

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

Description

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 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, 13th 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 25th, 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:

	Date/Time
BC Hydro retains Independent Reviewer	15 August 2003
Independent Reviewer provides comments to BC Hydro on draft CFT documents	2 September 2003
Phase 1 – Pre-Qualification	
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
Phase 2 – Tender	
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**

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>
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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: