

BC HYDRO
BIOENERGY PHASE 2 CALL
REQUEST FOR PROPOSALS
Issue Date: May 31, 2010

1. INVITATION:

BC Hydro invites proposals for the long-term supply of Clean or Renewable Biomass Energy to be generated by new Projects in British Columbia. BC Hydro intends to select one or more Preferred Proponents for the purpose of entering into the negotiation of an electricity purchase agreement (“EPA”). BC Hydro is targeting the acquisition under this RFP of up to an aggregate of 1,000 GWh/year of energy.

Certain capitalized words and phrases used in this RFP are defined in section 16. All references in the RFP to dollars or \$ mean Canadian dollars, unless otherwise specified.

This RFP is not a call for tenders. This RFP and/or the submission of a Proposal and/or the exercise by BC Hydro of any discretion in the conduct of the RFP process, including the determination of Project eligibility, the review and evaluation of Proposals, and the selection of Preferred Proponents, creates no contractual or other legal relationship, liability or obligation whatsoever between BC Hydro and any person, whether or not such person submits a Proposal, except only the obligations of BC Hydro and each Proponent under a Confidentiality and Compliance Agreement required on registration under this RFP.

2. EXECUTIVE SUMMARY:

The following is an executive summary of key elements of the RFP process. Proponents should refer to the entire RFP for details.

- **Registration:** Persons wishing to submit Proposals must first register their interest on or before the Registration Deadline by completing and delivering to BC Hydro the required Registration Form, Confidentiality and Compliance Agreement, Disclosure Statement and, if applicable, a Screening Process Application. **Late registrations will not be accepted.**
- **Participation Fees:** Registrants must pay a Registration Fee on registration, and a Proposal Fee on submitting a Proposal. The deposits are refundable to Proponents that are not selected as Preferred Proponents.
- **Confidentiality:** The Confidentiality and Compliance Agreement assures (i) confidentiality of the Proponent’s commercially sensitive information and any discussions and/or negotiations with BC Hydro, and (ii) the Proponent’s commitment to respect the RFP terms.
- **Eligibility:** Projects must meet eligibility requirements, including registration and payment of the required fees. Projects must (i) be “greenfield” developments, (ii) connected directly, or via the FortisBC transmission system (but not via any transmission system outside British Columbia), to the integrated Transmission System or the Distribution System, (iii) located in British Columbia, (iv) generate Clean or Renewable Biomass Energy, (v) have a minimum electrical capacity of 5 MW, (vi) not be under consideration, or the subject of an electricity purchase or other agreement, in BC Hydro’s Community-Based Biomass Power Call Request for

Qualifications (“CBB RFQ”), Integrated Power Offer (“IPO”) or Standing Offer Program (“SOP”), or the subject of an application, or approved funding, under Canada’s Pulp and Paper Green Transformation Program, and (vii) not be the subject of an existing electricity purchase agreement with BC Hydro.

- **Maximum Adjusted Price:** BC Hydro will not award or sign EPAs under this RFP having a Final Adjusted Price greater than \$150/MWh of Firm Energy (the “Maximum Adjusted Price”). The Final Adjusted Price includes adjustments for the estimated Network Upgrade Costs, System losses, and BC Hydro’s determination of the financial impact of (i) the Project on BC Hydro’s generation facilities, and on the System, and (ii) Variations to the form of the Specimen EPA in an Alternate Proposal that are acceptable to BC Hydro, if any ((i) and (ii) being collectively the “Proposal Impacts”).
- **Specimen EPA:** A Specimen EPA, and an executive summary of the agreement, are available on the RFP Website. Base Proposals should be based on the terms of the Specimen EPA.
- **Alternate Proposals and Variations:** If a Proponent submits a Base Proposal, it may also submit an Alternate Proposal, which includes proposed Variations to the Specimen EPA, and may also include alternate pricing associated with the Variations.
- **Pre-Proposal Meeting:** BC Hydro will give each registered Proponent the opportunity to attend a minimum of one bilateral meeting with BC Hydro before Proposal submission for the purpose of (i) making a presentation on its Project, and (ii) discussing RFP and Project related issues.
- **Proposal Submission:** Proposals **must** be submitted by the date required by the RFP Schedule. **Late-submitted Proposals will not be considered.**
- **Q&A:** A Q&A process is available to address Proponents’ questions regarding RFP matters.
- **Post Proposal Meetings:** BC Hydro may conduct one or more bilateral meetings with one or more, but not necessarily all, Proponents after Proposal submission and before selecting Preferred Proponents.
- **Evaluation:** BC Hydro expects to (i) select one or more Preferred Proponents with Proposals that BC Hydro determines best meet the RFP objectives referenced in section 6, and (ii) proceed to final negotiations with the Preferred Proponents. Key criteria for selection of Preferred Proponents and award of EPAs include cost of energy to BC Hydro and other criteria outlined in section 12. Selection as a Preferred Proponent does not constitute award of an EPA or guarantee that an EPA will be successfully negotiated and signed.
- **First Nations Consultation:** Final award and signing of an EPA is subject to BC Hydro’s favourable assessment of the reasonableness and adequacy of any required First Nations consultation.
- **Interconnection Studies:** A Proponent with a Transmission System-connected (“T-Connected”) Project located in a Designated Area may use the Preliminary Adjusted Price Spreadsheet and estimating data available on the RFP Website to determine its Preliminary Adjusted Price for a Base Proposal, before giving effect to Proposal Impacts. All other Proponents that register on or before the Registration Deadline will receive approximately 8 weeks thereafter comparable Project-specific estimating

data for that purpose, based on a preliminary screening process to be commissioned by BC Hydro. These Proponents may use the Preliminary Adjusted Price Spreadsheet and screening process data to determine the Preliminary Adjusted Price for a Base Proposal, before giving effect to Proposal Impacts. Proponents will not be required to have a Feasibility Study (T-Connected Projects) or a Preliminary Interconnection Study (D-Connected Projects) at the time of Proposal submission. These studies will be obtained only by Preferred Proponents after selection. BC Hydro will use the results of these studies, together with BC Hydro's determination of Proposal Impacts, in confirming that the Final Adjusted Price for each Preferred Proponent does not exceed the Maximum Adjusted Price before an EPA is awarded and signed.

- **Post Selection Negotiations:** After selection of one or more Preferred Proponents, BC Hydro intends to proceed with bilateral negotiations, which may include price negotiations, with each Preferred Proponent, based upon its Proposal in an effort to conclude an EPA.
- **RFP Schedule:** BC Hydro intends to conduct the RFP process according to the RFP Schedule.

3. RFP CONTENTS:

The RFP includes the following documents. The RFP may also include additional RFP Documents that will be posted to the RFP Website as required.

- Registration Form
 - Confidentiality and Compliance Agreement
 - Disclosure Statement
 - Screening Process Application (for all Projects, except only T-Connected Projects in Designated Areas)
- RFP Schedule
- *Proposal Guide
- *Interconnection Request (T-Connected Projects)
- *Interconnection Request (D-Connected Projects)
- *Preliminary Adjusted Price Spreadsheet (and estimating data for T-Connected Projects in Designated Areas only)
- Specimen EPA Executive Summary
- Specimen EPA
- Designated Areas Map

* Denotes RFP Documents not on the RFP Website at the RFP issue date. These documents will be posted at a later date.

The RFP also includes the *Code of Conduct Guidelines Applicable to BC Hydro Contracts, Including Clarification Statements for Contracts* (see www.bchydro.com/about/company_information/code_of_conduct.html).

4. BC HYDRO:

BC Hydro is an electricity generation and distribution public utility constituted as a Crown corporation under the *Hydro and Power Authority Act* (British Columbia). BC Hydro is owned by the Province of British Columbia. It is regulated by the British Columbia Utilities Commission (“BCUC”) under the *Utilities Commission Act* (British Columbia).

BC Hydro serves customers in large areas of British Columbia through an integrated high voltage transmission system (“Transmission System”), and a low voltage distribution system (“Distribution System”), as well as customers located in certain non-integrated areas. The Transmission System is currently operated by British Columbia Transmission System (“BCTC”). BCTC is also regulated by the BCUC.

Further information is available about:

BC Hydro at its corporate website, www.bchydro.com,

BCTC at its corporate website, www.bctc.com,

BCUC and the regulation of British Columbia public utilities, including BC Hydro and BCTC, at BCUC’s website, www.bcuc.com.

5. PROPOSED CLEAN ENERGY ACT:

On April 28, 2010, the Government of British Columbia introduced in the Legislative Assembly of British Columbia Bill 17 – the *Clean Energy Act* (“CEA”). The CEA contains a number of provisions which will have significant impacts on BC Hydro, BCTC, this RFP and any EPAs signed as a result of the RFP process if the Act is passed and proclaimed into law. These impacts include:

- The CEA sets out British Columbia’s energy objectives,
- BC Hydro and BCTC will be integrated into one entity, continued as “BC Hydro”, and
- This Bioenergy Phase 2 Call will be exempt from section 71 of the *Utilities Commission Act* (British Columbia), which currently requires energy supply contracts, including EPAs, to be filed for acceptance with the BCUC.

For further information on the proposed CEA, visit www.gov.bc.ca/cleanenergyact.

It is expected that the CEA will be passed and proclaimed into law before Proposals are due for submission. BC Hydro will post an Addendum and/or Notice(s) to the RFP Website to address modifications to the RFP process required to accommodate all impacts of the CEA after it is proclaimed in force.

6. RFP OBJECTIVES:

In 2007, the Government of British Columbia released its *2007 BC Energy Plan: A Vision for Clean Energy Leadership* (see www.energyplan.gov.bc.ca) (“Energy Plan”). In 2008, the Government released its *2008 Bioenergy Strategy: Growing Our Natural Energy Advantage* (see www.energyplan.gov.bc.ca/bioenergy) (“Bioenergy Strategy”). The Bioenergy Strategy directed BC Hydro to issue a two-part Bioenergy Call for Power.

In February 2008, BC Hydro issued its Bioenergy Call for Power – Phase I, Request for Proposals, focusing on existing biomass inventory in the forest industry. Phase I completed in July 2009. BC Hydro’s Bioenergy Phase 2 Call is this RFP.

The Government of British Columbia introduced in the Legislative Assembly of British Columbia the CEA. This proposed legislation includes 16 energy objectives. Some of these objectives are advanced by, or consistent with, this RFP.

BC Hydro has also initiated two additional power procurement programs relative to bioenergy – the CBB RFQ and the IPO, each targeting different procurement opportunities. BC Hydro also makes available a SOP for small projects. See the BC Hydro website at www.bchydro.com/ipp for further information on these programs.

BC Hydro’s objectives under this RFP include:

- **Policy Implementation:** Implementation of the Bioenergy Phase 2 Call in alignment with the Energy Plan, the Bioenergy Strategy, and, subject to enactment, the CEA, as well as the objectives outlined in those documents, and
- **Bioenergy Supply:** A flexible, competitive process to select capable (financially, technically and operationally) Proponents from which BC Hydro intends to acquire cost-effective, reliable, long-term supplies of up to 1,000 GWh/year of Clean or Renewable Biomass Electricity from “greenfield” projects to be located in British Columbia having a Final Adjusted Price not greater than the Maximum Adjusted Price (i.e., \$150/MWh).

7. RFP SCHEDULE:

BC Hydro intends to conduct the RFP process on the timetable set out in the RFP Schedule, which is available on the RFP Website.

8. ELIGIBILITY:

Proponents and Projects must meet the following eligibility requirements:

- **Registration and Fees:** Proponents must submit a completed Registration Form, sign and deliver a Confidentiality and Compliance Agreement and a Disclosure Statement and pay the Registration Fee on or before the Registration Deadline. All Proponents, other than Proponents proposing a T-Connected Project in a Designated Area, must also submit a completed Screening Process Application.
- **New Facilities:** Projects must be “greenfield” – i.e., new facilities. All Projects must be interconnected directly, or via the FortisBC transmission system, with the integrated Transmission System (but not via any transmission system outside British Columbia) or the Distribution System, and metered independently and separately from electricity metering applicable to any other facilities, including existing facilities.
- **Project Location:** Projects must be located in British Columbia.
- **Clean or Renewable Biomass Energy:** All energy output must qualify as Clean or Renewable Biomass Energy.
- **Minimum Capacity:** Projects must have a minimum electrical nameplate capacity of 5 MW.
- **Other BC Hydro Programs Inapplicable:** Projects must not be under consideration, or the subject of an electricity purchase or other agreement, in BC Hydro’s CBB RFQ, IPO or SOP, or the subject of an application, or approved funding, under Canada’s Pulp and Paper Green Transformation Program.
- **No Existing EPA:** At Proposal submission, output from the Project must not be under contract to BC Hydro.

Persons in doubt about whether a proposed Project will meet these eligibility requirements may seek clarification through the Q&A process.

9. DESIGNATED AREAS:

The British Columbia Ministry of Forests and Range has considered available forest-based biomass and existing usage in British Columbia. The Ministry has estimated that Projects in Designated Areas are most likely to facilitate access to forest-based biomass fuel and to diminish the impact on existing usage of forest-based biomass.

The Designated Areas are outlined on the Designated Areas Map available on the RFP Website, and are briefly identified below.

AREA GENERAL DESCRIPTION

A	Smithers and Fort St. James Corridor
B	Mackenzie
C	Northeast British Columbia
D	Central and Northern Vancouver Island
E	Cariboo-Chilcotin
F	Northwest British Columbia, including Terrace

A person in doubt whether its Project is located in a Designated Area may submit latitude and longitude coordinates to BC Hydro for a determination using the Q&A process.

10. INTERCONNECTION:

10.1 Clean Energy Act:

The CEA, if enacted, will integrate BC Hydro and BCTC into one entity continued as “BC Hydro”. The interconnection process outlined in this section reflects pre-integration procedures. BC Hydro will post to the RFP Website an Addendum and/or Notice(s) to address specific procedural changes which may be required to align the interconnection procedures outlined in this section 10 with the CEA, if enacted.

10.2 Use of Interconnection Studies in the RFP Process:

Interconnection studies are conducted by BCTC (for T-Connected Projects) or by BC Hydro-Generator Interconnections (for D-Connected Projects).

Interconnection studies contain, among other things, estimates of (i) Network Upgrade Costs to accommodate interconnection of new generators and the injection of power into these systems, and (ii) System losses from the Project point of interconnection (“POI”) to the Lower Mainland of British Columbia, which is BC Hydro’s principal load centre. Studies also provide information relevant to the compatibility of a Proponent’s scheduled commercial operation date (“COD”) and the expected schedule to complete network upgrades, if any.

Study information is important in the RFP process because (i) both the Preliminary Adjusted Price and the Final Adjusted Price include an allowance for the estimated Network Upgrade Costs, if any, and System losses, based on study estimates, and (ii) other study information can be relevant to other evaluation criteria.

This RFP has been designed to avoid unnecessary studies and associated costs by limiting them, so far as possible, to those required for Projects proposed by Preferred Proponents, and deferring those studies until the selection of Preferred Proponents is made.

10.3 Calculating the Preliminary Adjusted Price

Maximum Adjusted Price

BC Hydro will not award or sign an EPA if the Final Adjusted Price exceeds the Maximum Adjusted Price (i.e., \$150/MWh).

T-Connected in a Designated Area

A Proponent with a T-Connected Project in a Designated Area may use the Preliminary Adjusted Price Spreadsheet and associated estimating data available on the RFP Website to determine their Preliminary Adjusted Price for a Base Proposal, before giving effect to Proposal Impacts. BC Hydro will use the same spreadsheet to determine Preliminary Adjusted Prices, before making further adjustments in respect of Proposal Impacts.

BC Hydro will use the results of Feasibility Studies conducted for Preferred Proponents only, as described in subsection 10.5 in determining Final Adjusted Prices.

D-Connected in a Designated Area or Any Project Outside the Designated Areas

Proponents that do not have a T-Connected Project in a Designated Area should not use the estimating data provided on the RFP Website with the Adjusted Price Spreadsheet.

A Proponent with a D-Connected Project in a Designated Area or any Project (whether T-Connected or D-Connected) outside the Designated Areas should submit by the Registration Deadline a completed Screening Process Application (available on the RFP Website). BC Hydro will commission a Project-specific screening process for each of these Projects. Results will be available to these Proponents approximately 8 weeks after the Registration Deadline. The screening process results will provide Project-specific preliminary estimating data comparable in nature to that provided on the RFP Website for use with the Preliminary Adjusted Price Spreadsheet. These Proponents may use the Preliminary Adjusted Price Spreadsheet, together with their Project-specific data derived from the screening process, to determine their Preliminary Adjusted Price for a Base Proposal before giving effect to Proposal Impacts. Technical information (e.g., capacity) in a Screening Process Application should be consistent with comparable information in the corresponding Proposal.

BC Hydro will use the results of Preliminary Interconnection Studies conducted for Preferred Proponents only, as described in subsection 10.6 in determining Final Adjusted Prices.

Estimate and Study Limitations

All Proponents should note that the data used in assessing the Preliminary Adjusted Price in selecting all Preferred Proponents, whether derived from the Preliminary Adjusted Price Spreadsheet or from screening processes, is subject to confirmation based on further studies conducted for all Preferred Proponents as outlined in subsections 10.5 and 10.6. These further studies (a Feasibility Study for T-Connected Projects and a Preliminary Interconnection Study for D-Connected Projects) will be initiated following selection of Preferred Proponents. These later study results will be used to confirm that the Final Adjusted Price does not exceed the Maximum Adjusted Price before final decisions are made on EPA award and signing.

Estimates used in the Preliminary Adjusted Price Spreadsheet or derived from screening processes, Feasibility Studies or Preliminary Interconnection Studies or any other special studies that BC Hydro may commission are preliminary, and may be subject to significant estimating tolerances. While BC Hydro intends to rely on these estimates and studies in selecting Preferred

Proponents and in making final decisions on EPA award and signing, BC Hydro assumes no liability or obligation whatsoever to any Proponent for any inaccuracy, error or omission in any estimate or study data contained or referenced in this RFP.

10.4 Application of the CEAP – Preferred Proponents Only:

The interconnection procedure for Preferred Proponents will be the Competitive Electricity Acquisition Process (“CEAP”) described in the BCTC’s Open Access Transmission Tariff (“OATT”), Attachment M, filed with the BCUC October 21, 2009. The CEAP is available at www.bctc.com/generator_interconnection/bchydro_ceap_process.

A Proponent is not required to file an interconnection request (“IR”) with BCTC or BC Hydro – Generator Interconnections unless and until selected as a Preferred Proponent. However, each Proponent should include a completed IR with its Proposal submission.

After selection of Preferred Proponents and before the deadline established under the CEAP, BC Hydro, on behalf of each Preferred Proponent, will file with BCTC or BC Hydro – Generator Interconnections the IRs included in their respective Proposals. BC Hydro will also remit the Interconnection Study Fee Deposit included in the Proposal Fee for application to the required study fee deposit associated with the IRs. IRs included in Proposals of Proponents not selected as Preferred Proponents will not be filed with BCTC or BC Hydro – Generator Interconnections and associated Interconnection Study Fee Deposits will be refunded to Proponents.

While BC Hydro may rely on the data contained in IRs in Proposal evaluation, and may notify Proponents of observed deficiencies in IRs and afford Proponents an opportunity to rectify those deficiencies, Proponents are solely responsible, and BC Hydro assumes no obligation or liability whatsoever to any Proponent, for the completeness and accuracy of IRs.

Each Preferred Proponent must withdraw any prior IR for interconnection of a T-Connected Project under BCTC’s Standard Generator Interconnection Procedures as described in the OATT. Similarly, each Preferred Proponent must withdraw any prior IR for interconnection of a D-Connected Project.

10.5 For T-Connected Projects:

The required form of IR for T-Connected Projects, to form part of the Proposal submission, is available through the RFP Website. The Proponent should also include in its Proposal an Interconnection Disclosure Consent in the form posted to the RFP Website. The consent enables BC Hydro to obtain IRs, the Feasibility Study and other interconnection data regarding the Project directly from BCTC as BC Hydro may require in connection with Proposal evaluation and/or negotiation.

It is expected that BCTC will deliver a Feasibility Study during Proposal negotiations. BC Hydro will consider the impacts of Feasibility Study estimates and other conclusions relative to estimated Network Upgrade Costs, System losses and other matters in concluding negotiations and making its final decision on EPA commitments.

After signing an EPA and within the time prescribed by the CEAP, Preferred Proponents will be required to sign and deliver to BCTC a Combined Study Agreement for a System Impact Study and a Facilities Study, together with the required study fee deposit, which must be funded by the Proponent. After completion of the study, Preferred Proponents will also be required to sign and deliver to BCTC its required form of Standard Generator Interconnection Agreement.

Further information on the CEAP and interconnection of T-Connected Projects is available at www.bctc.com/generator_interconnection/bchydro_ceap_process.

10.6 For D-Connected Projects:

The required form of IR for D-Connected Projects, to form part of the Proposal submission, is available through the RFP Website. The Proponent should also include in its Proposal an Interconnection Disclosure Consent in the form posted to the RFP Website. The consent enables BC Hydro to obtain IRs, the Preliminary Interconnection Study and other interconnection data regarding the Project directly from BC Hydro – Generator Interconnections as BC Hydro may require in connection with Proposal evaluation and/or negotiation.

BC Hydro – Generator Interconnections will deliver a Preliminary Feasibility Study during Proposal negotiations. BC Hydro will consider Preliminary Interconnection Study estimates and other conclusions relative to estimated Network Upgrade Costs, System losses and other matters in concluding negotiations and making its final decision on EPA commitments.

Upon signing an EPA, Preferred Proponents will be required to sign and deliver to BC Hydro – Generator Interconnections a Combined Study Agreement, for a System Impact Study and a Facilities Study, together with the required study fee deposit. After completion of the study, Preferred Proponents will also be required to sign and deliver to BC Hydro – Generator Interconnections its required form of Standard Generator Interconnection Agreement.

Further information on interconnection of D-Connected Projects is available at www.bchydro.com/interconnections.

10.7 All Projects:

All Projects will be studied for interconnection impacts on a “stand alone” basis, using the same “base case” (i.e., a common queue position). BC Hydro, at its own expense, may commission or conduct, and rely upon further studies regarding combined and/or cumulative impacts of the interconnection of multiple projects or “clustering”, and other matters, as it considers necessary in connection with the evaluation and/or negotiation of Proposals.

11. ELECTRICITY PURCHASE AGREEMENT:

11.1 Specimen EPA:

A Specimen EPA is available on the RFP Website, together with a Specimen EPA Executive Summary. The Specimen EPA and the Specimen EPA Executive Summary have been prepared on the assumption that the CEA will be enacted before any EPA is signed.

BC Hydro may revise the Specimen EPA before the Closing Time. The Specimen EPA represents BC Hydro’s preferred terms and conditions. Revisions will be posted to the RFP Website. A Base Proposal should be based on the Specimen EPA terms and conditions, without Variations.

11.2 Alternate Proposals and Variations:

A Proponent that submits a Base Proposal may also submit an Alternate Proposal containing proposed Variations to the Specimen EPA, which may include associated pricing.

Alternate Proposals should be submitted using the form provided in the Proposal Guide and prepared following the instructions on that form. Proponents may download a MS Word version of the Specimen EPA from the RFP Website for the purpose of preparing Variations.

In accordance with the policy of the Government of British Columbia, BC Hydro will not consider Variations having the effect of transferring to BC Hydro any biomass fuel price risk under EPAs awarded pursuant to this RFP.

11.3 Regulatory Matters:

EPAs are “energy supply contracts” under the *Utilities Commission Act* (British Columbia). Accordingly, subject to the CEA, if enacted, or another valid exemption, if any, EPAs must be filed with, and accepted by, the BCUC under section 71 of that Act. The BCUC may accept the EPAs for filing without convening a public hearing, or the BCUC may convene a hearing. If the BCUC determines, after a hearing, that an EPA is not in the public interest, the BCUC may make an order declaring the EPA to be unenforceable, in whole or in part, or may make any other order it considers advisable in the circumstances.

The foregoing is a very brief and general summary of section 71 of the Act. Proponents should familiarize themselves with the Act and current regulatory processes that could impact energy supply contracts.

The CEA, if enacted, exempts this Bioenergy Phase 2 Call from section 71 of the *Utilities Commission Act* (British Columbia), including the filing and other provisions summarized above.

12. EVALUATION CRITERIA AND METHODOLOGY:

12.1 Eligibility Review:

BC Hydro will review Proposals for compliance with the Project eligibility requirements. Proposals that fail to meet eligibility requirements will not be considered further.

12.2 Conformity Review:

BC Hydro will review the eligible Proposals for conformity with the RFP terms. BC Hydro will also consider any known violations by each Proponent of the Confidentiality and Compliance Agreement. If BC Hydro determines that a Proposal is non-conforming or that a Proponent has violated the agreement, whether or not such non-conformity or violation is material, BC Hydro may waive the non-conformity and/or violation, or alternatively decline further consideration of the Proposal. If non-conformities or violations are waived, BC Hydro may consider them in further evaluation, as indicated below.

12.3 Notification of Proponents following Initial Review:

If BC Hydro determines that a Proposal will not be considered further based on eligibility, or a non-conformity or agreement violation, then BC Hydro will notify the Proponent to that effect after the determination is made.

12.4 Evaluation Criteria:

BC Hydro will evaluate all remaining Proposals to determine the Proposal(s) that best meet its objectives as outlined in section 6. The evaluation for the purposes of selection of Preferred Proponents and for final decisions on award of EPAs will include consideration of the cost of energy to BC Hydro and the Key Criteria, and may also include consideration of any or all of the Other Criteria outlined below.

- **Cost:** Preliminary Adjusted Price (for selection of Preferred Proponents) and Final Adjusted Price.
- **Key Criteria:**
 - **Proponent’s Relevant Experience:** Scope and depth of the experience of the Proponent, its Affiliates and the key personnel, consultants and contractors assembled for its Project in planning, engineering, consulting with First Nations, permitting, constructing, owning and operating generation projects,

including particularly biomass-fuelled projects, generally of the scale indicated in the Proposal.

- *Proponent's Financial Strength, Financing Experience and Project Financing Plan:* Financial strength of the Proponent and of the equity and debt financing sources it plans to access for its Project, its experience in arranging equity and debt financing for generation projects comparable to the proposed Project, and the status and certainty of commitments for debt and equity financing for the Project, including any unfulfilled conditions of financing.
- *Biomass Supply:* Status and adequacy of plans and commitments to secure the required supply of biomass, and BC Hydro's assessment, in consultation with the British Columbia Ministry of Forests and Range, of the availability of an economic supply of biomass sufficient to service the needs of the Projects, having regard to competing users, including other Projects under consideration.
- *Employment and Economic Benefits:* Benefits to local, regional and aboriginal communities during both Project development and operation.
- **Other Criteria:**
 - *Impacts on Existing Biomass Use:* Impact of the Project on existing productive uses of biomass, including particularly users who are party to, or negotiating, electricity purchase or other agreements with BC Hydro.
 - *Permitting and Development Risks:* Status and risks associated with successful and timely completion of Project development and achievement of the guaranteed COD, including status and risks of environmental assessment, if applicable, permitting, site and transmission and access right-of-way acquisition, zoning, and engineering and procurement planning, progress and commitments.
 - *Environmental Impacts:* Reputation and record of the Proponent and its Affiliates relative to environmental stewardship and sustainability, and the Project's environmental "footprint" and other environmental benefits and impacts.
 - *First Nations Consultation:* A preliminary assessment of the First Nations consultation undertaken by the Proponent.
 - *Policy Alignment:* Proposal's alignment with the Energy Plan, including the Bioenergy Strategy, and with the CEA, if enacted.
 - *Offer Conditions:* Nature of, and risks associated with, conditions, if any, specified in the Proposal (e.g., financing, approvals, etc.).
 - *Interconnection and Transmission Impacts:* System impacts, including "clustering" impacts, of Project interconnection and transmission to the extent not fully accommodated by consideration of the Final Adjusted Price.
 - *Technological Risk:* Risks associated with technology incorporated into the Project.
 - *Policy and Legislative Impacts:* Impact of federal and/or provincial policy and law announced and/or implemented or enacted after issue of the RFP.

- *Prior Performance:* The performance record of the Proponent and/or its Affiliates under any prior or existing electricity purchase agreement with BC Hydro or Powerex Corp., its wholly-owned subsidiary.
- *Commercial References:* Commercial reputation and record of the Proponent and its Affiliates, including the resolution of claims and other commercial and contractual disputes.
- *Alternate Proposals:* In the case of Alternate Proposals, the comparative benefits and risks to BC Hydro associated with variations to the Specimen EPA and associated pricing by comparison to the Base Proposal.
- *Compliance:* The Proponent's compliance with the RFP terms and the Confidentiality and Compliance Agreement.
- *Public Interest Criteria:* Other public interest benefits and impacts of the Project to the extent not accommodated by the preceding criteria.

BC Hydro may apply evaluation criteria according to such preferences and weighting as it considers appropriate to achieving its objectives at the time of evaluation. The criteria outlined above within the categories identified as "Key Criteria" or "Other Criteria" are not necessarily set out in order of importance within each category. BC Hydro will not necessarily apply, or disclose to Proponents, any particular percentage or other numerical weighting of criteria that may be used in the evaluation of Proposals.

12.5 Maximum Adjusted Price:

BC Hydro may select a Preferred Proponent having a Preliminary Adjusted Price in excess of the Maximum Adjusted Price. However, BC Hydro will not award and sign an EPA if the Final Adjusted Price exceeds the Maximum Adjusted Price (i.e., \$150/MWh).

BC Hydro will determine Preliminary Adjusted Prices and Final Adjusted Prices using Proponents' Firm Energy Prices, adjusted for estimated Network Upgrade Costs and System losses using estimating data referenced in subsections 10.3, 10.5 and 10.6 and further adjusted for Proposal Impacts as determined by BC Hydro. The Preliminary Adjusted Prices and Final Adjusted Prices will be levelized in the manner reflected in the Preliminary Adjusted Price Spreadsheet.

BC Hydro's determination of Proposal Impacts will be conclusive for purposes of this RFP. BC Hydro may not necessarily disclose to any Proponent details of its valuation or valuation methodology relative to Proposal Impacts.

BC Hydro will determine Preliminary Adjusted Prices considered in selection of Preferred Proponents, and Final Adjusted Prices for purposes of confirming that Final Adjusted Prices do not exceed the Maximum Adjusted Price before EPA awards.

12.6 First Nations Consultation:

Prior to awarding and signing an EPA, BC Hydro will assess whether First Nations consultation is required, and if required, the level required and the reasonableness and adequacy of First Nations consultation in respect of the Project, taking into account the Project's stage of development. BC Hydro may require further information from Preferred Proponents to complete the assessment. The award and signing of an EPA is subject to BC Hydro first being satisfied as to the reasonableness and adequacy of any required First Nations consultation regarding the relevant Project.

13. PROPOSAL SUBMISSIONS:

13.1 Proposal Forms and Content:

Proposals should be prepared using the Proposal forms included in the Proposal Guide. Some Proposal Forms contain fields in which Proponents should enter the required data. Other Proposal Forms contain only instructions for documents to be prepared by the Proponent. Proposal Forms should be downloaded from the RFP Website and, where fields are indicated, used to enter required information in the various fields to complete those forms.

13.2 Complete Proposal Package:

A **complete Proposal** submission should consist of:

- A completed Proposal Certificate, signed by an authorized signing officer of the Proponent, and submitted in one (1) hard copy,
- A completed Commercial Proposal, in one (1) hard copy and in electronic form on a CD ROM, in a separate sealed envelope, marked “Commercial Proposal” and bearing the Proponent’s name and the Project name,
- All other Proposal Forms, completed in accordance with the instructions on the forms, and with the Attachments listed on each form under the headings “ATTACHMENTS”, in one (1) hard copy,
- A completed IR, in the applicable form available through the RFP Website for a T-Connected Project or a D-Connected Project, signed by an authorized signing officer of the Proponent, together with all attachments required by those forms, in one (1) hard copy,
- the entire Proposal – Proposal Forms, Attachments and the IR in electronic form on a CD ROM(s), in the format specified on each form (e.g., PDF, etc.), and
- A Proposal Fee by certified cheque or bank draft.

13.3 Proposal Submissions – Time and Place:

A Proposal **must** be submitted to BC Hydro on or before **4:00 p.m. PPT** on the date specified on the RFP Schedule (“Closing Time”). Check the RFP Website frequently for any changes in the Closing Time.

Proposals should be addressed, and submitted by personal or courier delivery to:

**BC Hydro
Bioenergy Phase 2 Call
10th Floor, 333 Dunsmuir Street
Vancouver, BC**

Attention: RFP Administrator

A Proposal should be submitted in a sealed package, bearing the Proponent’s return name and address.

PROPOSALS SUBMITTED AFTER THE CLOSING TIME WILL NOT BE CONSIDERED AND WILL BE RETURNED UNOPENED.

Proposals may **not** be delivered by facsimile, e-mail or other electronic means.

13.4 Status of Proposal:

A Proposal is a legally binding offer of the Proponent to enter into an EPA in substantially the form of the Specimen EPA, completed with information contained in the Proposal and, in the case of an Alternate Proposal, with Variations and associated pricing, if any, specified in the Alternate Proposal. The offer may be conditional upon such conditions as are specified in the Proposal Certificate.

The offer constituted by a Proposal may be revoked by the Proponent by notice to BC Hydro given at any time before receipt by the Proponent of a Selection Notice. Thereafter, the offer, if not previously revoked, is irrevocable until its Proposal Validity Date (a period of 120 days after receipt by the Proponent of a Selection Notice, or for such longer period, if any, as the Proponent may confirm by written notice to BC Hydro).

13.5 Proposal Amendments:

A Proposal may be amended by a Proponent at any time before the Closing Time by delivery of a written amendment to BC Hydro in the same manner and place as required for Proposal submissions. A Proposal may not thereafter be amended without the consent or agreement of BC Hydro.

14. RFP PROCESS MATTERS:

14.1 RFP Amendments and Notices:

BC Hydro may amend and/or supplement the RFP by issuing Addenda. Addenda will be dated and numbered sequentially. BC Hydro may amend and/or supplement the RFP Documents by issuing revised versions. Each revised version will bear the revision date. BC Hydro may also issue notices to Proponents (“Notices”) containing other important information relevant to the RFP process.

Addenda and RFP Documents will be posted to the RFP Website, and will not necessarily be distributed directly to Proponents. Notices may be posted to the RFP Website and/or issued directly to Proponents. Proponents should check the RFP Website frequently.

Later Addenda govern over the original RFP, and any earlier Addenda. Later versions of RFP Documents govern over earlier versions of the RFP Documents. Later Notices govern over earlier Notices, and later Q&As govern over earlier Q&As. The RFP, including RFP Documents, Addenda, and Notices govern over posted Q&As. BC Hydro will not necessarily revise earlier Addenda, RFP Documents, Notices and/or Q&As to reflect the terms of later versions and postings.

14.2 Registration:

Each person intending to submit a Proposal must register before 4:00 p.m. PPT on the Registration Deadline shown on the RFP Schedule.

LATE REGISTRATIONS WILL NOT BE ACCEPTED. PROPOSALS SUBMITTED BY UNREGISTERED PERSONS WILL NOT BE CONSIDERED AND WILL BE RETURNED UNOPENED.

Registration is effected by completing and submitting:

- The Registration Form, in one (1) hard copy, and an electronic copy in MS Word format;
- A Confidentiality and Compliance Agreement, in two (2) hard copies, signed by an authorized signing officer of the Proponent, and an electronic copy in PDF format,

- A Disclosure Statement, in one (1) hard copy, signed by an authorized signing officer of the Proponent, and an electronic copy in MS Word format,
- In the case of all Proponents, other than those proposing a T-Connected Project in a Designated Area, a Screening Process Application in one (1) hard copy, signed by an authorized signing officer of the Proponent, and an electronic copy in MS Excel format, and
- The required Registration Fee,

all in a sealed envelope, bearing the Proponent's return name and address, to:

**BC Hydro
Bioenergy Phase 2 Call
10th Floor, 333 Dunsmuir Street
Vancouver, BC**

Attention: RFP Administrator

If a Proponent intends to submit Proposals for more than one Project, the Proponent must pay a Registration Fee for each Project. However only one Registration Form (with Project-specific information completed for each Project as directed on the form), Confidentiality and Compliance Agreement (in two hard copies) and Disclosure Statement is required.

If information contained in a Registration Form or a Disclosure Statement changes after registration and whether before or after Proposal submission, the Proponent should notify BC Hydro of the change by e-mail to the RFP Administrator.

Proponent and Project information contained in a Registration Form or an update is considered preliminary. Proponents are not precluded from submitting Proposals containing differing information, whether as to Project ownership, electrical capacity or other matters.

BC Hydro will cancel registration of all registered Proponents who do not submit a Proposal by the Closing Time.

14.3 Participation Fees:

A Proponent must pay a Registration Fee and a Proposal Fee for each Project.

Registration Fee:

- A non-refundable Registration Fee in the amount of \$15,000 is payable at the time of registration.

Proposal Fee:

The Proposal Fee is payable at the time a Proposal is submitted, and consists of:

- \$5,000, a non refundable evaluation fee,
- A Proposal Deposit in an amount equal to \$2,000/MW of electrical capacity of the Project (as shown on the IR), which is refundable in certain circumstances described below, and
- An Interconnection Study Fee Deposit in the amount of \$30,000, which is refundable in certain circumstances, described below.

All fees should be paid by certified cheque or bank draft payable to "British Columbia Hydro and Power Authority" or "BC Hydro".

Refunds:

If a Proponent is not selected as a Preferred Proponent, whether or not it has filed a Proposal, then BC Hydro will refund to the Proponent the Interconnection Study Fee Deposit and the Proposal Deposit, in each case without interest. These refunds will be made after selection of Preferred Proponents.

If a Preferred Proponent is not awarded an EPA because its Final Adjusted Price exceeds the Maximum Adjusted Price due to its study results indicating greater estimated Network Upgrade Costs and/or System losses than those used in determining its Preliminary Adjusted Price (other than as a result of any change in Project data supplied by the Proponent), then BC Hydro will refund to the Proponent the Interconnection Study Fee and the Proposal Fee, in each case without interest. These refunds will be made after termination of negotiations.

Use of Deposits:

If a Proponent is selected as a Preferred Proponent BC Hydro will (i) apply the Interconnection Study Fee Deposit to the deposit requirements of the Proponent's IR, and (ii) hold the Proposal Deposit to secure the irrevocable offer constituted by the Proposal. The Proposal Deposit may be retained by BC Hydro if the Proponent amends its offer without the written agreement or consent of BC Hydro, or withdraws its offer before the Proposal Validity Date, or if BC Hydro disqualifies the Proponent or terminates negotiations with the Proponent due to the Proponent's violation of the Confidentiality and Compliance Agreement. Otherwise, the Proposal Deposit will be refunded to the Proponent (without interest) only if and when the Proponent signs and delivers to BC Hydro an agreed form of EPA and all securities required thereunder, or BC Hydro terminates negotiations with the Proponent without the award of an EPA, or the RFP process is terminated by BC Hydro without the award of any EPAs.

14.4 Benefits of Registration:

BC Hydro encourages persons interested in participating in the RFP process to register early. A person who is not registered by the Registration Deadline:

- will not receive further RFP-related communications or documents from BC Hydro,
- will not be invited to make any presentations to BC Hydro or entitled to attend any meetings convened by BC Hydro regarding the RFP,
- is not eligible to have BC Hydro commission a Project-specific screening process in respect of any Project that is D-Connected and in a Designated Area, or not located in a Designated Area, and
- may not submit a Proposal eligible for consideration.

14.5 Registration and Registrant Ownership Transfers:

Registrations are assignable only to:

- Affiliates of the original registrant upon written notice to BC Hydro, and
- any person, other than an Affiliate, with the prior written approval of BC Hydro.

Notices, and requests for approval, of registration assignments should be accompanied by a completed Registration Form, Confidentiality and Compliance Agreement (in two hard copies), and Disclosure Statement, completed and signed by the assignee. Any Screening Process Application submitted by the assignor on registration will be deemed to be that of the assignee, and BC Hydro will not accept a revised Screening Process Application, unless the assignment occurs and revised application is received by BC Hydro before the Registration Deadline.

Transfers, in whole or in part, and directly or indirectly, of ownership interests in a Proponent are permitted to:

- Affiliates of the original registrant at any time upon written notice to BC Hydro, and
- any person, other than an Affiliate,
 - before the Closing Time upon written notice to BC Hydro, or
 - after the Closing Time with the prior written approval of BC Hydro.

Notices and requests for approval should be accompanied by full information on the transfer, including information required to update the ownership information contained in the Registration Form and, if applicable, the Proposal. The foregoing consent requirement does not apply to transfers of ownership interests of a Proponent, which are traded on a recognized stock exchange, but such Proponents should notify BC Hydro of any change in Control of the Proponent.

BC Hydro may disqualify, or terminate negotiations with, a Proponent that violates this subsection 14.5.

A further registration fee is **not** required in connection with any permitted assignment of a registration or transfer of ownership of a Proponent.

Assignments of any EPA will be governed by the terms of the EPA, and not by the foregoing.

14.6 Communications:

Except as noted below, all communications with BC Hydro regarding this RFP should be directed to:

**BC Hydro
Bioenergy Phase 2 Call
10th Floor, 333 Dunsmuir Street
Vancouver, BC

Attention: RFP Administrator

E-mail: bioenergyphase2.call@bchydro.com

Fax: (604) 623-4335**

For contacts regarding interconnection of T-connected Projects, see contacts at www.bctc.com/home (go to: *home page > generator interconnection > contact us*).

For contacts regarding interconnection of D-connected Projects, see contacts at www.bchydro.com/interconnections.

Communications from Proponents should originate from the contact person specified in their Registration Form. Contact persons may be changed by notice to the RFP Administrator. Proponents should communicate in writing (which may include e-mail).

BC Hydro will notify Proponents, if any, with whom BC Hydro decides to conduct discussions and/or negotiations following Proposal submissions, of the communications protocol applicable to that phase of the RFP process.

Proponents should not contact directly BC Hydro's directors, officers, employees or advisors concerning matters related in any way to this RFP, other than the RFP Administrator or with respect to matters relating to interconnection as aforesaid or as directed or authorized through the RFP Administrator.

BC Hydro is not responsible for any instructions or information given to any Proponent, except as made or authorized through the RFP Administrator or in accordance with any post-Proposal submission communications protocol.

14.7 Pre-Proposal Presentations and Meetings:

Before the Closing Time, each registered Proponent will be afforded an opportunity to make an in-person one-on-one presentation to BC Hydro regarding their Project and the capabilities and experience of the Proponent's team. Presentations will be followed by questions and discussion with BC Hydro representatives. BC Hydro may schedule additional pre-Proposal meetings with one or more, but not necessarily any or all, Proponents, as BC Hydro considers necessary. Representatives of the Ministry of Forests and Range may be invited to attend any or all presentation meetings. BC Hydro will contact individual Proponents after registration to schedule presentation meetings and provide further details on the meeting agenda.

14.8 Post-Proposal Meetings:

After the Closing Time, BC Hydro may schedule post-Proposal meetings with one or more, but not necessarily any or all, Proponents. Post-Proposal meetings will afford BC Hydro an opportunity to explore Proposals in detail and seek clarification and further information necessary to its evaluation. BC Hydro may afford one or more, but not necessarily any or all, Proponents an opportunity to supplement their Proposals in response to matters arising out of post-Proposal meetings or the results of further due diligence conducted by BC Hydro with regard to a Proponent, a Project or a Proposal. However, changes in the Commercial Proposal, including pricing, or proposed Variations in any Alternate Proposal, will not be permitted before selection of Preferred Proponents.

14.9 Further Due Diligence:

In conducting an evaluation of Proposals, BC Hydro, at any time or from time to time, may:

- request one or more, but not necessarily any or all, Proponents to provide further information regarding, or clarification of, a Proposal and/or a Project, and
- conduct such further and other investigation, including enquires of offices of public record and third parties, whether or not included as references in a Proposal, of a Proponent and/or a Project,

and in each case rely upon the results thereof in the evaluation of a Proposal.

14.10 Selection of Preferred Proponents:

Following completion of the initial evaluation of Proposals, BC Hydro intends to select one or more Proponents as Preferred Proponents for the purpose of conducting with each such Proponent the negotiation of an EPA relative to its Project. Each Preferred Proponent will be notified by BC Hydro of its selection by way of a Selection Notice. After the selection of all Preferred Proponents, unsuccessful Proponents will be notified that they have not been selected as a Preferred Proponent.

All Preferred Proponents will not necessarily be selected at the same time. BC Hydro may select one or more Preferred Proponents and commence negotiations with any or all of them, before selection of all Preferred Proponents. BC Hydro may select two or more Preferred Proponents with Projects in same or adjacent areas, and conduct concurrent or sequential negotiations with them, in circumstances where the biomass fuel available in that area or those areas may be insufficient to support the Projects of all such Preferred Proponents, with a view to concluding EPAs with less than all such Preferred Proponents.

BC Hydro may negotiate prices and/or any or all other terms and conditions of the EPA. BC Hydro may negotiate different prices, terms and conditions with different Proponents, and is not bound to disclose or offer such prices, terms and conditions to any other Proponent.

BC Hydro, at any time, may suspend or terminate negotiations with one or more Preferred Proponents. In that event, BC Hydro may designate other previously unsuccessful Proponents as Preferred Proponents for the purpose of engaging in negotiations toward an EPA.

Selection of Preferred Proponents and the conclusion and signing of EPAs is in the discretion of BC Hydro's board or directors and/or senior management, to whom BC Hydro's RFP evaluation team will present the results of its evaluations and negotiations, and its recommendations.

SELECTION AS A PREFERRED PROPONENT DOES NOT CONSTITUTE ACCEPTANCE BY BC HYDRO OF A PROPOSAL OR AWARD OF AN EPA, AND CREATES NO LEGAL OBLIGATION OR LIABILITY UPON BC HYDRO.

14.11 RFP Website:

BC Hydro has established a website at www.bchydro.com/bioenergyphase2call to which Proponents will have access during the RFP process.

The RFP Website will provide public access to the RFP, the RFP Documents, including revisions, Addenda, and Notices, as well as other important communications from BC Hydro to all Proponents. The RFP Website will also provide access to Q&As, and other information and links of interest to Proponents.

14.12 Q&A Process and Notices:

Registered Proponents may submit questions regarding the RFP process and related matters to the RFP Administrator. Questions should be in writing (which may include e-mail). Questions raising issues of general interest to all Proponents and corresponding answers will be posted to the RFP Website as a Q&A series, without express attribution to the Proponent submitting the question. BC Hydro reserves the right to edit questions for clarity and application to Proponents generally. Questions of specific relevance only to the Proponent submitting the question will not necessarily be posted to the RFP Website, and BC Hydro may direct the answer to that Proponent only. BC Hydro, by Notice to Proponents, may terminate the Q&A process at a time designated by BC Hydro before the Closing Time.

BC Hydro may post Notices to the RFP Website, and other information of interest to Proponents.

Proponents should check the RFP Website frequently for Q&As, Notices and other information of interest to Proponents.

14.13 Shared Support Providers:

A Proponent may retain or engage engineering, financial, legal, accounting or other professional advisors or service providers, or debt and/or equity providers ("Supporting Parties") to support, or assist in the preparation of, its Proposal. It is the responsibility of the Proponent to require each Supporting Party to disclose to the Proponent, and authorize disclosure to BC Hydro, whether it is also a Supporting Party to any other Proponent, and to establish appropriate measures, which may include effective "conflict walls", to ensure that pricing and other commercially sensitive information of one Proponent is not disclosed to another Proponent by or through the Supporting Party.

Each Proponent will be required to disclose to BC Hydro in its Disclosure Statement each of its Supporting Parties, whether any such party is a Supporting Party to any other Proponent and the measures taken to prevent disclosure of commercially sensitive information as aforesaid. BC

Hydro may require additional reasonable measures to be implemented if it concludes that those taken are insufficient to protect the integrity of the RFP process.

Each Proponent should update and deliver to BC Hydro its Disclosure Statement if the information on the statement changes after registration, whether before or after Proposal submission.

14.14 Unavailable Service-Providers:

BC Hydro has retained service-providers as set out below in relation to this RFP. In order to avoid any perceived or actual conflict of interest, Proponents should not retain any such service-provider in relation to this RFP. If any such service-provider is retained by a Proponent on an unrelated matter, the Proponent, by registration under this RFP, consents to such service-provider continuing to provide service to BC Hydro, including if applicable legal advice and representation, relative to the RFP, any agreement arising therefrom, and any related dispute or matter.

Unavailable service-providers are:

Borden Ladner Gervais LLP
Industrial Forestry Service Ltd.

15. GENERAL TERMS AND CONDITIONS:

15.1 Privilege: BC Hydro may select Preferred Proponent(s) that BC Hydro determines to have offered the resource(s) that best meet(s) the RFP objectives described at section 6. The Proposal(s) having the lowest price(s) or lowest cost to BC Hydro will not necessarily be successful. BC Hydro may terminate the RFP process at any time. BC Hydro is not obliged to provide to Proponents reasons for the selection of Preferred Proponents or the award of any EPA or the rejection of any Proposal, or for termination of any negotiations or of the RFP process.

15.2 Discretion: To the extent that this RFP (i) requires or permits BC Hydro to make any decision or determination, whether with respect to a Proponent's compliance, or a Proposal's conformity, with any term of this RFP, any waiver of non-compliance or non-conformity, the eligibility of any Project, the evaluation of any Proposal, including the application of, or weight ascribed to, any criterion, or any other matters, or (ii) indicates by the use of permissive language (such as "may") that BC Hydro may do or not do, any thing, then BC Hydro may decide, determine, or act or not act, in each case in its sole and unfettered discretion, and without giving any Proponent reasons for doing so, or incurring any liability or obligation whatsoever to any Proponent.

15.3 Termination of the RFP Process: BC Hydro, on notice to Proponents, may terminate the RFP process at any time without any liability or obligation to any Proponent, except as otherwise set out specifically in the RFP with respect to deposit refunds.

15.4 Non Compliance: BC Hydro may disqualify a Proponent, or decline to consider a Proposal, or terminate negotiations with a Proponent, without liability or obligation to the Proponent, if the Proponent is in violation of the terms of its Confidentiality and Compliance Agreement.

15.5 Consistency of Hard Copy and Electronic Copy: BC Hydro may rely upon the electronic version of a Proposal, or any part thereof, and all other submissions from a Proponent for the purposes of administering this RFP and evaluating Proposals. Each Proponent is fully responsible for ensuring consistency between the electronic copy and the hard copy of its Proposal and all other submissions, and BC Hydro assumes no obligation to identify, or notify a Proponent of, any inconsistencies, and BC Hydro assumes no liability in respect of any inconsistencies. However, if any inconsistency is discovered by BC Hydro between (i) the hard

copy form of any Proposal or other submission and (ii), the electronic form thereof, then the hard copy governs.

15.6 Legal Advice: Proponents should seek their own legal and other professional advice on all legal and regulatory risks and issues associated with the RFP and any EPA resulting therefrom.

15.7 Confidentiality and Compliance Agreement: The Confidentiality and Compliance Agreement contains other important terms and conditions by which Proponents are bound, including those pertaining to confidentiality, adherence to the Code of Conduct Guidelines, no collusion, no lobbying and other matters.

16. DEFINITIONS:

16.1 Section References: All references to section numbers are to sections of the RFP document, unless otherwise indicated.

16.2 Specimen EPA Definitions: Refer also to definitions in the Specimen EPA, which apply to this RFP, unless terms are otherwise defined herein.

16.3 “Addendum” means an addendum to the RFP issued by BC Hydro pursuant to subsection 14.1.

16.4 “Affiliate” means, with respect to any Proponent, any person directly or indirectly Controlled by, Controlling, or under common Control with, the Proponent and with respect to BC Hydro, any person directly or indirectly Controlled by BC Hydro and, if at any time BC Hydro is not Controlled, directly or indirectly, by the Province of British Columbia, shall include any person directly or indirectly Controlling, or under common Control with, BC Hydro.

16.5 “Alternate Proposal” means an alternate Proposal that contains proposed Variations to the Specimen EPA, submitted by a Proponent in addition to a Base Proposal.

16.6 “Base Proposal” means a Proposal that contains no proposed Variations, and for certainty excludes an Alternate Proposal.

16.7 “BC Hydro” means British Columbia Hydro and Power Authority.

16.8 “BCTC” means British Columbia Transmission Corporation.

16.9 “BCUC” means British Columbia Utilities Commission.

16.10 “Bioenergy Strategy” means the Government of British Columbia’s *2008 Bioenergy Strategy: Growing Our Natural Energy Advantage*.

16.11 “CBB RFQ” means BC Hydro’s Community-Based Biomass Power Call Request for Qualifications issued April 7, 2010, available on BC Hydro’s website at www.bchydro.com/bioenergycallcbb.

