reference contained in the CFT issued on October 31, 2003 (see Appendix 9) represent a condensed summary of the Scope of Work outlined in the Invitation for Proposals.**

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2.71.1.3 Please file all responding tenders to the RFP. Pricing may be deleted.

**RESPONSE**

**This Information Request is out of scope.**

# Invitation For Proposals (Consulting Services)



**Address:**

6911 Southpoint Drive, 13th floor  
Burnaby, B.C.  
V3N 4X8

**THIS IS NOT AN ORDER**

Proposals for providing the following consulting services, (the "Services"), will be received by John Miller, Supply Chain Policy Manager at the above address on or before **August 11, 2003** at **11:00 a.m.** (the "Proposal Closing Time").

**Date: July 29, 2003**

**BC Hydro Reference No.: Q3-3121**

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Description

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Proposals are requested for the services of an Independent Reviewer for the Call for Tender for new electricity supply on Vancouver Island that BC Hydro plans to conduct from August 2003 to April 2004.

Emailed proposals will not be accepted.

BC Hydro will open the Proposals publicly and shall make only the company names known at 2:00 p.m. local time on August 11, 2003.

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- 1. SUBMISSION OF PROPOSALS** - Proposals shall be sent to British Columbia Hydro and Power Authority ("BC Hydro") at the address above in quintuplicate clearly marked with the BC Hydro reference name or number. A Proponent may, at its own risk, submit one copy only of its Proposal by facsimile transmission to (604) 528-3174 or (604) 528-2578. All Proposals submitted by facsimile transmission must be received as a continuous transmission with the first page received on or before the Proposal Closing Time as evidenced by the date and time imprinted on the transmission received. If the Proposal is submitted by facsimile transmission, any other documents forming part of the Proposal must be delivered to BC Hydro at the address above by the Proposal Closing Time in triplicate.
  - 2. CLARIFICATION OF INFORMATION** - The Proponent shall inform itself of all aspects of the Services and none of BC Hydro, its directors, employees, or agents will be liable for any claim at any time for reimbursement for any expense incurred as a result of any unsuccessful Proponent's expenses of preparing a Proposal or misunderstanding in regard to the Services to be rendered. Written requests for clarification shall be sent to John Miller at least 5 days before the Proposal must be submitted. BC Hydro shall not be responsible for any instructions or information given to any individual other than by the individual named herein. BC Hydro reserves the right to request additional information from Proponents during the evaluation to allow BC Hydro to clarify issues in Proposals. This could be, but is not limited to, missed information or information not clear in a Proposal. BC Hydro will be under no obligation to receive further information, whether written or oral, from any Proponent. Proponents agree to hold BC Hydro safe and harmless against any claims regarding receiving information for evaluation purposes.
  - 3. PRICING REQUIREMENTS** - All lump sum fees or hourly rates proposed shall be firm, shall be in Canadian dollars, shall include all costs of performing all the Services required and shall include all taxes except Canadian federal Goods and Services Tax. All Proposals must include the Proponent's Canadian federal Goods and Services Tax registration number, if the Proponent is registered.
  - 4. NEGOTIATION AND EVALUATION OF PROPOSALS: AWARD OF CONTRACT** - BC Hydro reserves the right to reject any or all Proposals and to evaluate, at its sole and absolute discretion, any or all of the Proposals it receives on any basis it deems appropriate including, but not limited to, the following:

- (a) demonstrated understanding of the Services,
- (b) experience, reputation and technical capability of the personnel to perform the Services,
- (c) the overall costs to BC Hydro in respect of the Services, including its internal costs, as estimated by it having regard to any or all of those factors it deems in its absolute discretion to be relevant, including, but without limitation, those factors enumerated in this Clause 4,
- (d) the commercial credibility and the financial resources of the Proponent,
- (e) the environmental responsibility and safety compliance record of the Proponent, both in the experience of, and according to information deemed reliable by, BC Hydro, and
- (f) non-performance by the Proponent on previous contracts with BC Hydro, and any increased cost anticipated by BC Hydro resulting from extra work in respect of:
  - (i) inspection,
  - (ii) contract administration, or
  - (iii) dispute resolution.

BC Hydro reserves the right, at its sole discretion, to negotiate any aspect of any Proponent's Proposal at any time, including, but not limited to, reducing the scope and cost of the contract with any Proponent. A contract is awarded when BC Hydro notifies a Proponent that its Proposal has been accepted as submitted, or as negotiated, and then the Proponent shall be called the "Consultant".

**5. INVOICES** - The Consultant shall invoice monthly with supporting documents to BC Hydro for the Services rendered in the previous month, with a separate item for the amount of any Canadian federal Goods and Services Tax owing on the Services performed. BC Hydro's obligation to pay any amount shall be subject to any equitable adjustment authorized under this contract. There will be a withholding pursuant to the Canadian income tax legislation from payments of fees to non-resident individuals, partnerships and corporations for services rendered in Canada unless a Canada Customs and Revenue Agency waiver (a "CCRA Waiver") has been provided to BC Hydro within the time limits required under the Canada Customs and Revenue Agency ("CCRA") administrative guidelines as in effect from time to time, and in any event, prior to payment of an invoiced amount. In addition, there will be a withholding, regardless of the provision of a CCRA Waiver, for reimbursement of travel expenses (meaning reasonable transportation, accommodation and meal charges) not supported by the original or duplicated vendor receipts (not credit card statements) submitted at the time of invoicing, if such reimbursement is required under the contract. All invoices must clearly and separately identify travel expenses and work billed, but not performed in Canada, failing which there will be a withholding in accordance with applicable law and the administrative requirements of CCRA. The Consultant is responsible for, and shall pay, all Employment Insurance contributions, Canada Pension Plan contributions, and income tax payments required by law in respect of the contract and the Services performed by the Consultant for BC Hydro. All such payments shall be forwarded by the Consultant, as appropriate, directly to the government agencies involved as and when required in accordance with law. Proof of compliance with this requirement shall be provided to BC Hydro from time to time upon request.

**6. PAYMENT** - BC Hydro shall pay the Consultant within 30 days after receipt of an approved invoice. Interest is payable on an overdue amount at an annual rate calculated at the prime rate of interest charged by the Bank of Montreal plus 2 percent.

**7. TIME** - Time is of the essence in this contract. The Consultant shall perform the Services in accordance with any agreed schedule to meet the completion dates of this contract.

**8. INDEPENDENT CONTRACTOR** - The Consultant is an independent contractor and not an agent or employee of BC Hydro.

**9. DUTY** - The Consultant shall perform the Services with the same skill, care and diligence normally provided in the performance of similar services by others and shall provide all the qualified personnel, facilities and equipment necessary to perform all the Services. The Consultant shall only use key personnel who have been accepted by Hydro's representative ("Hydro's Representative").

The Consultant understands that BC Hydro or individuals on behalf of BC Hydro may review any drawings prepared by or on behalf of the Consultant or conduct technical reviews of the Contract Property as defined in Clause 19. Notwithstanding that the Consultant incorporates changes in the drawings or Contract Property that have been suggested by or on behalf of BC Hydro, the Consultant is solely responsible for the content, accuracy and completeness of the drawings and Contract Property.

If the Consultant wishes to collect Canadian federal Goods and Services Tax from BC Hydro in connection with the performance of the Services, the Consultant must be registered for Canadian federal Goods and Services Tax under the *Excise Tax Act* (Canada) and must provide to BC Hydro on all invoices the Consultant's Canadian federal Goods and Services Tax registration number and all other information as may be required pursuant to the *Excise Tax Act* (Canada).

**10. SUBCONTRACT/ASSIGNMENT** - The Consultant shall not assign any benefit under this contract or subcontract any of the Services, without the prior written approval of BC Hydro.

**11. CHANGES** - After consultation, Hydro's Representative may, by written notice,  
(a) require a deletion, addition to or revision of the Services if the proposed additions or revisions are within the general scope of this contract, and  
(b) revise the completion dates specified under this contract, and  
in that event, either party may request an equitable adjustment under Clause 23.

**12. DELAY** - A party anticipating a delay in the performance of the Services shall notify the other party as soon as possible with full particulars. Both parties shall make every reasonable effort to mitigate or overcome the effects of any delay.

If the Services are not performed on time, BC Hydro may request an equitable adjustment under Clause 23.

If the Services are expected to be delayed as a result of an event or circumstances that the Consultant could not have anticipated or avoided and which makes it impossible to perform the Services on time, the Consultant may request an equitable adjustment of time only under Clause 23.

If the Services are delayed as a result of BC Hydro's act or failure to act, the Consultant may request an equitable adjustment under Clause 23.

**13. LAW** - The Consultant shall comply with all applicable laws and this contract shall be governed by the laws of the Province of British Columbia and the Consultant shall perform the Services in accordance with applicable BC Hydro safety regulations and procedures.

**14. ENVIRONMENT** - The Consultant shall take all reasonable and necessary measures in the performance of the Services to avoid causing negative impacts to the environment, but where negative impacts can not be avoided shall take all reasonable and necessary measures to minimize the effect of such negative impacts.

**15. EQUIPMENT** - BC Hydro shall reimburse the Consultant for the cost of any special tools and equipment to perform the Services only when prior approval has been given. The Consultant shall deliver these tools and equipment in good condition to BC Hydro on completion or termination of this contract.

**16. INDEMNITIES** - The Consultant shall be responsible for and shall indemnify BC Hydro from all claims, loss and damages which relate to or arise out of errors, omissions or negligent acts of the Consultant, its employees or agents while performing the Services or acting in the course of their employment under this contract and all costs associated with those claims, loss and damages.

The Consultant shall indemnify and defend BC Hydro from claims, loss and damages arising from the Consultant failing to fulfil the Consultant's obligations under Clause 5 hereof and authorizes BC Hydro to deduct, in accordance with applicable law, from any monies otherwise owing to the Consultant on invoices unpaid in whole or in part any monies BC Hydro has been required to pay as a result of the Consultant failing to fulfil such obligations in whole or in part, including monies paid for legal fees reasonably incurred in connection with any claim or allegation by any person or governmental agency that the Consultant has failed to fulfil all or part of any such obligations.

The Consultant shall indemnify BC Hydro for any claims made against, or loss, damages or costs suffered by BC Hydro, its agents and employees resulting from the use or disposition of the Contract Property (as defined in Clause 19) by the Consultant.

**17. LIMITS ON LIABILITY** - The maximum amount of the Consultant's total aggregate liability to BC Hydro relating to or arising out of performance of the Services or of this contract shall be limited to the total amount paid to

the Consultant under this contract. The Consultant shall not be liable to BC Hydro for any loss of revenues suffered by BC Hydro.

This Clause, except the previous sentence, shall not be construed to limit the obligation which the Consultant may have to compensate or indemnify BC Hydro or others for any claim or liability in respect of which the Consultant is required to maintain insurance coverage under this contract.

**18. INSURANCE** - The Consultant shall obtain the following insurance coverage and provide BC Hydro with a completed Certificate of Insurance in the form shown in Schedule 1, evidencing such insurance coverage at the commencement of the contract and on request at any time:

- (a) **General Liability** - The Consultant shall obtain coverage under a "commercial general liability policy", in an amount not less than \$2 million each and every occurrence, with cross liability and severability of interest clauses or equivalent wording, a standard "non-owned liability endorsement". The policy shall name BC Hydro as an insured. Completed operations coverage shall be maintained for a period not less than 24 months following completion of the Services.
- (b) **Professional Liability** - The Consultant shall obtain coverage under a "Professional liability policy" in an amount of at least \$1 million and in any event in an amount sufficient to cover those sums Consultant is legally obligated to pay as damages because of any act, error, or omission in professional services rendered or that should have been rendered by Consultant or by any person for whose acts, errors or omissions Consultant is legally responsible, and arising out of the conduct of Consultant's profession. Coverage shall be maintained for period ending 12 months after the date of the expiry of the contract.
- (c) **Automobile Insurance** - The Consultant shall obtain automobile insurance covering liability for bodily injury, including death, or property damage arising out of ownership, use or operation of Consultant owned or leased licensed motor vehicles of at least \$2 million inclusive.

All insurance policies required under this Clause 18 must provide that 30 days written notice of cancellation or negative material alteration must be given to Hydro's Representative and must be considered primary. The Consultant is solely responsible to determine the appropriate type and amount of insurance to carry, but must maintain, during the contract, at least the amount and type of insurance specified in this Clause 18.

**19. PROPERTY RIGHTS** - As between BC Hydro and the Consultant, any information, data, programs and products provided by BC Hydro to the Consultant ("the Information") remains the property of BC Hydro and BC Hydro is the owner of any patent, copyright and trademark rights in the Information.

As between BC Hydro and the Consultant, all documents, information, data, programs and products developed while performing this contract ("the Contract Property") are the property of BC Hydro. The Consultant agrees to formally assign to BC Hydro its rights, if any, in the works comprising the Contract Property, upon the request of BC Hydro to do so. The Consultant, if it is not the author of any part of the works comprising the Contract Property, shall obtain a waiver of the author's moral rights in such work (meaning the rights to integrity, paternity, and anonymity in respect of such work) from the author or authors and, upon request, shall provide the signed waiver to BC Hydro.

The Consultant shall return the Information and the Contract Property to BC Hydro on completion or termination of this contract and shall not retain any copies of the Information or Contract Property in any format.

**20. CONFIDENTIALITY** - The Consultant shall keep the Information in strict confidence unless

- (a) the information is in the public domain, or
- (b) BC Hydro has authorized disclosure.

**21. DOCUMENTS** - For at least 1 year after this contract ends, the Consultant shall keep all documents respecting the Services and shall permit BC Hydro to inspect and copy them. Following such 1-year period, the Consultant may destroy any such documents if the Consultant has notified BC Hydro in writing not less than 30 days before destroying such documents of its intention to do so. This Clause does not apply to the Information and Contract Property, the disposition of which is stipulated in Clause 19.

**22. TERMINATION** - If the Consultant is in breach of this contract, BC Hydro may, without prejudice to any other rights or remedies it has, give the Consultant 7 days written notice to remedy the breach. If the Consultant fails to remedy the breach within the 7-day period, BC Hydro may terminate this contract by giving the Consultant written notice.

BC Hydro may, without cause, terminate this contract by giving the Consultant written notice of not less than 15 days.

Clauses 16, 17, 18, 19, 20, 21 and 24 of this contract survive any termination notice given under this Clause.

**23. EQUITABLE ADJUSTMENT** - An equitable adjustment is a fair and reasonable adjustment of either or both of an amount required to be paid, or a time within which the Services are to be performed, under this contract. The parties shall make every effort to reach agreement on, and, failing such agreement, BC Hydro shall establish, any equitable adjustment to be made which is permitted under this contract.

**24. DISPUTES** - All disputes arising out of or in connection with this contract or in respect of any defined legal relationship associated with it shall be referred to and finally resolved by arbitration under the rules of the British Columbia International Commercial Arbitration Centre.

**25. AMENDMENT** - No amendment of this contract shall be binding on the parties unless agreed to in writing.

**26. CODE OF CONDUCT** - The Consultant shall comply with the CODE OF CONDUCT GUIDELINES APPLICABLE TO BC HYDRO CONTRACTS attached.

John L. Miller  
For BC Hydro

## CERTIFICATE OF INSURANCE

*To be completed by Agent or Broker*

THIS CERTIFICATE IS ISSUED TO

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY  
13th Floor, 6911 Southpoint Drive, Burnaby, B.C. V3N 4X8

CONTRACTOR NAME

CONTRACT/PURCHASE ORDER NO.

