

AESO Competitive Process Fort McMurray West 500 kV Transmission Project

Request for Expressions of Interest

Information Session

June 11, 2013

– AESO Executive

- President & CEO – David Erickson
- Vice President, Market Services – Kelly Gunsch
- Executive Team

– Competitive Process Team

- Core Team
 - Director - Elizabeth Moore
 - Senior Program Manager and Legal Counsel - Pauline McLean
 - AESO Contact Person - Program Manager – Daniel (Dan) Clark
 - Commercial Engineer – Craig Killoran
 - Program Coordinator – Cora Anderson
- Other AESO Business Units

– Key External Advisors

- Financial Advisor - PricewaterhouseCoopers LLP
- Legal Counsel - Norton Rose Fulbright Canada LLP
- Fairness Advisor - P1 Consulting Inc.
- Tom Olsen Public Affairs

- Presentation
 - The AESO
 - Transmission Opportunities in Alberta
 - The Fort McMurray West 500 kV Transmission Project
 - Regulatory Update
 - The AESO's Competitive Process
 - The CP Project Agreements
 - Administrative Matters
- Questions

Welcome

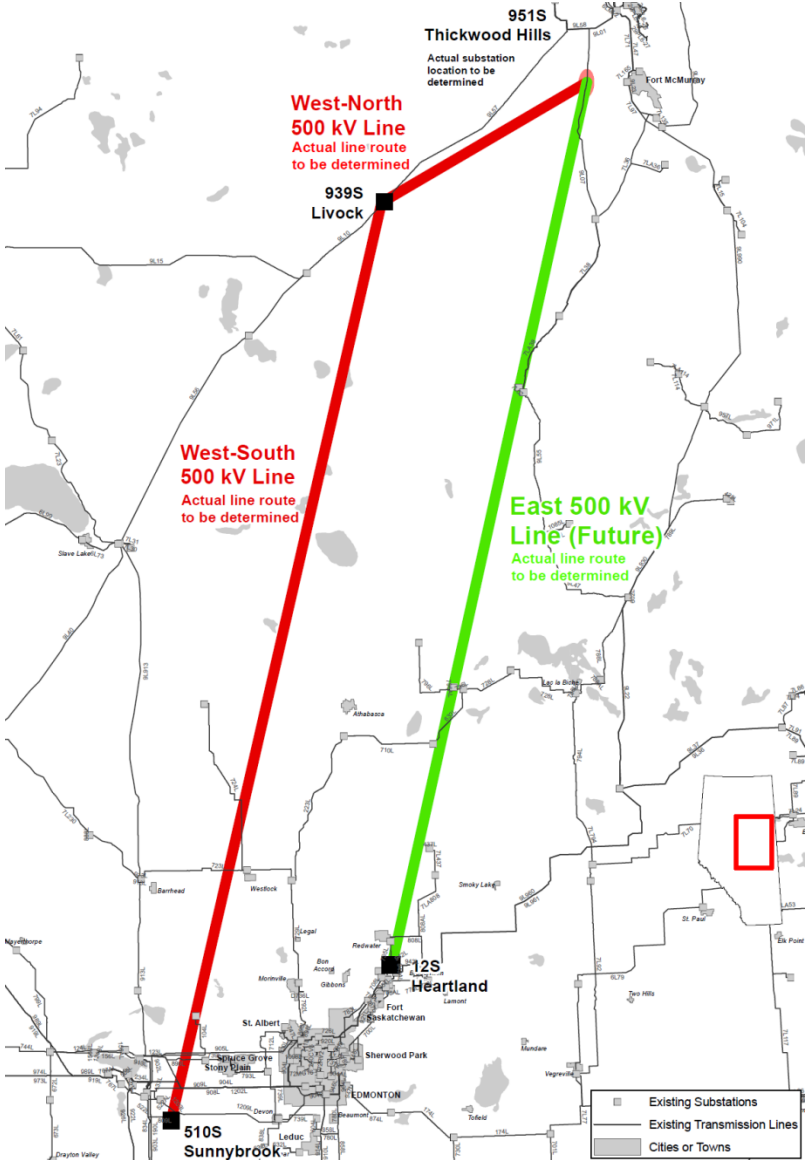
- The AESO
 - Transmission planning, operation of network, operation of wholesale electricity market, access provider
 - Credit rating – AA-Stable (S&P)
- Why Alberta
 - Energy is economic driver
- Transmission Development Opportunities
 - Fort McMurray West 500 kV
 - Fort McMurray East 500 kV
- Introduction of Competition
 - As per provincial legislation
 - Fully supported by Alberta Government
 - Process approved by Alberta Utilities Commission



The Fort McMurray West 500 kV Transmission Project

- The Project
 - Identified in AESO's long term plan
 - Legislated as Critical Transmission Infrastructure
- Moves electricity between Edmonton and Fort McMurray regions
 - Supports oil sands development
 - Crosses Crown (~70%) and private lands (~30%)
- Project Description
 - 500 kV Thickwood Hills substation (~25 km west of Fort McMurray)
 - 100 km 500 kV AC single circuit transmission line from the new 500 kV Thickwood Hills substation to the new 500 kV Livock substation
 - 500 kV Livock substation (adjacent to the existing 240 kV Livock substation)
 - 400 km 500 kV AC single circuit transmission line from the new Livock 500 kV substation to the existing Sunnybrook substation
- Functional Specification
 - Minimum technical requirements will be provided in the Functional Specification
 - Opportunity for innovation

Project Area Map



Project Transmission Lines

500 kV

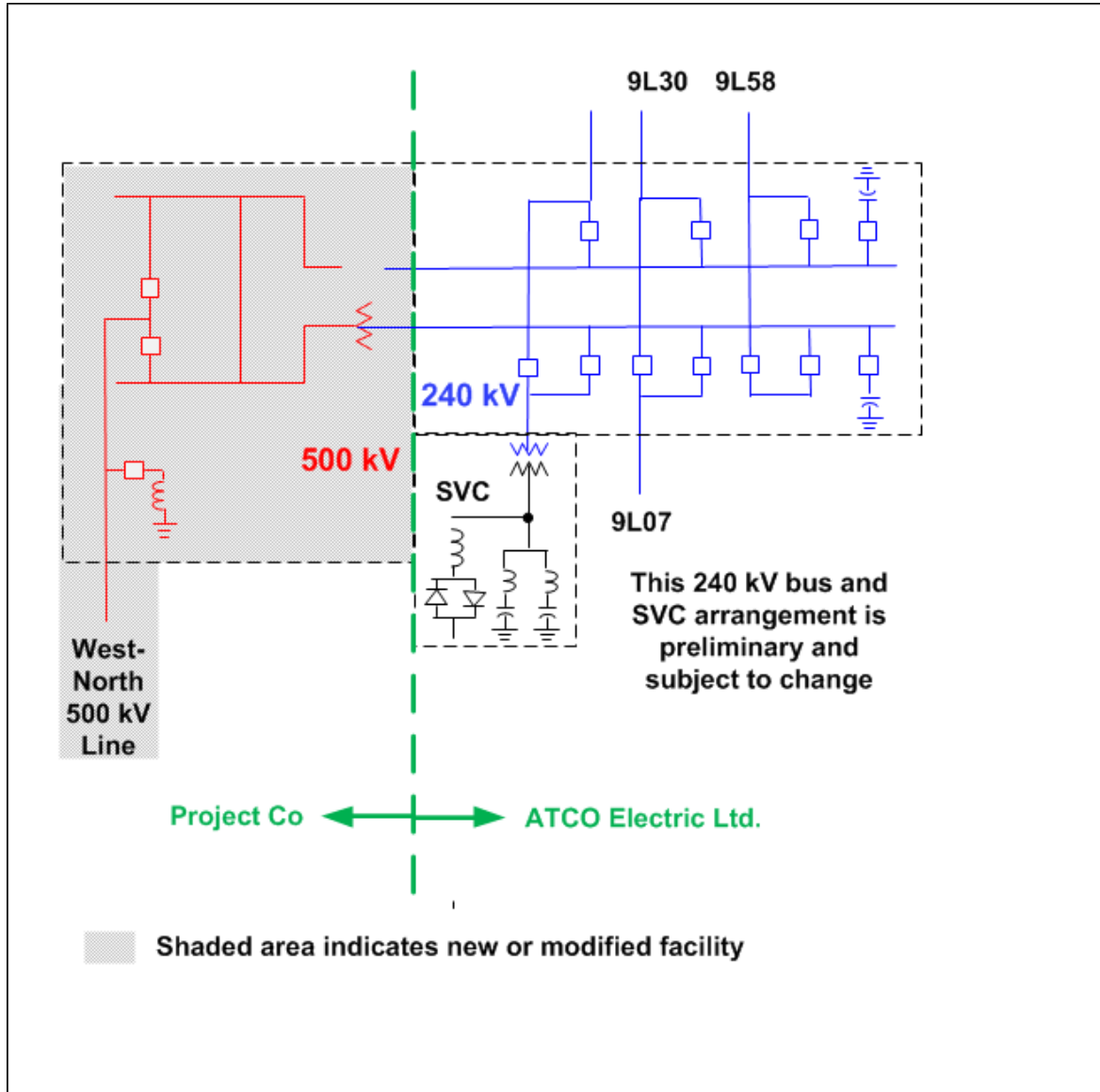
- Approximately 2700 MVA capacity
- Acceptable reactance and Surge Impedance Loading range will be stated in the Functional Specification
- Requires shunt reactors at both ends of each line segment
- Optical Overhead Ground Wire required for telecom

