

Environmentally Preferred Power Solicitation Public Overview – Discussion Document

Introduction

SaskPower has adopted a strategy to meet new load growth over the next several years using Environmentally Preferred Power (EPP). This strategy is intended to encourage low environmental impact power, utilize waste streams as a fuel source, reduce SaskPower's emissions, monetize the value of low environmental impact power, and add small generation in step with SaskPower's load requirements. As an integral component of this strategy, SaskPower intends to issue an annual Request for Proposals (RFP) for up to 15 megawatt (MW) of Environmentally Preferred Power each year over the next three years.

The following is an overview of the proposed EPP program for discussion purposes. SaskPower invites comments and feedback on all matters outlined in this overview. The EPP program is subject to change at SaskPower's sole discretion.

Contact Information

Brian Mohr, Senior Engineer, Independent Power Producer Options is project lead for the EPP program, and can be reached at (306) 566-3379 should anyone have any comments or feedback on this overview and the EPP program as a whole.

General Project Parameters

It is anticipated that the RFP for Environmentally Preferred Power will target projects 25 kilowatt to 5 MW in size that meet SaskPower's environmental eligibility criteria. Proposals would have a supply term of 3 to 20 years, in whole integers only, and the project would be targeted to be in commercial operation by October 31, 2005 or sooner.

Project proponents would pay for the incremental cost of interconnection facilities and meet the interconnection standards of the interconnecting utility. Proponents would also be responsible for acquiring all environmental and other project development approvals.

As an integral component of the program, SaskPower intends to retain ownership of any emissions reductions arising from the displacement of thermal generation by electricity delivered from the EPP project. The proponent would retain ownership of any site-specific emission reductions.

To be eligible, projects would be located within Saskatchewan and the entire output sold to SaskPower. Projects located within the cities of Swift Current and Saskatoon are eligible, although proponents would have to make their own arrangements with the cities to connect to the electric system.

It is expected that successful proponents would be required to negotiate a Power Purchase Agreement with SaskPower and sign an Interconnection Agreement and/or Operating Agreement with the interconnecting utility.

SaskPower plans to review the EPP program after each solicitation to adapt the program to the future business needs of SaskPower and Independent Power Producers. The costs for the EPP program will be incorporated into the SaskPower customer rate base.

Proposed Solicitation Process

SaskPower plans to initiate an invitation for proponents to submit an Expression of Interest (EOI) to develop an EPP project. Interested proponents would submit an EOI with sufficient information for SaskPower to determine if the proposed project would meet the program parameters and the environmental eligibility criteria. Since the respondents would represent a comprehensive list of interested stakeholders, SaskPower intends to consult with them to ensure that the final RFP document does not impose any unreasonable barriers for eligible projects. In the meantime, the EOIs would be short listed to eliminate those projects that do not meet the program parameters and eligibility criteria.

It is expected that short listed proponents would receive a copy of the final RFP and be invited to a workshop to ensure that they are familiar with the RFP requirements. While the RFP is open, proponents will be responsible for acquiring the necessary interconnection information to prepare their proposal. This includes paying applicable fees for any interconnection studies.

After the close of the RFP invitation, all proposals will be reviewed and evaluated. SaskPower may, at its discretion, proceed with one or more proposals or none.

The following is a tentative summary of the solicitation process:

1. Issue the EOI invitation.
2. Proponents would submit an EOI with sufficient information for SaskPower to determine if the proposed project will meet the program parameters and eligibility criteria.
3. For the purposes of the first solicitation, SaskPower plans to consult with those who submit an EOI to review the preliminary RFP documents. SaskPower will then prepare the final RFP, using feedback from the consultation process.
4. SaskPower would short list those projects that meet the program parameters and eligibility criteria.
5. SaskPower would issue the final RFP to those proponents with short listed projects.
6. SaskPower would hold a workshop with qualifying proponents to ensure they are familiar with the final RFP requirements.
7. Proponents would then submit project proposals.
8. SaskPower would evaluate those proposals and select the preferred EPP project(s).

9. SaskPower and selected proponent(s) would begin negotiations for a Power Purchase Agreement (PPA) based on the proposal submitted by the proponent.
10. Concurrent with the negotiations, proponents would finalize the interconnection requirements with the interconnecting utility.
11. SaskPower and the selected proponent(s) would then finalize the terms and conditions of the PPA. If the parties are unable to mutually agree on the terms of the PPA, the proposal will not be successful.
12. Subject to receipt of all necessary approvals, the negotiated contract would be signed.

Eligibility Criteria

It is expected that eligible proposals would use environmentally preferred technologies such as wind, low impact hydro, biomass, biogas, flare gas, heat recovery from an existing waste heat source and solar. In addition to meeting the general project parameters, projects would also have to meet the minimum environmental requirements defined in Appendix A.

Key Dates

The following is the tentative program schedule:

Issue Expression of Interest	early September 2003
Shortlist eligible projects	October 2003
Consult with RFP Stakeholders	October 2003
Issue formal Request for Proposals	December 2003
Submit Proposals (proponents)	late April 2004
Evaluate proposals and select projects	May 2004
Finalize Power Purchase Agreements	September 2004

SaskPower reserves the right to make changes to the EPP project parameters and eligibility criteria at its discretion. Nothing in this overview requires SaskPower to proceed with this project.