CONTRACTOR ADDRESS

And certifies that policies of insurance as herein described have been issued to the insured(s) named below and are in full force and effect.

INSURED	NAME				
	ADDRESS				
OPERATIONS INSURED	PROVIDE DETAILS				
TYPE OF INSURANCE	COMPANY NAME AND POLICY NO.	EXPIRY DATE			LIMIT OF LIABILITY/AMOUNT
		Y	M	D	
COMMERCIAL GENERAL LIABILITY (INCLUDES CROSS LIABILITY; SEVERABILITY OF INTEREST; AND NON-OWNED AUTOMOBILE)					INCLUSIVE LIMITS \$ _____
AUTOMOBILE LIABILITY (OWNED OR LEASED VEHICLES)					PRIMARY \$ _____
					EXCESS \$ _____
UMBRELLA LIABILITY					LIMITS \$ _____
					EXCESS OF \$ _____
COURSE OF CONSTRUCTION (BUILDERS ALL RISK)					LIMITS \$ _____
PROPERTY					DETAILS \$ _____
					\$ _____
OTHER					DETAILS \$ _____
					\$ _____

*These policies comply with the insurance requirements of the contract documents, and/or contract/purchase order with BC Hydro. It is understood and agreed that where required by the contract documents, and/or contract/purchase order, BC Hydro has been added as an additional insured and that thirty (30) days' written notice of cancellation or negative material alteration of or to any of the insurance policies listed herein, either in part or in whole will be given by the insurers to the holder of this certificate.*

SIGNED BY THE CONTRACTOR

PRINT NAME

DATE SIGNED  
Y M D

SIGNED ON BEHALF OF THE CONTRACTOR'S INSURERS

PRINT NAME AND AGENCY/BROKERAGE NAME

DATE SIGNED  
Y M D

## **CODE OF CONDUCT GUIDELINES APPLICABLE TO BC HYDRO CONTRACTS**

In its ongoing efforts to ensure that BC Hydro and its subsidiaries behave and are perceived to behave as ethical corporations, BC Hydro has adopted a Code of Conduct that provides guidelines for the behaviour of its directors, officers and employees and for BC Hydro's expectations of the behaviour of its suppliers, consultants, contractors and business associates.

Unless it is inappropriate to do so, the guidelines set out below are to be included in every tender call, request for proposals and contract with BC Hydro and its subsidiaries.

A supplier, consultant, contractor or business associate may be required to give assurances that it conducts itself in accordance with the standards set in these guidelines before it will be considered qualified to enter into a business relationship with BC Hydro.

A supplier, consultant, contractor or business associate with which BC Hydro has a contract will be expected to comply with the standards set in these guidelines. Failure to do so, may be treated by BC Hydro as a reason for terminating the contract. In some cases, other terms of a specific contract may impose a higher standard. In these cases, the contract terms with the higher standards apply.

### **GUIDELINES**

In these guidelines:

**"BC Hydro"** means BC Hydro and Power Authority or any of its subsidiaries that has entered into the Contract described in these guidelines;

**"Contractor"** means the contractor, consultant, supplier or business associate who has a contract with BC Hydro in which these guidelines are included as a term of the contract.

1. The Contractor shall act at all times with integrity and honesty
  - (a) in its dealings with BC Hydro, and
  - (b) in its dealings with a third person if, in those circumstances, the Contractor is acting as a representative of or on behalf of BC Hydro.
  
2. If the conduct of business with a competitor of BC Hydro during the term of the Contract would require the Contractor to act contrary to the best interests of BC Hydro, the Contractor shall not conduct such business unless the Contractor has the prior written permission of BC Hydro.
  
3. Before the Contract is entered into and from time to time as circumstances require, the Contractor shall disclose in writing to BC Hydro:
  - (a) any business relationship that the Contractor or any of its owners or officers has with a director or employee of BC Hydro,
  - (b) the name of any director or employee of BC Hydro who is a relative of the Contractor or any of its owners or officers, and
  - (c) the name of any director or employee of BC Hydro with whom the Contractor or any of its owners or officers is connected by frequent or close association.

4. The Contractor shall read BC Hydro's Code of Conduct that is available from Hydro's contract representative or available at BC Hydro's website at [www.bchydro.com](http://www.bchydro.com) and shall take all reasonable steps to avoid placing a director or employee of BC Hydro in a conflict of interest as contemplated by the Code.
5. The Contractor shall keep confidential all information provided to it by BC Hydro or developed during performance of the Contract and shall not use that information for any purpose unrelated to performance of its obligations under the Contract.
6. If the Contractor is given access to any BC Hydro property in order to perform the Contract, the Contractor shall use that property solely for purposes of performance of the Contract.
7. The Contractor shall not attempt to secure preferential treatment with BC Hydro by offering entertainment, gifts or benefits to BC Hydro directors or employees. Reasonable exchanges common to business relationships are acceptable.
8. Unless the Contractor has the express permission of BC Hydro, the Contractor shall not offer employment to a BC Hydro employee during the term of the Contract.
9. The Contractor shall provide its employees, including any employees of BC Hydro with whom the Contractor has a close working relationship, with a safe and healthy workplace that is harassment and discrimination free.
10. The Contractor shall ensure that when it is participating in any public discussions or taking a position of leadership in other organizations that it does not represent itself as a spokesperson of BC Hydro unless the Contractor has been retained specifically to act in that capacity.

Contractors who wish further information or advice on the application of these guidelines to particular circumstances are encouraged to speak to BC Hydro's contract representative.

**BC Hydro Request For Proposals  
INDEPENDENT REVIEWER**

- Purpose of RFP:** Retain a consultant to act as an Independent Reviewer for the Call for Tender for new electricity supply on Vancouver Island that BC Hydro plans to conduct from August 2003 to April 2004
- Scope of Work:** See details in attached document
- RFP Timetable:**  
July 29 – Issuance of RFP  
August 11 – Deadline for RFP submissions  
August 15 – Selection of consultant and award  
August 18 – Commencement of work
- Contents of Proposal from Independent Reviewer Candidates:**
- a) Respond to ability to meet expectations of terms of reference and highlight any additional elements that are important factors relevant to the engagement
  - b) Outline of relevant experience and credentials
  - c) list qualified personnel and resumes of those who will actually perform the engagement
  - d) confirm resource availability during work timeframe
  - e) propose pricing, including per diem rates
  - f) provide other pertinent information
- Deliverables:** Key deliverable is to provide periodic reports to BC Hydro and the BC Utilities Commission. These reports will attest to the fairness, and impartiality of the Vancouver Island CFT process. BC Hydro will make these reports available to the general public. The reports will be due on or about the following dates:
- September 19 – Initial report on CFT documents
  - November 14 – Report on Phase 1 prequalification
  - December 19 – Report on Phase 2 tender process
  - April 30, 2004 – Final report on bid selection
- Standard Contract:** Selected consultant will be required to sign a standard form Consulting Services Agreement with BC Hydro
- Term of Contract:** Duration of contract is expected to be from August 15, 2003 to April 30, 2004; however, BC Hydro reserves the right to cancel the contract subsequent to the pre-issuance phase outlined in the Scope of Work
- Code of Conduct:** Consultant is required to abide by the “Code of Conduct Guidelines Applicable to BC Hydro Contracts” (attached)
- BC Hydro Contact** All proposals should be submitted to:
- John L. Miller
  - Supply Chain Policy Manager
  - BC Hydro
  - 6911 Southpoint Drive, 13<sup>th</sup> floor
  - Burnaby, B.C.
  - V3N 4X8
  - Email (questions only): john.miller@bchydro.com

## **BC Hydro RFP for Independent Reviewer SCOPE OF WORK**

### **Background and Overview of Independent Reviewer Role/Requirements**

#### **Background:**

In March 2003, BC Hydro applied to the British Columbia Utilities Commission (BCUC) for a Certificate of Public Convenience and Necessity (CPCN) to construct and operate the Vancouver Island Generation Project (VIGP). The oral hearing to review the application commenced on June 16 and ended on July 3. In the application BC Hydro compared the VIGP to transmission options and highlighted issues around the timing imperative and costs, and the timing certainty of the VIGP relative to other generation options.