Project Substations

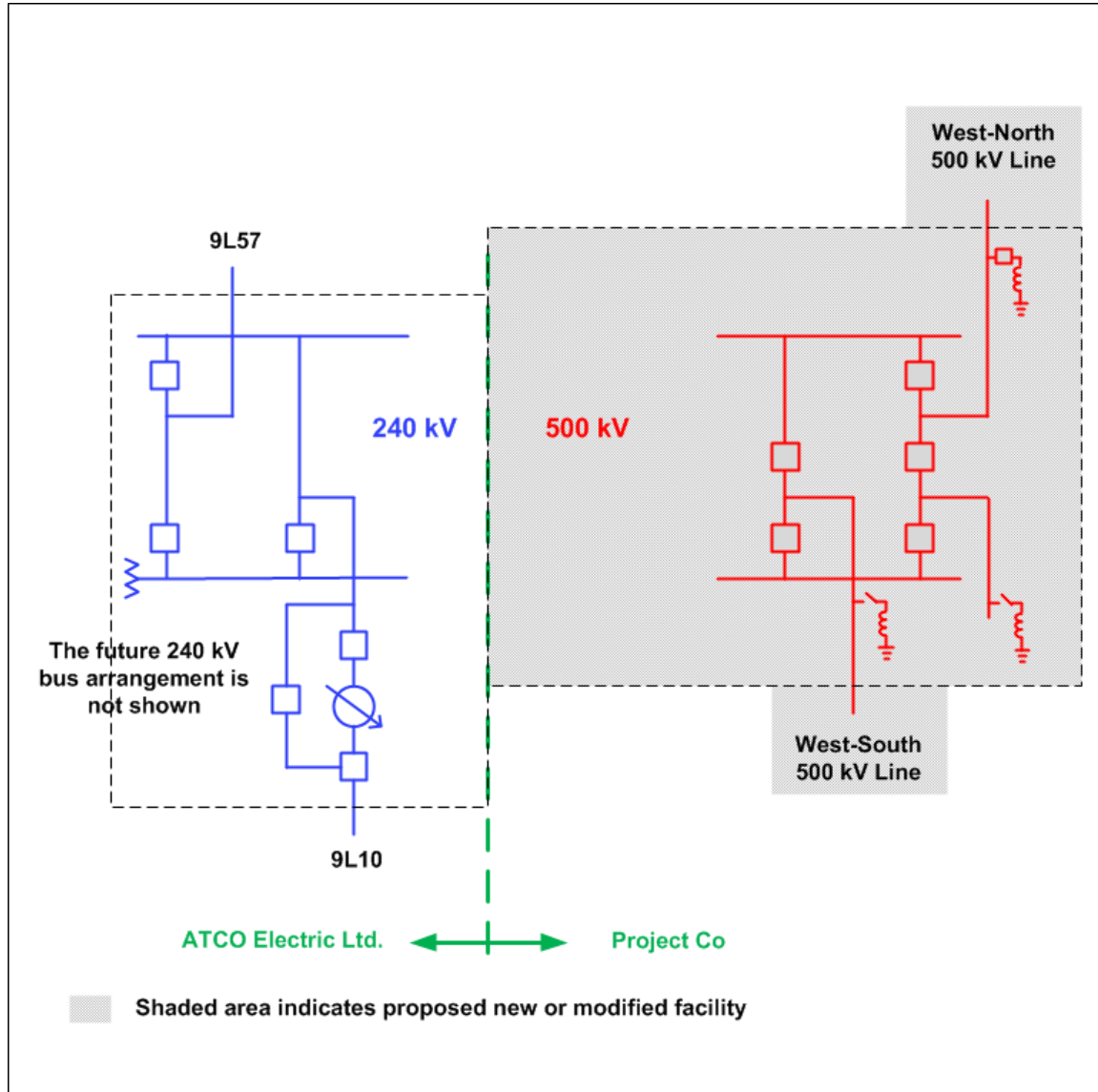
500 kV

- Breaker and one-half switching arrangement
- Minimum equipment ratings (current, voltage, short circuit) as identified in the Functional Specification
- 1250 MVA - 500/240 kV transformer bank at Thickwood Hills
- Requirement for future expansion
- Interface with existing facilities will be defined

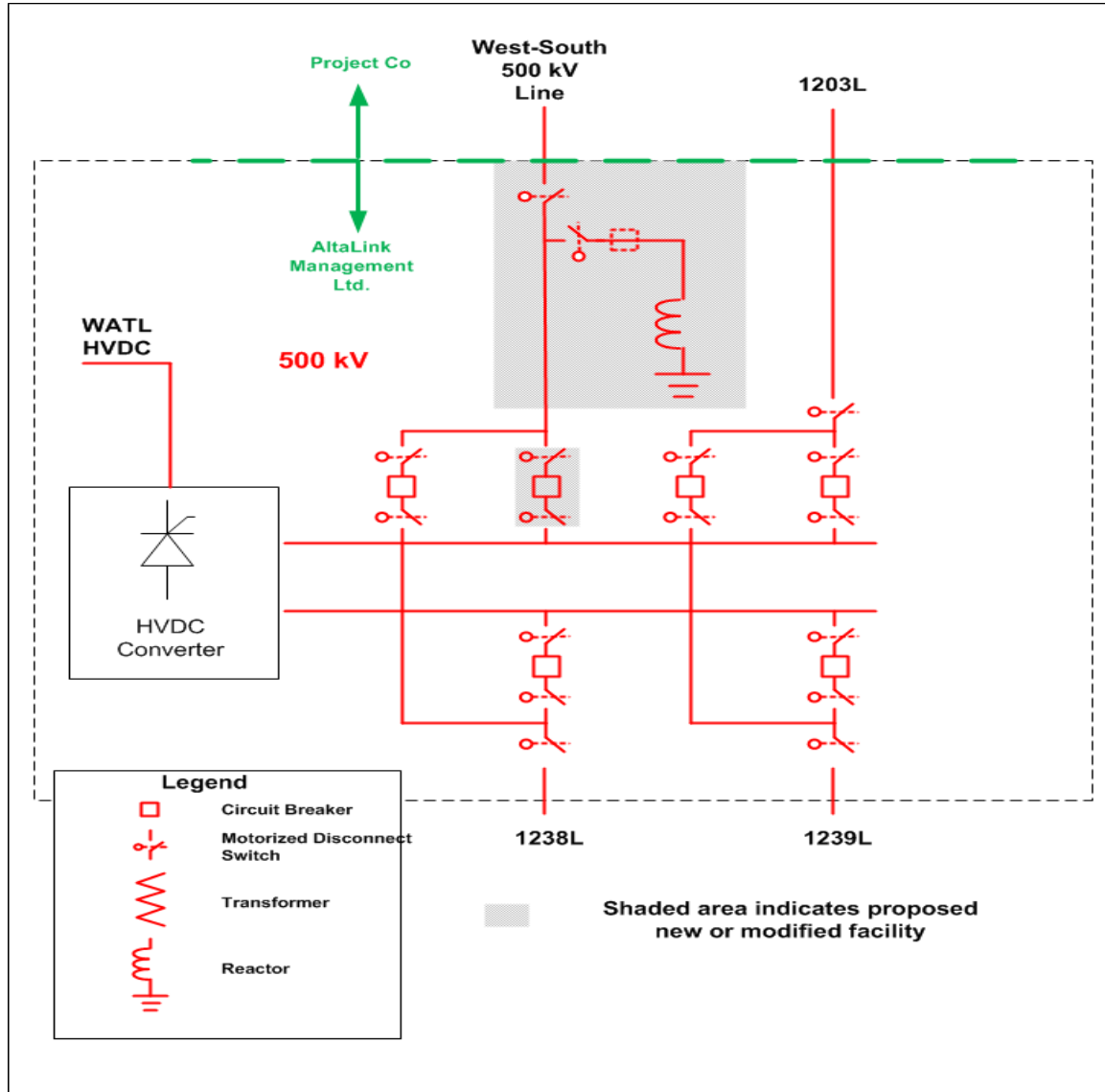
Thickwood Hills 951S Single Line Diagram



