

Swift Current Combined Cycle Gas Turbine Power Project

Competitive Selection Including Value for Money Analysis



Diagram Source: Advisorsenergy.com

November 2016



**Crown Investments Corporation
of Saskatchewan**

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PURPOSE

The purpose of this document is to provide key information regarding the competitive selection process and the Value for Money analysis, led by Crown Investments Corporation (CIC) of Saskatchewan, to determine the project delivery method that provides the best value to SaskPower ratepayers for a new natural gas-fired Combined Cycle Gas Turbine power facility.

The 350 MW facility will be located near Swift Current, Saskatchewan.

The Government of Saskatchewan is committed to a high standard of disclosure as part of its accountability for the delivery of major projects in the province. CIC is accountable for the contents of this report.

ABBREVIATIONS

CIC	Crown Investments Corporation of Saskatchewan
CCGT	Combined Cycle Gas Turbine
EPC	Engineering, Procurement & Construction
IPP	Independent Power Producer
HRP	Highest Ranked Proposal
LTSA	Long-Term Service Agreement (for maintenance of the turbines)
MW	Megawatt (measure of electrical output capability from a power station)
MWh	Megawatt Hours (measure of the electrical energy output delivered, over time, by a power station)
NPV	Net Present Value
PPA	Power Purchase Agreement
RFQ/RFP	Request for Qualifications/Request for Proposals
SBO	SaskPower Build Option
VfM	Value for Money

EXECUTIVE SUMMARY

In order to meet the growth in demand for electric power in the province, SaskPower identified the need for additional energy starting in 2019 from a new power generating resource. SaskPower determined that a 250 MW to 350 MW Combined Cycle Gas Turbine (CCGT) power generating facility located near Swift Current (the "Project") would be best suited to meet the growing demand. Figure 1 illustrates the site for the Project.

To achieve the highest value for money for SaskPower ratepayers, CIC undertook a process to evaluate two alternative project delivery options: 1) delivery of the Project by the private sector, and 2) delivery of the Project by SaskPower.

CIC commissioned an Evaluation Committee to evaluate the two options, and perform a Value for Money (VfM) analysis to inform the decision of which Project delivery option to pursue. The purpose of a VfM analysis is to identify the optimum combination of whole-of-life costs and quality of a project to determine which proposal offers the best value for money over the expected life of the project. This analysis evaluated the impact of each option on SaskPower's electric generation system over a 25 year period to determine which option provided the best value for SaskPower ratepayers.

Navigant Consulting Ltd. was retained as the VfM Consultant at the outset of the project to help develop the VfM evaluation process and advise the Evaluation

Committee throughout the evaluation process. In addition, JD Campbell & Associates was retained as Fairness Monitor to ensure that the process followed by the team responsible for conducting the RFQ/RFP and the Evaluation Committee was consistent with the terms outlined in the RFQ/RFP. A summary of the Fairness Monitor's report is included in the Appendix.

The results of the VfM analysis indicate that the Project proposed by SaskPower provides the greatest VfM for SaskPower ratepayers in comparison to the Highest Ranked Proponent (HRP) from the private sector.

The net present value¹ (NPV) of SaskPower's **total electric generation system costs** over the 25 year evaluation period by selecting the Project proposed by SaskPower is \$32.6 billion compared to \$32.9 billion if the private sector option is selected. The total NPV costs of each option includes \$29.8 billion in costs associated with the operation of SaskPower's other electric power generating stations, and are therefore common to both options. The net cost of the Project² proposed by SaskPower over the 25 year life is \$2.8 billion compared to \$3.1 billion for the Project proposed by the private sector. The SaskPower Project represents a \$295 million NPV savings to SaskPower ratepayers over the life of the Project.

Figure 1 – Project Site



Diagram Source: TransCanadaHighway.com

- ¹ Net future cash flows discounted to reflect today's dollar value.
- ² Includes all fixed and variable charges associated with operating the Project, including the fuel cost over the 25 year evaluation period.

PROJECT OVERVIEW

SaskPower will face a number of challenges over the next decade including continued load growth and increasingly stringent environmental regulations, all while replacing a significant part of its generation fleet due to aging infrastructure. In order to meet the growth in demand for electric power in the province, SaskPower identified the need for additional generation in late 2019 from a new 250 MW to 350 MW CCGT facility to be located near Swift Current. The Project requires the flexibility to supply baseload power when required, to be dispatched by SaskPower to automatically meet electric demand, and provide the ability to quickly react to SaskPower's growing portfolio of intermittent renewable energy resources.

In order to determine an optimal location, a rigorous site selection process was undertaken by SaskPower prior to the RFQ/RFP process. The selection of the Project site near Swift Current considered numerous factors including: cost of the site, cost of development, plant performance, environmental sensitivity and impacts, water and fuel availability, electrical system interconnection considerations, input from public consultations, and impact on the schedule.

A CCGT based plant is a combination of two traditional generating technologies; a combustion turbine generator and a steam turbine generator. Natural gas is first burned in the combustion turbine which turns a generator to produce electricity. Hot

exhaust gas from the combustion turbine is then passed through a boiler to generate steam to drive a steam turbine which turns a generator to produce additional electricity. This combined technology substantially increases overall power output and fuel efficiency of the plant.