At the outset of the VIGP hearing, BC Hydro filed testimony indicating a willingness to conduct an open call for new Vancouver Island power supply to address whether any other proposals that were identified during the hearing could better meet the requirements. BC Hydro filed a Call For Tenders (CFT) proposal with the BCUC on June 27. The CFT proposal outlined the elements of a Vancouver Island tender and laid out the timing issues which necessitated a November 2006 in-service date for reliable new electricity supply. BC Hydro also indicated that it planned to conduct a sales tender for the VIGP as part of the CFT process. BC Hydro stated that the CFT would be issued in mid-September and would culminate with a bid selection and Electricity Purchase Agreement (EPA) award by April 2004.

#### **Overview of Independent Reviewer Role/Requirements:**

One of the key elements of the CFT proposal is the appointment of an Independent Reviewer responsible for reviewing the entire tender and bid evaluation process and attesting to its fairness by way of a report to be provided to BC Hydro and filed with the BCUC. In its Final Argument, BC Hydro requested that the BCUC grant an unconditional CPCN to construct and operate the VIGP. As an alternative to the unconditional CPCN, BC Hydro requested that a conditional CPCN be granted based on conducting a fair and impartial CFT and bid evaluation (confirmed by the Independent Reviewer) and satisfying the BCUC that a Hydro-built VIGP provides the lowest cost and preferred supply option. To ensure fairness and promote transparency, BC Hydro will select an Independent Reviewer responsible for reporting to the BCUC on the CFT process. The prime role of the Independent Reviewer will be to review and monitor all aspects of the CFT and report on the fairness of the process in both design and implementation as well as the impartiality of the bid evaluation.

#### **Elements of the CFT:**

On July 25<sup>th</sup>, BC Hydro filed a final form Schedule A (attached) with the BCUC which outlines the terms and conditions of the conditional CPCN and the CFT bid and evaluation process. The purpose of the CFT is to determine the preferred option for meeting BC Hydro's need for dependable electrical capacity and associated energy for Vancouver Island.

The CFT will invite tenders for a minimum of 240 MW in aggregate of dependable power capacity to meet long term requirements. A broad range of product options will be accommodated including peaking or base load generation, load curtailment and other demand side management options. Additionally, bidders can choose to submit a conditional tender based on acquiring the VIGP assets and completing development of the gas-fired plant at the Duke Point site.

The CFT process will be split into two phases with Phase 1 dealing with the selection of pre-qualified bidders who meet the Mandatory Criteria, which focus on credit worthiness, development/operating experience, ability to deliver a minimum amount of project Dependable Capacity on or before November 2006, and commercially proven technology. Phase 2 will provide bidders with an opportunity to provide input on the CFT and submit their tenders, including a firm electricity price comprised of a capacity and an energy charge.

During the evaluation phase, bids will be evaluated on the basis of Desirable Criteria that will include operational flexibility, product firmness, energy shape and profile, dependability, fuel risk allocation, and GHG emissions and "greenness". All tenders, including IPP bids for VIGP and non-VIGP tenders, will be compared to the BC Hydro self-build VIGP option on an NPV portfolio analysis basis.

Objectives of the CFT Process:

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.

The CFT process will be consistent with the process described in Schedule A which was submitted by BC Hydro to the BCUC in its Final Argument. The detailed design and execution of the CFT 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. The 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, recognizing 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.

CPCN Requirements:

In its final argument to the BCUC, as an alternative to an unconditional CPCN, BC Hydro asked the Commission to grant a CPCN subject to the following conditions:

- a) BC Hydro conducts a request for qualifications and call for tenders consistent with the process outlined in Schedule A;
- b) The Independent Reviewer retained pursuant to the CFT files a final report in a form satisfactory to the Commission confirming that:
  - i. The CFT has been conducted substantially in accordance the terms set out in Schedule A;
  - ii. The CFT process has been conducted fairly;
  - iii. BC Hydro has carried out the evaluation in an impartial manner, substantially in accordance with the criteria set out in the CFT;
- c) The Commission has satisfied itself that BC has fairly determined that none of the tenders received in the CFT process is preferable to the construction of the Vancouver Island Generation Project by BC Hydro.

Deliverables/Schedule for the Independent Reviewer:

Based on a receiving a conditional CPCN on or before September 2, 2003, the following schedule is proposed for Independent Reviewer deliverables:

	<b>Date/Time</b>
BC Hydro retains Independent Reviewer	15 August 2003
Independent Reviewer provides comments to BC Hydro on draft CFT documents	2 September 2003
<b>Phase 1 – Pre-Qualification</b>	
Filing of Independent Reviewer's initial report on CFT process	19 September 2003
Filing of Independent Reviewer's Phase 1 report on qualification of bidders	14 November 2003
<b>Phase 2 – Tender</b>	
Filing of Independent Reviewer's Phase 2 report on soliciting input from bidders and making Electricity Purchase Agreement revisions	19 December 2003
Filing of Independent Reviewer's final report on bid evaluation and selection process	30 April 2004

### Rationale for Use of Independent Reviewer:

The concept of employing an independent reviewer or evaluator is widely used by electrical utilities for their power calls in several jurisdictions throughout North America (e.g. Hydro-Québec; Portland General Electric). It is particularly beneficial where utilities have their own self-build option which is competing with external proposals for providing new electricity supply.

With regard to potential power supply for Vancouver Island, BC Hydro has a self-build option in the form of the Vancouver Island Generation Project. During the regulatory hearing process pertaining to its CPCN application to construct and operate the VIGP, BC Hydro proposed to conduct a CFT for determining the lowest cost of reliable new power supply for Vancouver Island. In order to ensure fairness and transparency, BC Hydro proposed an independent reviewer as an integral part of its CFT. In fact, the reliance on the independent review process is written into the terms and conditions for the conditional CPCN request.

### Independent Review Process:

- **Selection:** BC Hydro will select an Independent Reviewer from among qualified and well-recognized consulting firms with subject matter expertise.
- **Process Development:** BC Hydro recognizes the value of independent input on finalizing the design of the CFT process. Therefore the Independent Reviewer will assess the process at an early stage.
- **Monitoring:** The Independent Reviewer will monitor the development and implementation of the CFT and render regular interim progress reports to the Commission as it may direct.
- **Reporting:** The Independent Reviewer will review and monitor the entire CFT process and render a series of reports to the Commission. The final report will opine on compliance with the process, its fairness and the impartiality of the tender evaluation and selection phase.
- **Information Access:** The Independent Reviewer will have full access to information submitted to BC Hydro as part of the CFT process as well as access to the pre-qualification, bid evaluation, portfolio analysis and selection phases.
- **Disclosure:** The Independent Reviewer must not disclose confidential information regarding bidders and their projects.

### Role of Independent Reviewer:

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

Independent Reviewer – Terms of Reference:

The expectations and specifics of the review scope will be confirmed prior to the start of the engagement based on the proposals received. At this point BC Hydro anticipates that the Independent Reviewer will cover the following elements.