16.12 “Clean or Renewable Biomass Energy” means electrical energy that qualifies as “Biomass Energy” under British Columbia’s Clean or Renewable Electricity Definitions published by the British Columbia Ministry of Energy, Mines and Petroleum Resources.

16.13 “Closing Time” has the meaning given in subsection 13.3.

16.14 “COD” means commercial operation date.

16.15 “Code of Conduct Guidelines” means the “Code of Conduct guidelines applicable to BC Hydro contracts”, including all clarifications thereto, published by BC Hydro from time to time, available on the BC Hydro website at www.bchydro.com/about/company_information/code_of_conduct.html.

16.16 “Confidentiality and Compliance Agreement” means a confidentiality and compliance agreement between BC Hydro and a Proponent in the form so entitled and available at the RFP Website.

16.17 “Control” of any person means (i) with respect to any corporation or other person having voting shares or the equivalent, the ownership or power to vote, directly or indirectly, shares, or the equivalent, representing 50% or more of the power to vote in the election of directors, managers or persons performing similar functions, or (ii) ownership of 50% or more of the equity or beneficial interest in that person, or (iii) the ability to direct the business and affairs of any person by acting as a general partner, manager or otherwise.

16.18 “D-Connected” means, with respect to a Project, that it will be connected to the Distribution System.

16.19 “Designated Areas” means the areas of British Columbia described in section 9.

16.20 “Designated Areas Map” means the map so entitled and outlining the boundaries of the Designated Areas available at the RFP Website.

16.21 “Disclosure Statement” means the document so entitled and available at the RFP Website.

16.22 “Distribution System” means the distribution, protection, control and communication facilities in British Columbia that are or may be used in connection with, or that otherwise relate to, the transmission of electrical energy at 35 kV or less, and includes all additions and modifications thereto and repairs or replacements thereof.

16.23 “Energy Plan” means the Government of British Columbia’s *2007 BC Energy Plan: A Vision for Clean Energy Leadership*.

16.24 “EPA” means an electricity purchase agreement entered into between a Proponent and BC Hydro pursuant to this RFP.

16.25 “Final Adjusted Price” means, with respect to a Proponent, its Firm Energy Price, adjusted to reflect the estimated Network Upgrade Costs and System losses based on Feasibility Studies or Preliminary Interconnection Studies, and Proposal Impacts, and levelized in the manner used in the Preliminary Adjusted Price Spreadsheet, all as determined by BC Hydro before awarding and signing an EPA.

16.26 “Firm Energy Price” means the price offered by a Proponent to apply to the delivery of hourly Firm Energy (as defined in the Specimen EPA), as set out on the Proponent’s Commercial Proposal, as negotiated and amended in accordance with the RFP terms.

16.27 “GWh” means gigawatt-hour.

16.28 “Interconnection Disclosure Consent” means the consent form so entitled and posted to the RFP Website authorizing disclosure to BC Hydro of IRs, studies and related communications and documents.

16.29 “Interconnection Study Fee Deposit” means the deposit so identified in subsection 14.3.

16.30 “IPO” means BC Hydro’s Integrated Power Offer program described on the BC Hydro website at www.bchydro.com/powersmart/industrial/industrial_transmission/integrated_power_offer.html.

16.31 “IR” means an interconnection request in form and content required by BCTC (for T-Connected Projects) or BC Hydro Generator Interconnections (for D-Connected Projects).

- 16.32** “**Maximum Adjusted Price**” means \$150/MWh of Firm Energy.
- 16.33** “**Network Upgrade Costs**” means costs of upgrading the System to accommodate the interconnection of a Project and the delivery of electrical energy from the Project at the POI, and transmission thereof on the System.
- 16.34** “**Notices**” means BC Hydro’s notices to Proponents posted to the RFP Website or otherwise issued to Proponents.
- 16.35** “**POI**” means point of interconnection.
- 16.36** “**PPT**” means Pacific Prevailing Time, which means Pacific Daylight Time or Pacific Standard Time, as applicable.
- 16.37** “**Preferred Proponent**” means a Proponent that receives a Selection Notice confirming that it has been selected by BC Hydro for the purpose of conducting the negotiation of an EPA relative to that Proponent’s Project.
- 16.38** “**Preliminary Adjusted Price**” means, with respect to a Proponent, its Firm Energy Price as set out in its Proposal, adjusted to reflect the estimated Network Upgrade Costs and System losses based on estimating data used with the Preliminary Adjusted Price Spreadsheet as outlined in subsection 10.3, and Proposal Impacts, and levelized in the manner used in the Preliminary Adjusted Price Spreadsheet, all as determined by BC Hydro before selection Preferred Proponents.
- 16.39** “**Preliminary Adjusted Price Spreadsheet**” means the Excel spreadsheet so entitled and available on the RFP Website.
- 16.40** “**Project**” means an electrical generation facility meeting the eligibility requirements of this RFP as described in a Proposal.
- 16.41** “**Proponent**” means a person registered under the RFP for the purpose of submitting a Proposal.
- 16.42** “**Proposal**” means a proposal submitted by a Proponent pursuant to the RFP, and all documents stated in the RFP to form part of a complete Proposal, and includes a Base Proposal and an Alternate Proposal, if any.
- 16.43** “**Proposal Impacts**” has the meaning given in section 2 under the heading “Maximum Adjusted Price”.
- 16.44** “**Proposal Deposit**” means the deposit so identified in subsection 14.3.
- 16.45** “**Proposal Fee**” means the fee so identified in subsection 14.3.
- 16.46** “**Proposal Validity Date**” means for each Proponent the date that is 120 days after the date that the Proponent is notified that it has been selected as a Preferred Proponent, or such later date as a Proponent may confirm in writing to BC Hydro.
- 16.47** “**Pulp and Paper Green Transformation Program**” means the program so entitled and announced by Natural Resources Canada on June 17, 2009.
- 16.48** “**Q&A**” means the question and answer series under the RFP.
- 16.49** “**Registration Deadline**” means the time deadline for registration under this RFP as shown on the RFP Schedule.
- 16.50** “**Registration Fee**” means the fee so identified in subsection 14.3.
- 16.51** “**Registration Form**” means the form of registration that a Proponent must complete to register for the RFP process, including all attachments.

16.52 “**RFP**” means this “Bioenergy Phase 2 Call – Request for Proposals issued by BC Hydro on May 31, 2010 and all Addenda, if any.

16.53 “**RFP Administrator**” means the person appointed by BC Hydro to act as RFP Administrator and described in subsection 14.6.

16.54 “**RFP Documents**” means those documents listed in section 3, each in its latest revision.

16.55 “**RFP Schedule**” means, any particular time, the latest schedule so entitled and posted on the RFP Website.

16.56 “**RFP Website**” means the website found at www.bchydro.com/bioenergyphase2call.

16.57 “**Selection Notice**” means a notice given by BC Hydro to a Proponent advising that the Proponent is selected as a Preferred Proponent.

16.58 “**SOP**” means BC Hydro’s Standing Offer Program available on BC Hydro’s website at www.bchydro.com/standingoffer.

16.59 “**Specimen EPA**” means the form of EPA so entitled and available on the RFP Website.

16.60 “**Supporting Parties**” has the meaning given in subsection 14.13.

16.61 “**System**” means the Transmission System and/or the Distribution System, as applicable.

16.62 “**T-Connected**” means, with respect to a Project, that it will be connected to the Transmission System.

16.63 “**Transmission System**” means the transmission, substation, protection, control and communication facilities (i) owned by BC Hydro or BCTC, and (ii) operated by BCTC in British Columbia, and includes all additions and modifications thereto and repairs or replacements thereof.

16.64 “**Variations**” means proposed variations to the terms and conditions of the Specimen EPA, as set out in an Alternate Proposal.