As Figure 2 shows, fuel, in this case natural gas, enters into the gas turbine combustion chamber. A mix of fuel and air is ignited, producing hot gas which escapes through the exhaust chamber of the gas turbine (Figure 3). The hot exhaust spins the rear turbine blades similar to a windmill. This in-turn causes the directly connected front section of the gas turbine to draw in outside air. As the turbine blades spin, fuel is continually being drawn into the combustion chamber, mixed with the incoming air and ignited, forcing rotation of the turbine shaft. The spinning gas turbine shaft is directly connected to an electric power generator, producing electricity.

To produce additional electricity, the hot exhaust is fed through a series of chambers known as the "heat recovery steam generator." As the name implies, it is intended to direct hot exhaust gas in a way that heats water into high pressure steam. Similar to the gas turbine, the high pressure steam forces rotation of the steam turbine shaft. The spinning steam turbine's shaft is directly connected to a generator producing additional electricity.

Figure 2 – Combined Cycle Power Plant

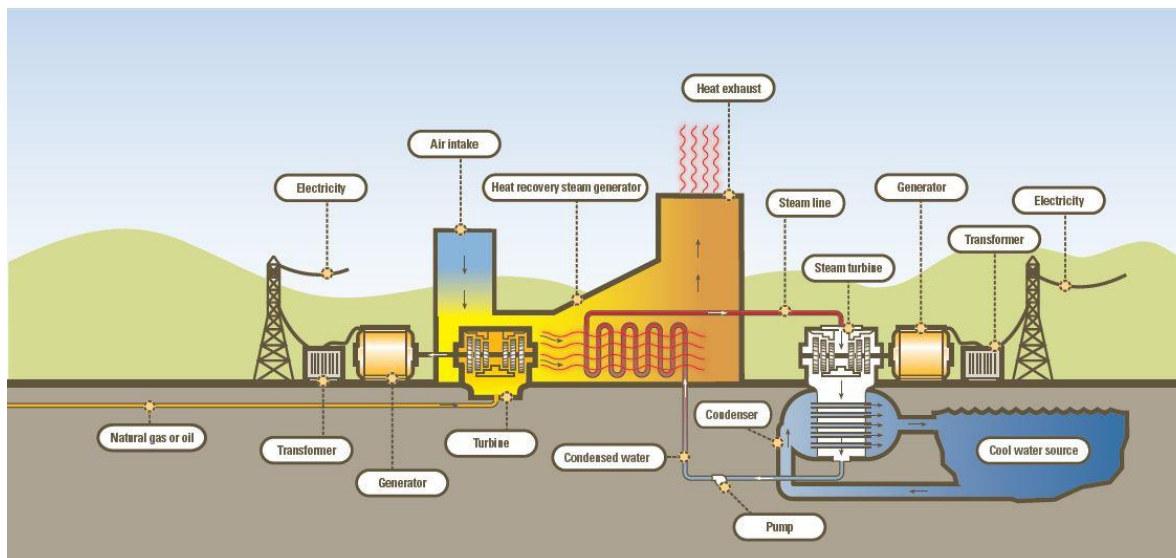


Diagram Source: Centre for Climate and Energy Solutions, June 2013. *Leveraging Natural Gas to Reduce Greenhouse Gas Emissions.*

Figure 3 -Siemens SGT6-5000F Gas Turbine



Diagram Source: Middleeast.siemens.com

PROJECT DELIVERY OPTIONS

In order to achieve the best value for SaskPower ratepayers, the Government of Saskatchewan directed CIC to conduct a process that would inform a decision on whether to implement the Project under a private sector proposal method (a “Proposal”) or under a proposal from SaskPower (the “SaskPower Build Option” or “SBO”).

In response, CIC commissioned an Evaluation Committee consisting of a CIC executive member, a SaskPower executive member, a national Energy Partner from MNP LLP and an energy regulatory consultant from Forkast Consulting. The Evaluation Committee then developed an evaluation process that included a comprehensive VfM analysis to fairly, transparently and objectively evaluate which delivery method would provide the greatest value to SaskPower ratepayers.

VfM is a process of determining the best value for the money being spent. It does not mean taking the lowest cost purchase or investment, but rather the one that provides the best balance between benefit and cost.

The quantitative component of the analysis is common in the electric utility sector, and is often referred to as a life cycle cost, least-cost best-fit, or cost-of-service analysis. Each proposed new power project has its own unique evaluated costs and integrated system benefits. The costs and benefits of each proposal must be evaluated against other proposals in order to determine which offers the best value for money over the life of the project.

The evaluation process for the Project included the solicitation of proposals from experienced private



sector firms (“Independent Power Producers”, or “IPPs”) to implement the Project, as well as solicitation of a submittal from SaskPower.

As part of this process, SaskPower issued an RFQ/RFP for the Project which specified the chosen site and technical requirements. Concurrently with the RFQ/RFP, SaskPower issued a separate SBO Submittal document under which a separate group

within SaskPower (discussed in the next section) would prepare and present the SBO proposal. The requirements in the RFQ/RFP and the SBO Submittal documents were very similar in nature. The RFQ/RFP and SBO Submittals were run concurrently to ensure the project could be developed by the required in-service date.

OBJECTIVITY AND FAIRNESS

The objectivity and fairness of the evaluation process was of the utmost importance to the Government of Saskatchewan. A number of safeguards were put in place to protect the objectivity, fairness and integrity of the process because SaskPower was participating in the RFQ/RFP.

EVALUATION COMMITTEE

An Evaluation Committee consisting of a CIC executive member, a SaskPower executive member, a national Energy Partner from MNP LLP and an energy regulatory principal of Forkast Consulting were responsible for the evaluation and recommendation concerning the preferred delivery method.