1. CFT Issuance

Prior to the issuance in mid-September 2003, the Independent Reviewer is required to review and report on all the bid documents and the proposed CFT procedures outlined by BC Hydro including but not limited to the following matters:

a) Contents of Bid Documents

- Do the bid documents contain all the information required for bidders to submit a bid?
  - statement as to purpose of CFT
  - description of products sought
  - amount of capacity and energy
  - delivery period
  - instructions to bidders
  - process schedule
  - bid analysis methodology
  - bid forms
  - copy of proposed standard contract
  
- Do the bid documents appropriately describe the criteria that will be used for bid evaluation and selection purposes?
  - Monetary criteria for determining lowest costs bids
  - Non-monetary criteria for determination of project feasibility and viability
  - Criteria having an impact on risks borne by BC Hydro and its ratepayers
  - Minimum requirements relating to the specified criteria
  - Weighting of bid criteria and/or monetization measures

b) Consistency with Industry Trends, Guidelines and Practices

- Do the bid documents thoroughly describe the bidding guidelines, bidder requirements for bid preparation/submission and bid evaluation & selection criteria?
- Is BC Hydro proposing to use an integrated evaluation system?
- Does the CFT process provide flexibility in making resource commitments?
- Is the CFT structured so as to encourage a broad range of projects?
- Does the process allow bidders to incorporate all risks/rewards in their bids?
- Is the overall CFT process equitable, fair and unbiased to all bidders?

## 2. Pre-Qualification Phase

During Phase 1 of the CFT process, BC Hydro will make a determination whether bidders and projects are likely to meet the Mandatory Criteria outlined in the bid documents. Additionally, bidders will be provided with an opportunity to provide input with regard to the CFT process and the form of the Electricity Purchase Agreement(s).

### a) Meeting of Mandatory Criteria

- The Independent Reviewer is required to review the information supplied by bidders with regard to the Mandatory Criteria below and attest whether or not BC Hydro has fairly and objectively determined that individual bidders/projects are pre-qualified and eligible for shortlisting
  - o *Financial Strength*: Credit worthiness of bidder.
  - o *Experience*: Demonstrated and relevant development and operating experience, or secure access to such experience for the project
  - o *Location*: Generating facilities located on Vancouver Island.
  - o *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).
  - o *Commercial Operation Date*: A realistic schedule demonstrating a high likelihood that COD will occur on or before November 2006.:
  - o *Proven Technology*: The project must employ only proven technology and not nuclear technology.
  - o *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.

### b) Opportunity for Bidder Input re: CFT Process

- The Independent Reviewer is required to assess whether BC Hydro has provided appropriate opportunities to obtain information about the CFT process by way of workshops, question & answer sessions and website postings.

### c) VIGP Bidders

- The Independent Reviewer is required to determine if those bidders wishing to acquire VIGP assets have been given open access to all information and materials necessary to conduct their due diligence
- Have VIGP bidders been provided the same access to information as non-VIGP bidders?

### 3. Tender and Evaluation Phase

During Phase 2 of the CFT process, BC Hydro will finalize the Electricity Purchase Agreement(s) based on bidder input and will hold a workshop to assist bidders in completing their tender forms. Upon the receipt of tendered bids, BC Hydro will conduct an evaluation of the bids using extensive modeling techniques and portfolio analyses.

#### a) Meeting of Desirable Criteria:

- The Independent Reviewer is required to review the price and non-monetary information provided by bidders and determine if BC Hydro has fairly and objectively included the following Desirable Criteria in its evaluation process:
  - o Impact of interconnection costs borne by BC Hydro
  - o Impact of fuel risk and cost borne by BC Hydro
  - o Commercial operation date
  - o Term
  - o Operational flexibility, including dispatchability
  - o Energy profile and volume
  - o GHG emissions and "greenness"

#### b) Portfolio Analyses

- The Independent Reviewer is required to review the portfolio analyses conducted by BC Hydro and make determinations with regard to the following:
  - Has BC Hydro clearly conveyed the portfolio methodology in the CFT documents and workshops?
  - Have appropriate adjustments been made to reflect risk allocation?
  - Are the net present value calculations in the portfolio analyses done in a consistent and fair manner?
  - Have the evaluations properly factored in the cost effectiveness and reliability of tendered projects on a portfolio basis?
  - Has BC Hydro conducted appropriate sensitivity analyses to ascertain the relative attractiveness of various tendered projects relative to the VIGP self-bid benchmark?

### 4. Final Bid Selection and Award

Upon completion of the bid evaluation and selection process, the Independent Reviewer is required to file a final report with the BCUC which should assess the fairness of the entire CFT

process and comment on the impartiality of the evaluation and selection process, with particular attention to the following attributes:

a) Consistency

- did the evaluation team maintain consistent scoring and evaluation among projects?
- does the price evaluation allow for consistent evaluation of bids of different size, in-service date and length of contract?
- are bids with different characteristics treated the same?

b) Inherent Bias

- is there evidence of any bias regarding the evaluation of BC Hydro's self-build option for VIGP relative to other bids?
- did any inherent bias exist toward any type of project/proposal in the evaluation process?

c) Fairness/Equity

- was the process implemented to ensure that no bidder had an inherent competitive advantage?
- did all bidders have access to the same information?

d) Comprehensiveness

- did the CFT process consider all relevant information required to perform a thorough evaluation?
- was proper documentation developed to support the decisions?

List of Documents:

The following documents will be made available to prospective Independent Reviewers to assist them in developing comprehensive, competitive responses to the Call for Tenders:

1. VIEC Application for CPCN
2. Links to BC Hydro's web site for CBG and GPG programs (incl. CFT and EPA documents)
3. 1995 Reed Consulting Report "Independent Evaluation of BC Hydro's Proposal Evaluation and Selection Process for its 1994 Request For Proposals for the Supply of Electricity"

**BRITISH COLUMBIA HYDRO AND POWER AUTHORITY**

**Independent Reviewer for Call for Tender**

**B.C. HYDRO REFERENCE NO.: Q3-3121**

**LETTER OF PROPOSAL**

LP1

\_\_\_\_\_  
(Name of Submitter)

\_\_\_\_\_  
(Address of registered office of Submitter)

\_\_\_\_\_  
(Telephone)

\_\_\_\_\_  
(FAX)

Email Address \_\_\_\_\_

B.C. Hydro may accept this proposal by giving oral notification to the Submitter or by giving written notice to the Submitter at the above address.

**NO EMAIL TENDERS WILL BE ACCEPTED.**

**LP2** The Submitter shall not revoke this proposal for 30 Days after the proposal closing time.

**LP3** The Submitter offers to perform the services and to comply with all the provisions of the Invitation for Proposals for the prices specified in the following schedule.

**Submission shall be in hard copy in QUINTUPLICATE.**

**SCHEDULE OF PRICES AND DISBURSEMENTS**

**TENDERED PRICES SHALL INCLUDE ALL TAXES  
EXCEPT CANADIAN FEDERAL GOODS AND SERVICES TAX**

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**LP4** The Submitter acknowledges that it has received the following Addenda and Question and Answer Series, and that this proposal has been prepared in accordance with them:

<u>Addenda</u>	<u>Date Received</u>	<u>Question and Answer Series</u>	<u>Date Received</u>
_____	_____	_____	_____

**LP5** The following appendices are attached and form part of this proposal:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**SIGNED ON BEHALF OF THE SUBMITTER** this \_\_\_\_ day of \_\_\_\_\_ 2002

Signature:

Print Name and Title:

**72.0 Reference: BCUC IR#1, Question 9.0, Evaluation Model Files(Provided Confidentially by BC Hydro December 1, 2004)**

2.72.1 Please provide summary tables comparing key inputs and outputs for each tender project as outlined below. One table should show results under the EIA-partial electricity forecast and another under the EIA-full electricity forecast. For the second table, only fill in the tender identification and any cells where values change as a result of using a different electricity price forecast. For items that are not applicable to a particular project, please indicate N/A. Please provide notes to the tables if BC Hydro wishes to provide additional explanation for any values. Please include information for all ten (10) of the projects originally tendered in the CFT process, including the three (3) projects that were rejected for non-compliance with the CFT requirements, as well as the VIGP benchmark using the same input assumptions as other bids (e.g., updated gas price forecast). Please indicate which tenders were rejected in row 4 of the table.

**RESPONSE:**

**THIS INFORMATION RESPONSE IS BEING FILED IN CONFIDENCE  
WITH THE BCUC.**

**72.0 Reference: BCUC IR#1, Question 9.0, Evaluation Model Files(Provided Confidentially by BC Hydro December 1, 2004)**

2.72.2 Please specify what assumption is made on GHG liability in the VIGP benchmark and the effect this assumption has on the levelized cost of dispatch in Row 54 of the table below.

**RESPONSE:**

The Energy Charge (EC) for the benchmark is \$4.19/MWh in 2004 dollars. Of the \$4.19/MWh amount, \$3.75/MWh (in 2004 dollars) reflects the monetization of the GHG liability. Refer to BC Hydro's response to BCUC IR 18.1 for further explanation.

The impact on the levelized cost of dispatch (in 2006 dollars), as described in Row 54 of the table below, is as follows:

	<b>VIGP Benchmark with GHG liability in EC</b>	<b>VIGP Benchmark without GHG liability in EC</b>
<b>Partial Recovery</b>	<b>\$43.1/MWh</b>	<b>\$39.9/MWh</b>
<b>Full Recovery</b>	<b>\$43.9/MWh</b>	<b>\$39.7.MWh</b>
<b>Average</b>	<b>\$43.5/MWh</b>	<b>\$39.8/MWh</b>

**72.0 Reference: BCUC IR#1, Question 9.0, Evaluation Model Files(Provided Confidentially by BC Hydro December 1, 2004)**

2.72.3 Please reproduce the table below under the following alternative assumptions. For each sensitivity, only fill in the tender identification and any cells where values change as a result of using a different electricity price forecast.

2.72.3.1 Gas price forecast

2.72.3.1.1 Reproduce the EIA – partial and EIA- full tables under comparable EIA high gas forecast (January 2004) instead of the Reference Case.

2.72.3.1.2 Reproduce the EIA – partial and EIA- full tables under comparable EIA low gas forecast (January 2004) instead of the Reference Case.

2.72.3.2 Discount rate sensitivity

2.72.3.2.1 Reproduce the EIA – partial and EIA- full tables from Question 72.1 using 6% and 10% nominal discount rates.

2.72.3.3 Exchange rate sensitivity

2.72.3.3.1 Reproduce the EIA – partial and EIA full tables from Question 72.1 using exchange rate forecasts that are a) 10% higher and b) 10% lower than the base exchange rate forecast.

**RESPONSE:**

**THIS INFORMATION RESPONSE IS BEING FILED IN CONFIDENCE  
WITH THE BCUC.**

**72.0 Reference: BCUC IR#1, Question 9.0, Evaluation Model Files(Provided Confidentially by BC Hydro December 1, 2004)**

2.72.4 Please confirm that the net tender costs in the tables produced for Question 72.1 above include interconnection costs for projects (as part of the capital charges bid by proponents) but do not include any salvage value for VIGP assets, gas transportation costs or network effects. Please confirm these latter impacts are dealt with in the portfolio-level evaluation.

**RESPONSE:**

**Confirmed.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.73.1</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004 <b>REVISED Response issued 06 January 2005</b>	Page 1
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**73.0 Reference: BCUC IR#1, Question 14.0,**

2.73.1 Further to the Commission's IRs regarding the evaluation of the three CFT outcomes discussed in Appendix J, please provide two summary tables as illustrated below comparing inputs and outputs for all possible Tier 1 (including VIGP benchmark) and Tier 2 portfolios under EIA-partial and EIA - full electricity forecasts, based on tender costs in preceding IR.

**RESPONSE:**

**THIS INFORMATION RESPONSE IS BEING FILED IN CONFIDENCE**  
**WITH THE BCUC**

**73.0 Reference: BCUC IR#1, Question 14.0,**

2.73.2 Please reproduce the table below under the following alternative assumptions. For each sensitivity, only fill in the tender identification and any cells where values change as a result of using a different electricity price forecast.

2.73.2.1 Gas price forecast

2.73.2.1.1 Reproduce the EIA – partial and EIA- full tables under comparable EIA high gas forecast (January 2004) instead of the Reference Case.

2.73.2.1.2 Reproduce the EIA – partial and EIA- full tables under comparable EIA low gas forecast (January 2004) instead of the Reference Case.

2.73.2.2 Discount rate sensitivity

2.73.2.2.1 Reproduce the EIA – partial and EIA- full tables from Question 73.1 using 6% and 10% nominal discount rates.

2.73.2.3 Exchange rate sensitivity

2.73.2.3.1 Reproduce the EIA – partial and EIA full tables from Question 73.1 using exchange rate forecasts that are a) 10% higher and b) 10% lower than the base exchange rate forecast.

**RESPONSE:**

**THIS INFORMATION RESPONSE IS BEING FILED IN CONFIDENCE WITH THE  
BCUC**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.74.1</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**74.0 Reference: Appendix B – Call for Tenders issued on October 31, 2003,  
Appendix 1 Guaranteed Availability**

2.74.1 Are there any WECC or other industry standard guidelines that reference a guaranteed availability of 97% for a generation source to be considered “Dependable Capacity” for planning purposes? If so, please provide these guidelines.

**RESPONSE:**

**BC Hydro is unaware of any such guidelines.**

**74.0 Reference: Appendix B – Call for Tenders issued on October 31, 2003,  
Appendix 1 Guaranteed Availability**

2.74.2 According to WECC or other industry standard guidelines, what is the minimum guaranteed availability that a generation source must achieve in order to be considered as “Dependable Capacity” for planning purposes? What other minimum criteria are necessary according to the guidelines for a generation source to be considered as “Dependable Capacity” for planning purposes?

**RESPONSE:**

**The WECC Resource Adequacy Workgroup is currently in the early stages of developing recommendations regarding the formulation of WECC Resource Adequacy Criteria. These would be minimum standards since the WECC recognizes that is the mandate of individual jurisdictions to assess their appropriate levels of reliability against the cost of providing that level of reliability.**

**74.0 Reference: Appendix B – Call for Tenders issued on October 31, 2003,  
Appendix 1 Guaranteed Availability**

2.74.3 What are BC Hydro's minimum criteria for a generation source to be considered as "Dependable Capacity" for planning purposes?

**RESPONSE:**

**BC Hydro's criteria for a generation source to be considered as "dependable capacity" is that it can reliably produce when required, assuming all units are in service. For the system as a whole, planned and forced outage rates are not included in calculating of the dependable capacity for a single generating resource since planning reserves (14 percent of dependable capacity supply) account for outages on the system as a whole.**

**From the Vancouver Island regional perspective, because of transmission constraints, system generation can not be called upon to act as reserves for Vancouver Island generation. Thus, BC Hydro has expanded the definition of dependable capacity for new Vancouver Island supply to include a minimum availability factor to limit the impact of forced outages on the reliability of Vancouver Island's supply. See the response to BCUC IR 2.74.2.**

**74.0 Reference: Appendix B – Call for Tenders issued on October 31, 2003,  
Appendix 1 Guaranteed Availability**

2.74.4 What is the availability of the ICP and what “Dependable Capacity” has it been assigned for planning purposes? Is there a relationship between availability and “Dependable Capacity” for this plant, and if not at its maximum possible “Dependable Capacity” rating, what availability would it need to demonstrate to achieve this rating?

**RESPONSE:**

**For planning purposes, the capacity of the Island Cogeneration Plant (ICP) is currently assumed to be 240 MW as of F2007 onward based on its maximum output and the availability of firm gas transportation. When the CFT Report was written, ICP was assumed to provide only 235 MW due to a technical constraint on its maximum output that has since been rectified.**

**ICP’s capacity for planning purposes is assumed to be the same as its nameplate or maximum capacity. This capacity is different than “Dependable Capacity” for CFT purposes which is based on bid capacity and a prescribed availability factor of 97% during the 6 winter months. The term “availability” typically refers to the proportion of time (percentage of total annual hours) that a plant is available to generate power.**

**The EPA for the Island Cogeneration Plant is an energy-only contract for the purchase of electricity when it is available; it is not a contract for the delivery of firm energy or capacity.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.74.5</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**74.0 Reference: Appendix B – Call for Tenders issued on October 31, 2003,  
Appendix 1 Guaranteed Availability**

2.74.5 What is the lowest availability of any generating facility in BC Hydro's system that has a "Dependable Capacity" that is at least 50% of its nominal rating?