Livock 939S Single Line Diagram



Sunnybrook 510S Single Line Diagram



- Legislation requires AESO to obtain regulatory approval of Competitive Process from the Alberta Utilities Commission (AUC)
- Competitive Process approved by AUC on February 14, 2013 with conditions
- Concerns were identified with respect to Condition 9 which allows each proponent to bid on different contractual provisions
- As a result, the AUC initiated a review of Condition 9 on April 12, 2013
- RFQ opening will follow issuance of AUC's determination in respect of Condition 9

- Transmission Regulation mandates that the process be "fair and open"
- Independent selection panel
- Three sub panels composed of three members each
 - Technical
 - Financial
 - Route Development
 - Routing
 - Environmental
 - Consultation
- Selection panel evaluates RFQ and RFP submissions and makes recommendation to the AESO Board
- Process overseen by Fairness Advisor
 - Objective third party observer engaged to monitor and report on process

The Stages of the Competitive Process

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S

REOI

- Inform the market and attract and gauge the level of interest
- Allow teaming
- No obligation on parties
- **May 9 – June 19, 2013**

RFQ

- Short-list up to five (5) qualified bidders to advance to RFP
- Draft CP Project Agreements will be provided
- **July – November 2013***

RFP

- Identify bidder which can complete work at lowest NPV of monthly payments
- Successful bidder executes PDA. PA is executed after project approvals are received and pricing adjustments are complete
- **December 2013 – December 2014**

* Opening of the RFQ will commence post issuance of the AUC's determination in respect of its review of Condition 9

Indicative Timeline



Key Activities	Date
AESO issuance of REOI	May 9, 2013
REOI Information Session	June 11, 2013
REOI concludes	June 19, 2013
AESO issuance of RFQ to interested parties	July 2013*
RFQ Submissions Due	September 2013
AESO evaluation of RFQ Submissions and selection of short-listed respondents (who become proponents in the RFP stage)	November 2013
AESO issuance of RFP to proponents	December 2013
Technical RFP Submissions due, evaluation by AESO	October – November 2014
Financial RFP Submissions due, evaluation by AESO	December 2014
Selection of preferred proponent and execution of Project Development Agreement	December 2014
Target Energization Date	2019

* Opening of the RFQ will commence post issuance of the AUC's determination in respect of its review of Condition 9

- Expected to run July 2013 to November 2013
- Open to all
- AESO may short-list up to 5 Respondents to advance to the RFP stage
- Gated Process
 - Pass / Fail
 - Scoring
- Only qualified Respondents will be short-listed

RFQ Evaluation

Pass / Fail Tests	Considerations
Financial Strength & Capacity	<ul style="list-style-type: none"> Demonstration that each relevant respondent team member or its guarantor can provide sufficient funding to undertake the project (i.e., equity, working capital, performance bonds and LCs)
Extra High Voltage	<ul style="list-style-type: none"> > 240 kV line and substation experience Experience with designing, building, operating or maintaining such facilities

Scored Test	Weightings	Basis of Evaluation
Financing	20%	<p><i>Past Experience</i></p> <p><i>Key Individuals</i></p> <p><i>Understanding and Approach</i></p>
Respondent Team Lead	15%	
Route Development, Environment, Consultation, Relationship Management*	25%	
Design and Construction	20%	
Operations & Maintenance	20%	

* RFQ Respondents submit indicative plans for RFP due diligence activities

- Expected to run December 2013 through December 2014
- AESO will work with Proponents to ensure submissions are complete
 - Three rounds of confidential technical and commercial discussions
 - Upon completion of discussions, AESO will determine the final technical specifications and commercial terms, and will issue final CP Project Agreements
- Gated Process
 - Pass / Fail
 - AESO feedback on plans
 - Selection based on lowest NPV of monthly payments
- Proposal deposit (\$1M) delivered with technical proposal

RFP Evaluation

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A

General Proponent
Information
(P/F)

Any material change
relative to RFQ
submission?