STEERING COMMITTEE

A Steering Committee, comprised of senior government officials, provided oversight to the Evaluation Committee and provided strategic direction as required.

FAIRNESS MONITOR

A Fairness Monitor was retained to ensure that the SaskPower RFQ/RFP Team and the Evaluation Committee followed the process outlined in the RFQ/RFP.

ETHICAL WALL

A strict and formal protocol was established to ensure operational and procedural fairness. This included establishment of an “ethical wall” which prohibited communication between SaskPower staff that would be issuing the RFQ/RFP and assisting the Evaluation Committee (the “SaskPower RFQ/RFP Team”), and the SaskPower staff that would be preparing the SBO Submittal (the “SBO Team”) to prevent any conflict of interest.

SUBMISSION DEADLINES

SaskPower was required to submit the SBO proposal prior to the IPP deadline outlined in the RFQ/RFP. This was done to eliminate the perception that Proposal information could be disclosed to the SBO Team and used to enhance the SBO.

A summary of the milestones and timeline for the project evaluation process is provided in Table 1.

Table 1 – Milestones and Timeline of the Project Evaluation Process

Milestone	Date
Process and Governance Established	June 23, 2015
RFQ/RFP Issued	June 26, 2015
Pre-Qualification Stage Applications Due	July 31, 2015
Qualified Proponents Notified of Status	September 4, 2015
SBO Submittal Received	April 1, 2016
IPP Proposals Received	April 5, 2016
Announcement of Successful Proponent	July 14, 2016
Construction Start	Fall 2016
Commercial Operation	October 1, 2019

SOLICITATION PROCESS

REQUEST FOR QUALIFICATIONS

The SaskPower RFQ/RFP was conducted in a two-step process. The first step required the IPPs to submit financial and technical information. The Evaluation Committee undertook an assessment of each applicant's financial strength and past experience in completing facilities similar to the Project. The five (5) most qualified respondents, as rated by the Evaluation Committee, were offered an opportunity to proceed to the Proposal stage ("Qualified Proponents").

REQUEST FOR PROPOSALS

During the Proposal stage, face-to-face information sessions were held by the SaskPower RFQ/RFP Team with each Qualified Proponent and the Fairness Monitor. Similar sessions were held with the SBO Team and the Fairness Monitor. The purpose of the sessions was to review concerns and comments from each Proponent and the SBO Team on their respective submittal processes and document. In addition, the Power Purchase Agreement (PPA) that would be signed in the event that the HRP was selected was reviewed and refined.

The information session process included a series of meetings with the Qualified Proponents and also included an extensive formal written question and answer process performed by the SaskPower RFQ/RFP Team with oversight by the Evaluation Committee.

The information session process involved the Fairness Monitor, external legal counsel and representatives from SaskPower's RFQ/RFP team including the SaskPower planning group, the SaskPower PPA group, SaskPower procurement and the SaskPower legal group.

The formal written question and answer process was performed by the SaskPower RFQ/RFP Team (for Qualified Proponents and the SBO Team) with oversight by the Evaluation Committee.

Throughout the RFQ/RFP process, the SBO was subject to similar procedural requirements, restrictions and deadlines as the IPPs participating in the RFQ/RFP. All questions posed and answered were available to all Qualified Proponents, including the SBO team.

Qualified Proponents were permitted to submit more than one proposal for different proposed facilities based on varying technologies, facility size, etc.

On April 5, 2016, SaskPower received seven proposals from three Qualified Proponents. On April 1, 2016, in advance of the April 4, 2016 SBO submission deadline, SaskPower received one proposal from the SBO team.

A summary of the proposals received is included in Table 2.

Table 2 – Summary of Proposals and the SBO Received

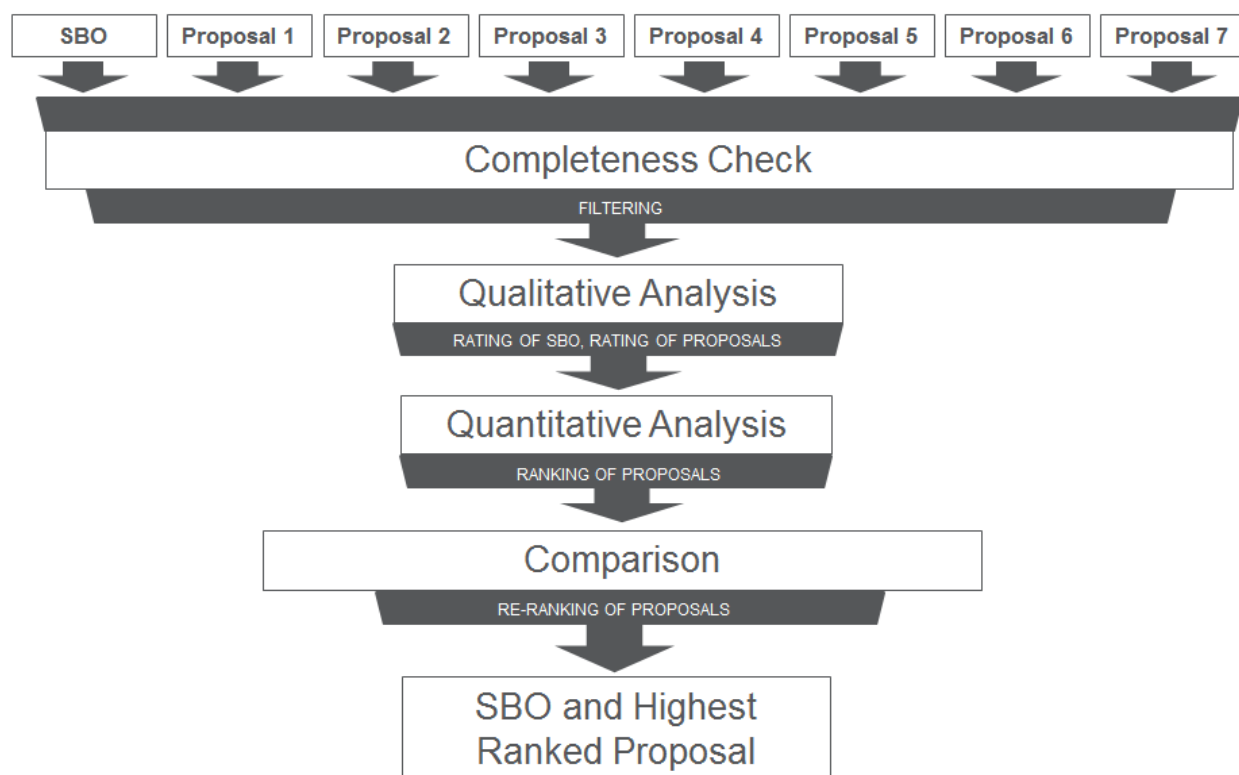
Proponent	Capacity
Speedy Creek Limited Partnership an affiliate of Marubeni Corporation	350 MW
Canadian Combined Cycle Station I, LP an affiliate of NextEra Energy Resources, LLC	330 MW
Canadian Combined Cycle Station I, LP an affiliate of NextEra Energy Resources, LLC	346 MW
Canadian Combined Cycle Station I, LP an affiliate of NextEra Energy Resources, LLC	350 MW
TransCanada Energy Ltd.	334 MW
TransCanada Energy Ltd.	350 MW
TransCanada Energy Ltd.	350 MW
SaskPower Build Option	350 MW

EVALUATION PROCESS

The Proposals and the SBO were first reviewed for completeness to ensure all required information was provided for evaluation. The Evaluation Committee then proceeded with a qualitative review of all proposals including the SBO submission. Once the qualitative review concluded, the Evaluation

Committee then proceeded with the quantitative review. The qualitative review was performed first to ensure the quantitative evaluation results would not generate any bias with respect to the qualitative review. A flow diagram of the qualitative and quantitative evaluation process is shown below.

Figure 4 – Evaluation Framework for the Initial Steps of the Evaluation Process



QUALITATIVE EVALUATION

The qualitative evaluation of each Proposal and the SBO considered the following:

- Technology
 - Commercial experience
 - Commercial adoption
 - Reliability/availability
- Contractor
 - Experience
 - Development plan
- Proponent financing and experience
- Environmental
 - Water consumption
 - CO₂ emissions
- Aboriginal involvement

The Evaluation Committee members independently assigned a quality rating of favourable, neutral, or unfavourable to the preceding criteria for each proponent then deliberated an overall quality rating for each Proposal and the SBO.

QUANTITATIVE EVALUATION

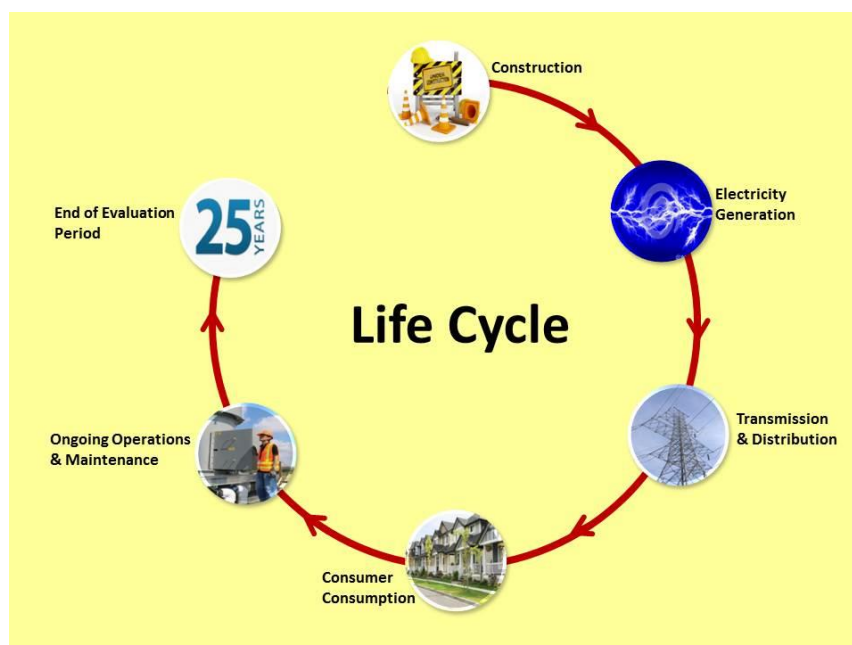
The quantitative evaluation was focused on determining the Evaluated Cost of each Proposal and the SBO. The Evaluated Cost represents the NPV cost of a Project if added to the SaskPower system over the 25 year evaluation period. The Evaluated Cost for the Proposals and the SBO were calculated from the SaskPower ratepayer perspective using the same methodology that SaskPower uses to determine its revenue requirements and rates for new generating resources.

The Evaluation Committee did not receive quantitative information from the SBO until after the risk and competitive neutrality assessments were undertaken and agreed to by the Evaluation Committee to ensure the quantitative information didn't result in a bias.

The methodology for determining the Evaluated Cost used the following proposed prices quoted in each Proposal and the SBO:

- Fixed charges, which are incurred regardless of whether the Project is in operation;
- Variable charges, which are incurred only if the Project is in operation; and,
- The proposed fuel consumption rate per unit of energy produced (known as the “heat rate”).

Figure 5 – Life Cycle of a Generation Facility



The information above was incorporated into an industry standard forecast modeling tool known as PROMOD. Each generation facility SaskPower adds to the system is a small piece of the larger integrated generation system and has implications on other aspects of the system.

In order to consider the full impact of each facility on the system and to optimize the overall cost, PROMOD takes into account the forecast needs and costs of the SaskPower system (electric demand, available power generation capability and characteristics, natural gas prices, etc.) to individually calculate the forecast cost of SaskPower system operations under each Proposal and the SBO for a 25 year period starting from the date of install of October 2019. The resulting cost streams were discounted to a NPV (the “Evaluated Cost”). The modeling was performed with the assistance of a limited number of individuals on the SaskPower RFQ/RFP Team, experienced with power system simulation and fixed cost analysis, under the direction of the Evaluation Committee and the VfM Consultant.

Key Assumptions

The PROMOD analysis factored in certain key assumptions which were developed and/or approved by the Evaluation Committee prior to the receipt of proposals. These assumptions were applied consistently to both the Proposals and the SBO over the 25 year evaluation period. The key assumptions included the following:

- **Load Forecast:** the future projection of electric power demand for the SaskPower system.
- **Expansion Plan:** the sequence of new power generation projects to be added to the SaskPower system to meet the load forecast.
- **Future Power Project Costs:** the capital and operating costs of new power projects associated with the Expansion Plan.
- **Regional Market Price Forecasts:** the forecast of electric prices in the neighboring regional electric markets with which SaskPower may buy and sell electricity.

- **Gas Price Forecast:** a forecast of the cost of natural gas fuel delivered to Saskatchewan.
- **Financial Assumptions:** how costs of the Project are charged to SaskPower ratepayers including depreciation, taxes, interest and escalation factors used for certain costs.
- **Operational Performance Data:** specific performance-related information about SaskPower's system, including impacts on the transmission system's efficiency associated with existing power plant operations, efficiency and performance parameters of existing power generation plants and proposed new plants, planned maintenance, and system hourly load patterns.

The Evaluation Committee directed that additional analyses be undertaken to test the sensitivity of the results to the key assumptions. The additional analysis tested the sensitivity of results to low, most likely and high gas price forecasts against low, most

likely and high load forecasts. Results of the sensitivity analysis showed that the SBO maintained its relative rank in comparison to the Proposals. Under most load and gas price scenarios, the Highest Ranked Proposal also maintained its relative rank in comparison to other Proposals on a probability-adjusted weighted average basis.

HIGHEST RANKED PROPOSAL DETERMINATION

Once the qualitative and quantitative evaluations were complete, the Evaluation Committee proceeded to rank the Proposals. Proposals were initially ranked in order from lowest to highest Evaluated Cost. The Evaluation Committee then considered the differences in the relative quality ratings from the qualitative evaluation. The Evaluation Committee found that the top ranked Proposal ("Highest Ranked Proposal" or "HRP") had a favourable quality rating and therefore, no re-ranking of the Proposals was required as a result of quality ratings. The Highest Ranked Proposal was then advanced for evaluation against the SBO.

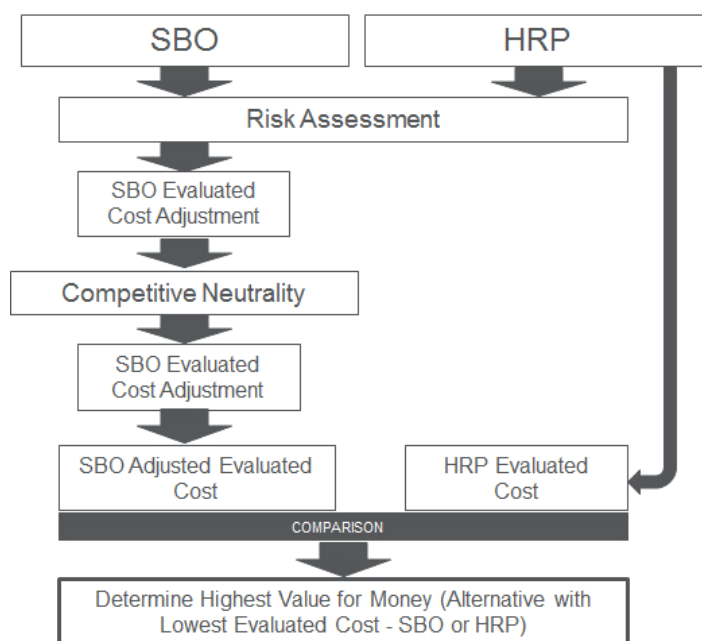
RISK AND COMPETITIVE NEUTRALITY ASSESSMENTS

Once the HRP was determined, a risk assessment and a competitive neutrality assessment were performed on both the SBO and the HRP. A diagram of this assessment process is shown in Figure 6 and further described on the following page.

The risk assessment utilized information from both the SBO and HRP to determine the necessary adjustment

to the Evaluated Cost of the SBO. The competitive neutrality adjustment utilized information from the SBO only. The Evaluated Cost of the HRP was not adjusted. The SBO Adjusted Evaluated Cost was then compared to the HRP Evaluated Cost to determine which Project delivery method provides an overall lower cost and therefore provides greater VfM.

Figure 6 – Evaluation Framework for the Final Stages of the Evaluation Process



RISK ANALYSIS

One of the key differences between the SBO and the HRP delivery methods for the Project is the type and level of risk retained by SaskPower ratepayers. Under terms of a Power Purchase Agreement (PPA), the HRP would assume many of the risks associated with the Project including generator facility construction, startup, and other operational risks. The proposed charges under the HRP implicitly include the effect of this risk coverage.

Under the SBO however, SaskPower ratepayers will be exposed to these and other risks to some degree. As part of the VfM analysis, it was necessary to quantify the risks retained by SaskPower ratepayers and reflect the values in the cost of the SBO (a "Risk Adjustment") to negate cost advantages that the SBO

may have due to risk exposure that could occur during the engineering, construction stage, startup phase and continuing operation of this project.

For example, any cost overruns on the SBO project would impact SaskPower ratepayers unless those risks could be transferred to third parties. The baseline for comparison was the risks that SaskPower ratepayers would face under the SBO after consideration of risks transferred to its construction contractor and other third parties and intermediaries via insurance, etc. Risks retained by SaskPower ratepayers under both cases (e.g., fuel price risk) were considered the same and were not quantified. The key risks considered and the allocation of these risks are listed in Table 3 below.

Table 3 – SBO Project Risk Register

Risk	Retained by SaskPower	Transferred to EPC	Covered in the LTSA
Design, construction and commissioning risk			
Engineering, procurement and construction (EPC) pricing risk		✓	
Rising cost due to significant change orders	✓	✓	
Delayed in service date		✓	
Contractual risk including that the EPC and its sub-contractors will not fulfill their contractual obligations			
Facility output less than proposed		✓	
Heat rate higher than proposed		✓	
Financial risks including that the SBO will be unable to obtain financing, or that financial parameters change significantly at financial close or that the project fails financially later			
Interest rate risk	✓		
Currency exchange risk	✓		
Operating and performance risk			
Fixed operating & maintenance expenses to exceed forecast	✓		✓
Demand or usage risk including loss of SaskPower load			
Significant load loss	✓		
Industrial relations risk including risk of work stoppage			
Labour related delays		✓	
Asset ownership risk including latent defect and obsolescence			
Lack of replacement parts			✓
Change in law risk			
New regulations impacting in service date and cost	✓	✓	
Other risks as determined appropriate by the Evaluation Committee			
Disruptive technology or event reduces plant requirement	✓		

The Evaluation Committee reviewed the terms of the SBO's Engineering, Procurement, and Construction ("EPC") contract and the Long-Term Service Agreement ("LTSA"). The EPC contract is with an engineering contractor with extensive prior experience in the design & construction of CCGT facilities. The EPC contract provides a fixed, firm cost for the project and sets forth the level of risks that SaskPower is expected to encounter during the construction phase of the process.

The proposed LTSA is with an experienced Canadian-based subsidiary of the combustion turbine manufacturer. The LTSA sets forth major maintenance on the turbines as well as performance guarantees and equipment warranties. Therefore, certain operational risk under the SBO was proposed to be transferred to the manufacturer under the agreement. As part of the risk analysis, the Evaluation Committee reviewed the relative risks that SaskPower would face under the EPC contract and LTSA, and compared the risk exposure to that under the PPA with the HRP.

Based on the outcome of the risk analysis, the Evaluation Committee made a risk adjustment to the SBO's submission to reflect a fair adjustment and levelize the amount of risk being delivered by both the HRP and the SBO. Many of the most significant risk areas, as shown in Table 3, were either transferred to the EPC or covered in the LTSA. Ultimately, the risk adjustment that was made to the SBO increased its Evaluated Cost by \$25 million.

COMPETITIVE NEUTRALITY

Competitive neutrality adjustments were evaluated and made to the SBO in order to negate cost advantages that the SBO may have over the HRP due

solely to SaskPower's status as a government-controlled and affiliated entity (collectively, "Undue Advantages"). These Undue Advantages, however, do not include those areas where the SBO offers enhanced performance, lower direct costs, faster/better implementation, and other organizational advantages.

The areas that were assessed for Undue Advantages included financing, taxation, insurance and permitting. The adjustment was determined by estimating the cost that would be incurred by a non-governmental entity and estimating the portion of the cost difference that is due to SaskPower's affiliation with the government, if applicable. While SaskPower's low financing rates were a key contributor to SaskPower's proposal being selected, these low financing rates were not considered an Undue Advantage from the ratepayers perspective. The rates at which SaskPower borrows are market based.

Specifically, the Evaluation Committee assessed an upwards adjustment to the SBO Evaluated Cost in the areas of property taxes, and federal and provincial income taxes. In addition to this, the Evaluation Committee assessed a downwards adjustment to the SBO's Evaluated Cost for the Corporate Capital Tax that SaskPower pays as a Crown corporation that an IPP does not have to pay. It is important to note that this same Corporate Capital Tax amount was estimated and included in the Evaluated Cost as part of the quantitative analysis. Ultimately, the competitive neutrality adjustment that was made to the SBO increased its Evaluated Cost by \$17 million.

The addition of the risk adjustment and competitive neutrality adjustment were not enough to impact the decision.

FINDINGS

Table 4 on the following page summarizes the results of the Evaluated Cost analysis and the adjustments determined by the subsequent VFM analysis.

The results were tabulated from the full Evaluated Cost model. The Evaluated Cost includes the impact of the Project's operations on SaskPower's other electric power generation facilities. As shown in Table 4 and Figure 7, both the SBO and the HRP operate very similarly: they both exhibit similar SaskPower Other Electric Generation Costs (0.02% difference) and similar Project Variable Costs (0.60% difference). The key factor which sets both projects apart is the Project Fixed Costs of the SBO and the HRP.

The NPV of SaskPower's **total electric generation system costs** over the 25 year evaluation period by

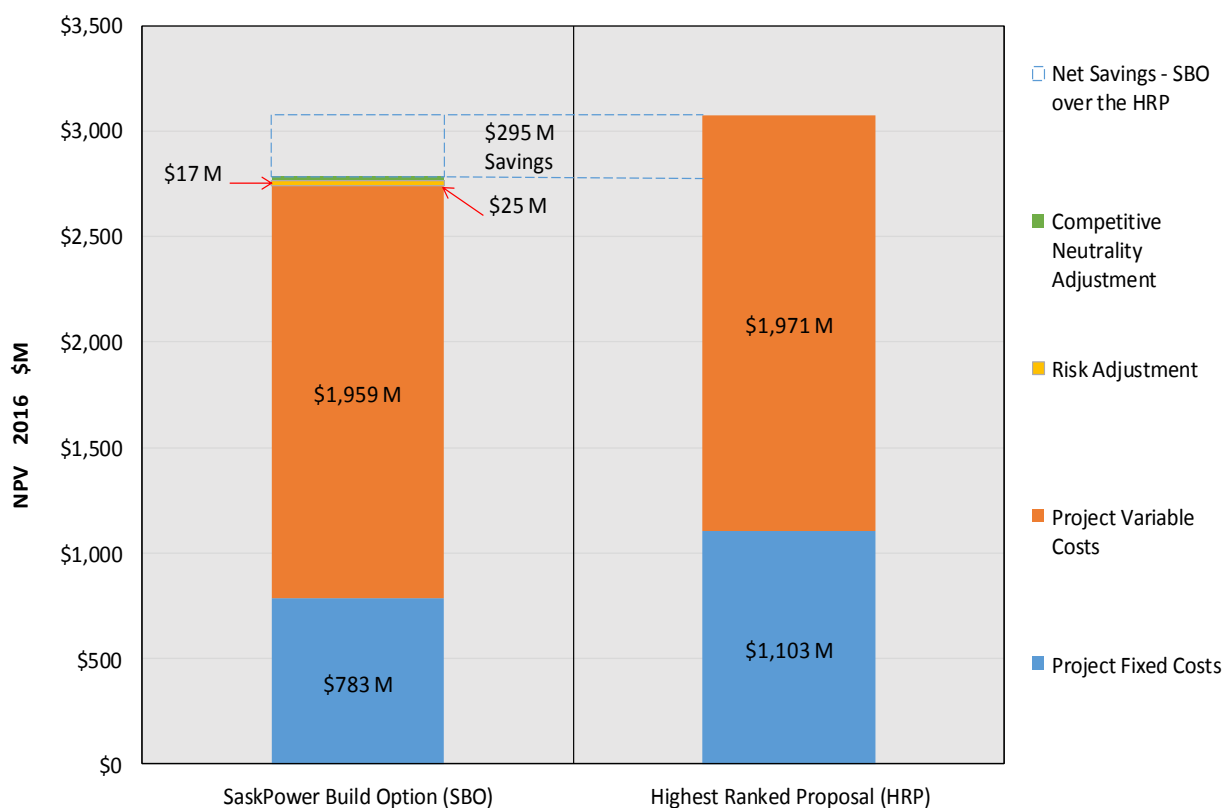
selecting the Project proposed by SaskPower is \$32.6 billion compared to the \$32.9 billion cost if the private sector option was selected. The total electric generation costs under both options include \$29.8 billion in common costs associated with the operation of SaskPower's other electric power generating stations. Therefore, the net cost of the Project³ proposed by SaskPower is \$2.8 billion compared to \$3.1 billion for the project proposed by the private sector. This represents a \$295 million NPV savings to SaskPower ratepayers over the 25 year evaluation period.

³ Includes all fixed and variable charges associated with operating the Project, including the cost of fuel.

Table 4 – Evaluated Cost & VfM Analysis Summary of Results

Source	Item	SBO (NPV 2016 \$million)	Highest Ranked Proposal (NPV 2016 \$million)	Difference (NPV 2016 \$million)
Evaluated Cost	SaskPower Other Electric Generation Costs ⁴	29,788	29,793	(5)
	Project Variable Costs ⁵	1,959	1,971	(12)
	Project Fixed Costs ⁵	783	1,103	(320)
Total Evaluated System Cost		32,530	32,867	(337)
VfM Analysis	Risk Adjustment	25	0	25
	Competitive Neutrality Adjustment	17	0	17
Adjusted Evaluated Cost		32,572	32,867	(295)

Figure 7 – Comparison of the VfM Analysis Result⁶



⁴ Net present value of the total cost of SaskPower's other electric power generation stations over the 25 year evaluation period (excluding costs related to this Project).

⁵ Net present value of costs related to this Project over the 25 year evaluation period.

⁶ Note that only the costs related to the Project are presented in Figure 7.