**RESPONSE:**

**As explained in the responses to IR 2.74.3, to determine system dependable capacity requirements, BC Hydro does not include planned or forced outages in the determination of the dependable capacity of individual generating facilities since planning reserves (14 percent of dependable capacity supply) account for outages on the system as a whole.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.74.6</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**74.0 Reference: Appendix B – Call for Tenders issued on October 31, 2003,  
Appendix 1 Guaranteed Availability**

2.74.6 If the guaranteed availability mandatory criterion in the Call for Tenders was reduced to 90%, how many of the pre-qualified submissions that previously failed that individual criterion would now pass it, and at what capacity value? Please repeat for 80%. If there are any projects that now pass that criterion, please generate the corresponding NPV comparisons, similar to the VIGP benchmark.

**RESPONSE:**

**This Information Request is out of scope.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.74.7</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**74.0 Reference: Appendix B – Call for Tenders issued on October 31, 2003,  
Appendix 1 Guaranteed Availability**

2.74.7 Of the 23 registered bidders in November 23, 2003, to BC Hydro's knowledge, how many of these bidders cited the guaranteed availability criterion as being too onerous for their proposed project?

**RESPONSE:**

**Four of the 23 registered bidders raised an issue of guaranteed availability of 97%.  
None of those specifically cited this criterion as being too onerous for their  
proposed projects.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.74.8</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**74.0 Reference: Appendix B – Call for Tenders issued on October 31, 2003,  
Appendix 1 Guaranteed Availability**

2.74.8 Please provide industry benchmarks (WECC) for the availability of coal-fired generating stations, and identify the Dependable Capacity as used for planning purposes that is associated with such generating stations.

**RESPONSE:**

**Please refer to the response to BCUC IR 1.44.2 for the industry benchmark data.**

**For planning purposes, utilities would generally consider the nameplate capacity (net of auxiliary load) to be the dependable capacity of a typical coal-fired generating station.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.74.9</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**74.0 Reference: Appendix B – Call for Tenders issued on October 31, 2003,  
Appendix 1 Guaranteed Availability**

2.74.9 What is the guaranteed availability associated with the natural gas supply to the Duke Point Project?

**RESPONSE:**

**BC Hydro is confident that with the transportation alternatives available, including TGVI and direct delivery and liquid commodity markets, natural gas will be available to Duke Point.**

**See also the response to BCUC IR 2.68.2.2.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.75.1</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**75.0 Reference: Final Form EPA – Appendix 2  
Project Milestone Schedule**

2.75.1 Please provide the rational (sic) for the length of time between the Synchronization Date and the Commercial Operation Date.

**RESPONSE:**

**Guaranteed Milestone Dates contained in Appendix 2 of the EPA are tender items submitted by the Seller based on Seller's development schedule.**

**75.0 Reference: Final Form EPA – Appendix 2  
Project Milestone Schedule**

2.75.2 Please supply the rationale (sic) for the length of time between the Commercial Operation Date and the estimated earliest date that the Duke Point Power project's capacity would be required to serve winter peak load?

**RESPONSE:**

**The EPA requires the Seller's Plant to meet the Guaranteed COD Date of May 1, 2007, before the commencement of the winter peak load season. The rationale for this requirement is to allow sufficient time for the Seller to cure performance issues, which tend to occur more within the first few months of COD. This requirement will also allow BC Hydro and DPP to better mitigate the impact of delayed COD due to unforeseen risk factors (e.g., delay in completion of transmission Network Upgrade and natural gas infrastructure, strike and other Force Majeure events).**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.75.3</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**75.0 Reference: Final Form EPA – Appendix 2  
Project Milestone Schedule**

2.75.3 In the last 30 years, what is the earliest date that a winter peak demand has been set, and at what percentage of the forecast for that year?

**RESPONSE:**

**In the last 30 years, the earliest date that a winter peak occurred on Vancouver Island was 21 November 1977 at 1,120 MW. The actual peak exceeded the probable peak forecast (1,090 MW) for Vancouver Island for F1978 by 30 MW. A weather-adjusted peak forecast is unavailable for that year. The actual peak was 102.8% of the forecast.**

**75.0 Reference: Final Form EPA – Appendix 2  
Project Milestone Schedule**

2.75.4 Is there any premium in the project cost structure for the length of time between the COD and the estimate earliest date by which the capacity would be required?

**RESPONSE:**

**BC Hydro is unaware of the cost structures developed by each of the bidders.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.75.5</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**75.0 Reference: Final Form EPA – Appendix 2  
Project Milestone Schedule**

2.75.5 What is the length of time necessary to install and bring a TM2500 generator on-line to serve a winter peak load?

**RESPONSE:**

**BC Hydro has assessed a lead time to install emergency generation of 9 to 12 months. It is also assumed that in parallel with this activity that the necessary environmental permits could be obtained to operate the generators on an emergency basis for no more than 15 months. BC Hydro understands that the permitting process would be expedited, given that the units would be installed only on an emergency basis and restricted to 15 months of operations, with no extension of operating time possible.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.75.6</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**75.0 Reference: Final Form EPA – Appendix 2  
Project Milestone Schedule**

2.75.6 What are the ramifications, costs and risks of delaying all future dates in the Project Milestone Schedule by 90 days?

**RESPONSE:**

**The dates contained in Appendix 2 of the EPA are critical dates the Seller needs to meet in order to maintain the May 1, 2007 schedule. As indicated in BC Hydro's response to BCUC IR 75.2, the period of time available for the Seller to cure any performance issues would be substantially reduced by such delay. This would also affect BC Hydro's ability to plan for alternative supply options, if the Seller's Plant suffered from significant performance issues.**

**76.0 Reference: Final Form EPA  
Nominal Capacity and Liquidated Damages Calculation**

2.76.1 Assuming the Duke Point Power project achieves a May 1, 2007 COD with an AAC Equivalent Capacity equal to the Bid Capacity and maintains that until February 1, 2008, please supply the monthly invoices associated with Capacity Charges, Liquidated Damages and other charges for the period of January 2008 to January 2009 for the following sequence of Demonstration Tests:

Demonstration Test Date	AAC Equivalent Capacity
February 1, 2008	96% of Bid Capacity
May 1, 2008	93% of Bid Capacity
May 3, 2008	92% of Bid Capacity
August 1, 2008	91% of Bid Capacity
August 5, 2008	89% of Bid Capacity
November 1, 2008	96% of Bid Capacity

Please supply all supporting calculations and assumptions for the evaluation of the Capacity Charges, Liquidated Damages and other charges, including the calculation of the Nominal Capacity.