Project Management Plan
(P/F)

Can management team
deliver based on its plans to
organize?

Other Plans
(Feedback)

Can management execute
across the lifecycle given
technical requirements?

Three rounds of confidential technical and commercial discussions with proponents

S
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1
B

General Proponent
Information
(P/F)

As per SR1A

Envelope A
(P/F)

Proposed routes
Technical submission
Other detailed plans

Envelope B
(P/F & Feedback)

Proposal deposit - \$1M (P/F)
Audited financial model
Financing plan

S
R
2

Envelope A
(P/F)

Audited final financial model
Final financing plan

Envelope B
Lowest NPV Monthly
Payments

Financial offer

- Outreach Program
 - Meeting with potentially impacted municipalities
 - Working with various operational arms of government to assist Respondents in preparation of bids
 - Engagement with First Nations and Métis
- RFQ Requirements
 - Respondents submit indicative plan for RFP due diligence activities
 - Project route investigations
 - Other due diligence activities
 - AESO to facilitate and coordinate Proponents' consultation – Proponents expected to cooperate

Project Development Agreement

- Governs the relationship during the 2.5 year period prior to PA execution
- Project Co Security
 - \$15,000,000 - to secure PDA obligations
- Development Activities
 - Facilities Application to obtain a Permit and Licence from the AUC
 - Obtaining environmental approvals
 - Engineering and design work
 - Route selection, stakeholder consultation and land / right of way acquisition

- Adjustments to the Proposal Price
 - Inflation, commodity price and foreign exchange adjustments
 - Quantity adjustments after final route is approved by the AUC
 - Cap on cost increases related to route changes (to encourage route fidelity)
 - Debt pricing adjustments through a debt funding competition
 - Sharing of cost savings (re: final route quantities and financing costs)

- Term starts at expiration of PDA and ends on the 35th anniversary of the Target Energization Date.
- Upon Energization being achieved, Project Co will receive a fixed Monthly Payment which:
 - consists of capital, o&m and insurance payments
 - is subject to deductions if:
 - availability targets and/or reliability standards are not met
 - reports or other information are not delivered when required
 - construction completion or handover work is not completed
- Project Co will become a transmission facility owner (TFO) upon Energization
 - Project Co must file tariff with AUC
 - Project Co subject to legislation applicable to TFOs, including *Electric Utilities Act*, *Transmission Regulation*, ISO Rules, and Alberta Reliability Standards

- Amendments
 - Changes may be made to the PDA or the Project Agreement which are allowed for by the terms of such agreements or which are required in the opinion of the AESO
 - AUC approval is required with respect to any permitted change that exceeds the applicable materiality threshold
- Disputes
 - If a dispute arises between the AESO and Project Co which cannot be resolved, the parties must submit the dispute to the AUC for resolution

- EOI Form

- Appendix A of REOI
 - AESO to make interested party list public unless directed otherwise
- Respond by 3:30 p.m. MST on June 19, 2013
- Submit electronically through MERX account
- Contact e-mail competitive.process@aeso.ca
- Contact Person: Program Manager, Fort McMurray West 500 kV Transmission Project

- Additional Sources of Information on Competitive Process

- www.aeso.ca/cp
- www.auc.ab.ca/applications/decisions/Decisions/2012/2012-059.pdf
- www.auc.ab.ca/applications/decisions/Decisions/2013/2013-044.pdf
- [www.auc.ab.ca/eub/dds/eps_query/Proceeding Detail.aspx? Proceeding ID=2555](http://www.auc.ab.ca/eub/dds/eps_query/Proceeding_Detail.aspx?Proceeding_ID=2555)

Thank you

