



Environmentally Preferred Power Program - Second Phase

Public Overview

Background

In the spring of 2003, SaskPower adopted a comprehensive strategy to meet new load growth to the year 2010 using Environmentally Preferred Power (EPP). This strategy was intended to encourage the development of power projects with low environmental impact, utilize waste streams as a fuel source, reduce SaskPower's emissions profile, establish the monetary value of small, environmentally friendly power sources, and add generation in step with SaskPower's load requirements.

As an integral component of this strategy, SaskPower announced plans to issue a series of solicitations to acquire up to 45 megawatt (MW) of Environmentally Preferred Power over a three-year time period.

The first solicitation for up to 15 MW of EPP projects was initiated in September 2003 when SaskPower issued an Invitation for Expressions of Interest for Environmentally Preferred Power Projects. The response was very encouraging, and a total of 52 project proposals from 32 proponents met the qualification criteria. Together they represented 169.9 MW of electrical generation.

In the next step in the solicitation process, a formal Request for Proposals (RFP) was issued to those proponents with eligible projects. In advance of the RFP being issued SaskPower consulted with the eligible proponents regarding the form and content of the RFP documents. Several suggestions were incorporated into the final document to help ensure that the RFP process and requirements were as reasonable as possible. The final RFP was issued in January 2004 wherein the proponents were invited to submit final proposals for their eligible projects with firm pricing for electricity.

By the deadline of May 28, 2004, SaskPower had received a total of 12 proposals from 9 different proponents representing over 34 MW of Environmentally Preferred Power projects. Consistent with the original call for up to 15 MW in total of new generation, SaskPower evaluated those proposals and selected two wind power projects and a heat recovery project totaling 13.1 MW in electrical generation capacity.

The proposal evaluation and selection process was reviewed by an independent evaluator, KPMG LLP Chartered Accountants. KPMG concluded that SaskPower had established a well-defined proposal evaluation process that was aligned with the overall goals and objectives of the EPP Program, and that SaskPower consistently followed this process in evaluating the proposals.

SaskPower then began the process of negotiating a Power Purchase Agreement (PPA) with each of the three proponents for their selected process. This process is currently on going with the first signed agreement expected by spring 2005.

During the consultations with proponents and informally since the EPP Program was first announced, SaskPower has encouraged interested stakeholders to share their thoughts and views on the program. Many stakeholders have provided valuable comments on the current program and many have made suggestions for improvements to the next solicitation. Focusing on the key areas of feedback, SaskPower has made several changes to the EPP Program to make the program better suit the needs of project proponents and of SaskPower. One of the most significant changes is to combine the planned second and third years of the solicitation into a second phase that allows for larger and potentially more viable projects.

The following is an overview of the second, and now final phase of the EPP program.

General Project Parameters

In the second phase of the Environmentally Preferred Power program, SaskPower plans to select up to 32 MW of electrical generation to fully subscribe the 45 MW of generation capacity targeted under the program. As before, this is contingent on the proposals meeting SaskPower's pricing expectations. Eligible projects must be 100 kW to 25 MW in size and meet SaskPower's environmental eligibility criteria as defined below.

SaskPower will invite proposals for electricity supplies with a term of 3 to 20 years. EPP Projects must be located within Saskatchewan and the entire output sold to SaskPower. Proposals must include firm pricing for electrical energy and proposals for base-load generation must also include firm prices for capacity.

Project proponents are responsible for the incremental cost of interconnection facilities and the project must meet the interconnection standards of the interconnecting utility. Proponents will 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 its thermal generation by electricity delivered from the EPP project. The proponent will retain ownership of any site specific emission reductions.

EPP Projects located within the cities of Swift Current and Saskatoon would be eligible, although proponents would have to make their own arrangements with the city municipal electric utility to interconnect to the electric system. Selection of a project located within the service territory of a municipal utility is contingent upon SaskPower reaching an agreement with that utility to accommodate the new supply source.

Successful proponents would need to negotiate a Power Purchase Agreement with SaskPower and sign an Interconnection Agreement and/or Operating Agreement with the interconnecting utility.

The Environmentally Preferred Power Program will conclude after this solicitation.

Costs for the EPP program and the generation it provides will be incorporated into the SaskPower customer rate base.

EPP Project Solicitation Process

SaskPower plans to initiate the second solicitation by issuing an Invitation for Expressions of Interest (EOI) for Environmentally Preferred Power Projects in the first quarter of 2005. Interested proponents must submit an EOI with sufficient information for SaskPower to determine if the proposed project meets the program parameters and the environmental eligibility criteria. SaskPower will evaluate the Expressions of Interest and short-list those projects that meet the program parameters and eligibility criteria. Proponents with short-listed projects will receive a copy of the final Request for Proposals (RFP) for Environmentally Preferred Power Projects.

While the RFP is open, proponents will be responsible for initiating a Preliminary Integration Study for their project to establish an estimate of the interconnection costs and the system losses associated with the project. Proponents must pay the applicable fee for the interconnection study.

After the close of the RFP invitation, SaskPower will review and evaluate the proposals and select up to 32 MW of EPP projects (that remaining of the 45 MW total capacity left after the first solicitation) provided the proposals meet its pricing expectations. SaskPower and the project proponent will then enter into negotiations for a Power Purchase Agreement (PPA) based on the proposal submitted by the proponent.

Concurrent with the PPA negotiations, proponents will be responsible for initiating a final integration study to firm up the interconnection costs and system losses for the project. Proponents must also firm up the interconnection plans with the interconnecting utility.

With more firm information on interconnection costs and losses in hand, SaskPower and the proponent will continue to negotiate the final terms and conditions of the PPA. Provided the parties are able to reach mutual agreement on the contract terms, SaskPower plans to execute the agreements subject to acquiring all necessary approvals in accordance with its governance process.

The EPP solicitation process, the proposal evaluation and selection plan procedures, and the contract negotiation plans are subject to change at SaskPower's sole discretion.

Eligibility Criteria

Eligible projects must be for environmentally preferred technologies such as wind, low impact hydro, biomass, biogas, flare gas, heat recovery from an existing heat source and solar. In addition to meeting the general project parameters, projects must meet the minimum environmental requirements defined in Appendix A below.

Key Dates

The following is the tentative program schedule:

Issue Expression of Interest	February 2005
Shortlist eligible projects	May 2005
Issue formal Request for Proposals	May 2005
Submit Proposals (proponents)	September 2005
Evaluate proposals and select projects	January 2006
Finalize Power Purchase Agreements	June 2006

Contact Information

SaskPower invites comments and feedback on all matters outlined in this overview.

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The EPP program is subject to change at SaskPower's sole discretion. Nothing in this overview requires SaskPower to proceed with any EPP project.

February 01, 2005

APPENDIX A

Table 1: SaskPower EPP Solicitation - 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

	<ul style="list-style-type: none"> - 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 5% 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"
FLARE GAS	<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"
HEAT RECOVERY SYSTEMS (Note: This category includes heat capture for the purpose of electricity generation)	<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 5% of fuel heat input
SOLAR	<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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