The results in Figure 7 show that the SBO has the lowest overall Evaluated Cost after adjustments (“Adjusted Evaluated Cost”). In addition to comparing the Adjusted Evaluated Cost, the Evaluation Committee reviewed the qualitative differences between the two Project delivery options. The Evaluation Committee found that both the SBO and HRP were rated favourable in terms of the qualitative criteria. Since the qualitative ratings of the two options were similar, and the SBO has the lowest

Adjusted Evaluated Cost over the 25 year evaluation period, the Evaluation Committee concluded that the SBO option offers the greatest VfM for SaskPower ratepayers.

Accordingly, the Evaluation Committee recommended the project proposed by SaskPower. It will provide approximately 350 MW of electric power using the latest combined cycle gas turbine technology from Siemens AG.

APPENDIX

Fairness Advisor Report

JD Campbell Associates

**SASKPOWER
INDEPENDENT POWER PRODUCER
COMBINED CYCLE GAS TURBINE
FACILITY RFP PROJECT
GP/414**

FAIRNESS MONITOR SUMMARY COMMENT

CONFIDENTIAL

Note that this is confidential information and is not for general circulation.

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1.0 EXECUTIVE SUMMARY

1.1 Introduction

This Summary presents our findings for SaskPower's Independent Power Producer Combined Cycle Gas Turbine Facility RFP. Note a more fulsome report is to follow.

This RFP was composed of 3 Stages.

- Stage 1 was designed to provide for the selection of Qualified Proponents. At this Stage, any interested party was invited to submit an application to become a Qualified Proponent;
- Stage 2 was designed to determine the Preferred Proposal from amongst those Qualified in Stage1.
- Stage 3 was designed to determine whether the Preferred Proposal or a SaskPower Build Option for the same services represented the best value proposition.

SaskPower has identified the need for a new combined cycle combustion turbine located near Swift Current, Saskatchewan. The Crown Investments Corporation of Saskatchewan ("CIC"), provided oversight, established an Evaluation Committee and engaged an external consultant to conduct a value for money analysis.

The RFP contained reserve right language that allowed the Evaluation Committee to evaluate and recommend the adoption of either the private sector option or the SaskPower Build Option depending on its judgement of which offered the best value to the ratepayers of Saskatchewan. The Evaluation Committee consisted of representatives from CIC, independent experts and SaskPower; the majority being external to SaskPower. The Committee also provided input and direction on the administration of the RFP Process and the exercise of its material rights.

As a part of this process JD Campbell And Associates was employed in the role of Fairness Monitor. The role of Fairness Monitor, as the title implies, focuses strictly on a monitoring of practices engaged in to ensure consistency with the stipulations of the procurement document (RFP). This involved taking the stipulations of the RFP as a standard against which to audit process.

Assessment included:

- Application of the evaluation criteria;
- Consistency of Proponent treatment;
- Adherence with conflict of interest and confidentiality requirement;
- Communications and information to Proponents;
- Diligence respecting the evaluation process;
- Exercise of rights and obligations.

This report has been prepared for the staff of SaskPower and CIC. Any other person who wishes to review this report must first obtain the written permission of SaskPower, and CIC. JD Campbell & Associates, or the individual author of this report, bear no liability whatsoever for opinions that unauthorized persons may infer. Note that the material in this report is in no manner to be considered as a legal opinion.

1.2 Findings

As Fairness Monitor we found that;

- The evaluation process, as described, was consistent with that outlined in the RFP;
- The evaluation criteria were applied in accordance with the stipulations of the RFP document;
- All Applicants were treated consistently and in accordance with the stipulations of the RFP.

Particular note was made of the following:

- **Communication** – The procurement documents were distributed through the MERX posting service. This ensured there was wide communication of the opportunity to interested vendors.

One Contact person was identified with whom Proponents were to communicate. This helped ensure that all received the same information.

- **Conflict of Interest** – Project Team members and evaluators were bound by signed Conflict of Interest documents and/or employment/contract obligations. An ethical wall was created between staff involved in the administration of the RFP and those involved in the development of the SaskPower Build Option. Proponents were also required to declare any such conflicts.

- **Security of Documents** – The Evaluators and project staff were orientated regarding the importance of confidentiality and security of Proponent and evaluation related information.
- **Past Applicant Involvement** – Project staff provided assurance that, there were no potential Proponents who, due to past involvement with SaskPower had been privy to confidential information, not available to others, that would have placed them at an undue advantage. Particular effort was taken to share relevant information available internally to the SaskPower Build team with all Proponents.
- **Undue Influence** – Throughout the evaluation process, all decisions were made by more than one person.
- **SaskPower Involvement** – The RFP provided an explanation of how SaskPower staff would be involved in the administration of the RFP and of the oversight and direction which CIC would provide. Staff assurance was also provided regarding the firewall maintained between those involved in the evaluation process and the SaskPower build Team.

1.3 Outcome

- Fifteen applicants participated in this Stage 1 process;
- Five Proponents were selected to proceed to Stage 2;
- Three Proponents chose to submit RFP proposals. Two Proponents submitted multiple proposals;
- One Proponent's proposal was selected by the Evaluation Committee to be the Preferred Proposal based on its top ranking in the evaluation process. This proposal then proceeded to Stage 3;
- The proposal from this Proponent was evaluated against the SaskPower Build Option;
- The Evaluation Team is currently in the process of recommending to the Project Steering Committee acceptance of the SaskPower Build Option based on its analytical and evaluation process.



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