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APPENDIX A

Table 1: SaskPower EPP Program - Environmental Eligibility Criteria

PROJECT TYPE	MINIMUM ENVIRONMENTAL REQUIREMENTS
WINDPOWER	<ul style="list-style-type: none"> - Little or no new land use; no natural (native) habitat impact; for structures/facility and access trails - Structure/facility siting is not located in an area with legislated environmental protection status (including but not limited to Wildlife Habitat Protection Act (WHPA) land, Parks, Protected Areas, Wildlife Reserves, Representative Area Network (RAN) sites) - No impact to species at risk - Little or no impact to common flora/fauna species, including migratory birds and bats - Little impact to known heritage sites; mitigation plan developed to address impact to previously unrecorded heritage sites - No fisheries impact
LOW IMPACT HYDROELECTRIC	<ul style="list-style-type: none"> - Minimal new land use for generating facility(ies), including access roads - Minimal requirements for new electrical infrastructure - Facility is sited in an area which does not have legislated environmental status (including but not limited to WHPA land, Park, Protected Area, RAN site, Heritage River) - Facility presents no impediment to fish migration and spawning - Facility maintains historic water levels and flow regimes - Facility maintains existing species population and composition (all aquatic and riparian species natural to the ecosystem) - Facility construction and operation results in no release of material hazardous or harmful to fish and fish habitat (neither upstream nor downstream) - No alteration of regional or local watershed(s) is required to build or operate the facility - Minimal alteration to adjoining natural, upland habitat for construction and operation of facility - Little or no alteration of an existing facility to accommodate the new facility
BIOMASS/BIOGAS (Note: This category promotes projects utilizing waste streams including forestry, agricultural waste, landfill gas, sewage, etc.)	<ul style="list-style-type: none"> - Minimal new land use for new facility - Facility is sited in an area which does not have legislated environmental status (including but not limited to Parks, Protected Area, WHPA land, Wildlife Refuge, RAN site) - Little or no fisheries, species at risk, wildlife habitat or heritage site impact - Minimal requirements for new electrical infrastructure - Fuel must be a waste product consisting of organic matter, that has no other commercial use and/or would otherwise be disposed of, and the new facility would neither require nor necessitate additional resource consumption - If added to an existing facility, the existing facility would not be substantially altered to facilitate energy production - In the course of processing organic waste, no other emissions or by-products accrue which would require special handling or permitting - Maintenance of regional air quality; net reduction desirable - Low to nil operational risk regarding noxious and hazardous substance release; contingency and containment plans acceptable to regulatory authorities - No increase in Greenhouse Gas (GHG) emissions; GHG emission reduction desirable - In order to allow for conditions such as start-up, combustion stabilization and low combustion zone temperatures be generated in a manner such that supplementary, non-renewable fuels are used in no more than 1.65% of fuel heat input - The combustion technology must not exceed the upper limit (6) for total load points as described in the Environmental Choice December 8, 2001 Draft "Guidelines on Renewable Low-Impact Electricity"

<p>FLARE GAS</p>	<ul style="list-style-type: none"> - Minimal new land use for new facility - Facility is sited in an area which does not have legislated environmental status (including but not limited to Park, Protected Area, WHPA land, Wildlife Refuge, RAN site) - Little or no fisheries, species at risk, wildlife habitat or heritage site impact - Minimal requirements for new electrical infrastructure - New facility would neither require nor necessitate additional resource consumption to maintain or enhance the facility - If added to an existing facility, the existing facility would not be substantially altered to allow the new development to operate - Low to nil operational risk regarding noxious and hazardous substance release; contingency and containment plans acceptable to regulatory authorities - Maintenance of regional air quality; net reduction desirable - No increase in GHG emissions; GHG emission reduction desirable - The combustion technology must not exceed the upper limit (6) for total load points as described in the Environmental Choice December 8, 2001 Draft "Guidelines on Renewable Low-Impact Electricity"
<p>HEAT RECOVERY SYSTEMS (Note: This category includes heat capture for the purpose of electricity generation at sites such as natural gas compressor stations)</p>	<ul style="list-style-type: none"> - Minimal new land use for new facility - Facility is sited in an area which does not have legislated environmental status (including but not limited to Park, Protected Area, WHPA land, Wildlife Refuge, RAN site) - Little or no fisheries, species at risk, wildlife habitat or heritage site impact - Minimal requirements for new electrical infrastructure - New facility would neither require nor necessitate additional resource consumption to maintain or enhance the facility - If added to an existing facility, the existing facility would not be substantially altered to allow the new development to operate - Low to nil operational risk regarding noxious and hazardous substance release; contingency and containment plans acceptable to regulatory authorities - Maintenance of regional air quality; net reduction desirable - No increase in GHG emissions; GHG emission reduction desirable - In order to allow for conditions such as start-up, combustion stabilization and low combustion zone temperatures be generated in a manner such that supplementary, non-renewable fuels are used in no more than 1.65% of fuel heat input
<p>SOLAR</p>	<ul style="list-style-type: none"> - Minimal new land use for new facility - Facility is sited in an area which does not have legislated environmental status (including but not limited to Park, Protected Area, WHPA land, Wildlife Refuge, RAN site) - Little or no fisheries, species at risk, wildlife habitat or heritage site impact - Minimal requirements for new electrical infrastructure

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