**RESPONSE:**

**Please see Table IR 2.76.1 below.**

Table IR 2.76.1 Nominal Capacity and Liquidated Damages Calculations

Calendar 2008									
Bid Capacity (MW)		252							
Capital Charge (\$/MW/month)		\$ 12,029.17							
Capacity Degradation Factor (%)		0%							
Month	Nominal Capacity	Demonstrated Test (% of Bid Capacity)	Demonstrated Capacity (DC)	Capital Charge Payments (CCP)	OMC Payments (OMCP)	Total Capacity Payments	Capacity Liquidated Damages	Assumed Availability Factor	Availability Liquidated Damages
January	252.00	100%	252.00	\$ 3,031,350.84	\$ 713,409.48	\$ 3,744,760.32	\$ -	100%	\$ -
February	252.00	96%	241.92	\$ 2,910,096.81	\$ 684,873.10	\$ 3,594,969.91	\$ -	100%	\$ -
March	252.00	96%	241.92	\$ 2,910,096.81	\$ 684,873.10	\$ 3,594,969.91	\$ -	100%	\$ -
April	252.00	96%	241.92	\$ 2,910,096.81	\$ 684,873.10	\$ 3,594,969.91	\$ -	97%	\$ -
May	252.00	92%	231.84	\$ 2,788,842.77	\$ 669,463.50	\$ 3,458,306.28	\$ -	97%	\$ -
June	252.00	92%	231.84	\$ 2,788,842.77	\$ 669,463.50	\$ 3,458,306.28	\$ -	97%	\$ -
July	252.00	92%	231.84	\$ 2,788,842.77	\$ 669,463.50	\$ 3,458,306.28	\$ -	97%	\$ -
August	231.84	91%	229.32	\$ 2,758,529.26	\$ 662,186.73	\$ 3,420,715.99	\$ 453,600.00	95%	\$ 114,600
September	231.84	89%	224.28	\$ 2,697,902.25	\$ 647,633.17	\$ 3,345,535.42	\$ -	96%	\$ 56,070
October	231.84	89%	224.28	\$ 2,697,902.25	\$ 647,633.17	\$ 3,345,535.42	\$ -	98%	\$ -
November	241.92	96%	241.92	\$ 2,910,096.81	\$ 698,570.61	\$ 3,608,667.42	\$ -	100%	\$ -
December	241.92	96%	241.92	\$ 2,910,096.81	\$ 698,570.61	\$ 3,608,667.42	\$ -	100%	\$ -

Notes : Variable O&M, heat rate bonus/penalty and dispatch payments are omitted in this analysis.

Assumptions :

1. The second Demonstrated Test in May is completed within 48 hours of May 1st

Capacity Liquidated Damages = \$60,000/MW (Appendix 10) multiplied by  $([0.95 \times 252] - 231.84) = \$453,600$

Availability Liquidated Damages = % of shortfall below 97% x 100 x 250 x Demonstrated Capacity (Appendix 3).

OMC = \$2,573.63/MW. Assuming 10% escalation between Jan 2004 and May 2007, OMC between May 2007 to April 2008 =  $1.1 \times \$2,573.63 = \$2,830.99$ . Assuming 2% escalation after April 2008 =  $\$2,830.99 \times 1.02 = \$2,887.61/\text{MW}$

CCP = DC x Capital Charge, OMCP = OMC x DC and Total Capacity Payments = CCP + OMCP

**77.0 Reference: Final Form EPA – Appendix 11  
Capacity and Heat Rate Adjustment tables**

2.77.1 Is operation of the Duke Point Power project possible for the temperature and humidity conditions where no entry appears in the Capacity Conversion Table and the Heat Rate Adjustment Table, and if so, what adjustment factors apply to these ambient conditions?

**RESPONSE:**

**Yes. Applicable adjustment factors will be linearly extrapolated using the entries in the conversion tables.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.78.1</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**78.0 Reference: Executed EPA – Appendix 9  
Dispatch Terms and Conditions**

2.78.1 What effect will the reduction of the number of Cold Starts to ■ per year from the VIGP Benchmark Analysis value of 100 per year have on the ability to dispatch this plant off as required?

**RESPONSE:**

**Compared to the VIGP Benchmark, the reduced number of Cold Starts means BC Hydro would have less flexibility to dispatch the plant off as required.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.78.2</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**78.0 Reference: Executed EPA – Appendix 9  
Dispatch Terms and Conditions**

2.78.2 If the number of allowable Cold Starts in an EPA Year have been consumed, does this then mean that the project can not be dispatched off for the remainder of the EPA Year, or if it is, it must come back into dispatch soon enough to qualify as a Warm Start or a Hot Start?

**RESPONSE:**

**If the number of allowable Cold Starts in an EPA Year has been consumed, it means that BC Hydro must not dispatch the plant off for more than 48 hours for the remainder of that year (if there are Warm and Hot Starts remaining). If there are no more Warm and Hot Starts, then BC Hydro must not dispatch the plant off for the remainder of that year.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.78.3</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**78.0 Reference: Executed EPA – Appendix 9  
Dispatch Terms and Conditions**

2.78.3 What are the ramifications of exceeding the number of allowable Cold Starts, Warm Starts or Hot Starts in a given EPA Year?

**RESPONSE:**

**Exceeding the number of allowable Cold Starts would have the implications outlined in BC Hydro's response to BCUC IR 78.2.**

**If the number of Warm Starts is exceeded, unused Cold Starts can be substituted for Warm Starts. The substitution would result in corresponding reduction in the number of unused Cold Starts.**

**If the sum of all Starts (Hot, Warm and Cold) exceeds maximum starts per year, as stipulated in Appendix 9, BC Hydro must dispatch the plant on for the remainder of the year.**

<b>British Columbia Utilities Commission</b> Information Request No. <b>2.79.1</b> Dated: 08 December 2004 BC Hydro Response issued 20 December 2004	Page 1
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**79.0 Reference: Executed EPA – Appendix 5  
Seller’s Plant Description**

2.79.1 Describe the restrictions that limit the Seller’s ability to declare reduced Capacity and Energy availability under Section 6.6(e) while simultaneously selling output to other than the Buyer from any duct-firing capability as referenced in Appendix 5.

**RESPONSE:**

**The winning bid does not include duct-firing capability and Appendix 5 references no such capability.**

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**79.0 Reference: Executed EPA – Appendix 5  
Seller’s Plant Description**

2.79.2 Has the Seller provided information regarding the duct firing system’s natural gas requirements, capability, effect on emissions, and potential effect on overall reliability and availability of the base plant? If so, please provide this information. If not, why not?

**RESPONSE:**

**The winning bid does not include duct-firing capability.**

**80.0 Reference: EPA Filing, Exhibit B-1, Tab N and BC Hydro Website re Green IPPs and Customer Generation**

2.80.1 Please compare, preferably in table form, the EPA vs. the EPAs for Green Energy and Customer Generation on the BC Hydro website as at December 8, 2004, as to the following terms and conditions, and justify the more stringent terms and condition of the EPA on an item by item basis:

- 2.80.1.1 Term and term renewal rights (EPA Articles 2.1, 2.2)
- 2.80.1.2 All financial security and LD requirements (type, purpose, magnitude per MW or MWH, and whether per MW number is based on dependable capacity or total capacity). Please ensure all items in EPA Articles 13 and 14 are included.
- 2.80.1.3 Step in Rights (Article 16 in EPA).
- 2.80.1.4 EPA Support Clause (Article 3.2 in EPA).
- 2.80.1.5 Frequency of demonstration tests.
- 2.80.1.6 Contractual right and conditions for Seller selling excess capacity/energy to third parties (EPA Article 8.6).
- 2.80.1.7 Limits on Liability.
- 2.80.1.8 Damage or Destruction of Seller's Plant (EPA Article 11.3).
- 2.80.1.9 Step In Rights (EPA Article 16).
- 2.80.1.10 Change in law or "hardship" provisions (apparently not in EPA).
- 2.80.1.11 Inclusion or exclusion of sale to third parties outside the EPA as a Deliberate Breach.

**RESPONSE:**

**This Information Request is out of scope.**

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**80.0 Reference: EPA Filing, Exhibit B-1, Tab N and BC Hydro Website re  
Green IPPs and Customer Generation**

2.80.2 Why was the “total constructive loss” approach not used in the EPA  
Article 11.3 as it is for Green IPPs and Customer Generation?

**RESPONSE:**

**This Information Request is out of scope.**

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**80.0 Reference: EPA Filing, Exhibit B-1, Tab N and BC Hydro Website re  
Green IPPs and Customer Generation**

2.80.3 Please explain why an industrial plant that offered an EPA to BC Hydro under the Customer Generation EPA or the Green IPP EPA on the BC Hydro website would receive a generally more favourable (to Seller) EPA than by bidding on this CFT.

**RESPONSE:**

**This Information Request is out of scope.**