

Ships Wharf Redevelopment – ENERGY FACILITY

Ongoing list of questions from Registrants (July 30, 2018)

NOTE: Responses provided by BLDC or its Representatives herein will not bind BLDC or change, modify, amend, or waive the requirements of the Request for Qualifications (RFQ) in any way. Proponents are advised to not rely on any response provided unless set form in an addendum to the RFQ issued in accordance with Section 3.5 of the RFQ.

1. What is the length of the BOOT?

Although final decisions with regard to the nature of the concession to be granted have not been made, it is anticipated that the successful proponent under the RFP will enter into a long-term conditional site lease of approximately 20 years with BLDC.

2. Will the land be provided by the government, or will it need to be leased through a private party?

As above, although final decisions with regard to the nature of the concession to be granted have not been made. It is anticipated that the successful proponent under the RFP will enter into a long-term conditional site lease of approximately 20 years with BLDC. BLDC is a private limited company, the shares of which are held by the Government of Bermuda.

3. The RFQ refers to bulk fuel – do you mean diesel fuel?

Final decisions with regard to the nature of the energy project have not been made. The reference to fuel is for informational purposes only.

4. Are you able to let us know how many acres are available for lease or the approximate size of the land available? (prior to downloading the Technical Information Booklet)

The approximate size for the Energy Facility lot is 29,169 Square Metres or 7.2 acres.

Please note that there has been a Request for Qualifications (RFQ) released for the adjacent property for a Cargo Port. The approximate area for the Cargo Port is 17.6 acres. At this point, the property boundary for each can be altered to some extent should the requirements for either the Energy Facility or Cargo Port change. Proponents are advised to verify all site dimensions independently.

5. One of our suppliers indicated that they would also be supplying equipment to another company for this bid, but on a non-exclusive basis. As the RFQ Section 7.3 stipulates, neither of us would consider this supplier a prime team member, and we would not be

proposing any personnel from the supplier as key persons or individuals. Will you please confirm whether or not this arrangement is acceptable from your standpoint?

As 7.3(2) stipulates, Team Members can be on multiple teams provided they are not the Prime, an Affiliate of the Prime, or ineligible.

Below is RFQ Section 7.3(2):

(2) Section 7.3(1) and Section 7.2(2) do not prohibit a Team Member of one Proponent from also being a Team Member of another Proponent, provided that such Team Member is not:

- (a) a Prime Team Member of any other Proponent;
- (b) an Affiliate of a Prime Team Member of any other Proponent; or
- (c) otherwise ineligible to do so.

6. In a BOOT contract agreement, the last bit of the project would involve Transfer. In our experience this term could be misunderstood. Do you mean transfer the property of the site, the operations, or simply means transfer the electricity to the grid?

Transfer refers to the transfer of the site and improvements thereon. Although final decisions with regard to the nature of the concession to be granted have not been made, it is anticipated that the successful proponent under the RFP will enter into a long-term conditional site lease of approximately 20 years with BLDC.

7. My understanding so far is that supply of Natural gas to the island is not that easy. Could you address me to anyone that could provide me more insights regarding gas supply?

For this RFQ, BLDC is accepting submissions for all types of energy solutions.

Bermuda is currently in the process of developing a National Fuels Policy and this policy is in the consultation stage. A link is included below:

<https://www.gov.bm/draft-national-fuels-policy-2017-draft-consultation-copy>

8. Is battery storage a possible valuable solution for you?

For this RFQ, BLDC is accepting submissions for all types of energy solutions.

9. We are used to working with local partners (local design or local construction companies). Could you send me the contact details of:

- **the local Architecture Organization**
- **the local Construction Organization**

Proponents are advised to make independent enquiries in this regard. The following organizations may be of assistance:

<http://iba.bm/> -Institute of Bermuda Architects

10. Please elaborate on the contractual roles BLDC will play in the Project development and structure:

a) BLDC revenues through lease of land or revenue sharing (energy-sales);

BLDC will consider all options presented by Proponents and will enter into negotiations with respect to a final agreement with the Prequalified Proponent after the completion of the RFQ stage.

b) Directly involved in negotiation and counter-party to Project Agreements:

- Commercial agreements (PPA, Fuel supply, etc)
- Technical agreements (Interconnection Agreement, EPC, etc)
- Governmental/ regulatory authorizations, permits, approvals

BLDC has not contemplated being a counter-part to project agreements. BLDC will assist in negotiations, where appropriate and applicable.

11. Can a Team Member such as a Design Firm, Construction Firm, Equipment Supplier or O&M Provider be simply under a contractual relationship with the Project or Proponent (without an equity interest in the Project)?

Yes.

12. Can such contracted Team Member provide their experience for Qualification purposes?

Yes.

13. Regarding the statement, “this project parallels a proposed cargo port development project, which may provide a transport mechanism for fuel, if necessary”:

a) will the Government of Bermuda guarantee compensation, such as an increase in the rate charged for power, in case the cargo port is not developed in time to meet the fuel requirements of the Project; and

No. BLDC is a private limited liability company, not the Government of Bermuda.

b) if the cargo port cannot be utilized, what other means for providing fuel to the Project are available?

BLDC will consider all options presented by Proponents. For example, a stand-alone pier arm.

14. Has BLDQ consulted with sponsors of the proposed cargo port development project to discuss fuel receipt and handling capacity?

No. To date, a Prequalified Proponent has not been selected for the proposed cargo port development. BLDC has issued an RFQ for the Cargo Port, and the RFQ process is currently

underway. The potential for supporting the fuel receipt for the Energy Plant is noted in the Cargo Port RFQ.

15. Fuel supply options present variability with respect to marine receipt (ship-to-shore interface), handling, and storage logistics and siting requirements as well as primary environmental and economic factors over the life of the Project. Has BLDC conducted any due diligence on fuel supply options which evaluates siting/operational feasibility, project economics, and environmental impacts?

No. The RFQ Technical Information Booklet provides very limited information regarding the site. Proponents are advised to make their own enquiries and investigations regarding the site and the nature of any commercial opportunities at the site. For the purpose of this RFQ, BLDC is accepting submissions for all types of energy solutions. All due diligence regarding the viability of options is the sole responsibility of the Proponent.

16. Regarding the statement “although final decisions with regard to the nature of the concession to be granted have not been made”, what legal hurdles or approval from the Regulatory Authority (RA) are required for the concession to be granted and what is the status?

a) Has BLDC consulted with the Regulatory Authority concerning the market need for additional energy capacity and specifically energy capacity installed at Ships Wharf (20MW to potentially 50MW)?

Additional capacity requirements will be identified as part of the Regulatory Authority Integrated Resource Plan process.

b) How does the Project factor into the Integrated Resource Plan, the long-term planning and market analysis study mandated from the regulated utility BELCO from the Regulatory Authority, including BELCO’s June 2016 Integrated Resource Plan submission or the Regulatory Authority’s request for revised Integrated Resource Plan submission in November 2017?

Proponents are directed to seek qualified professional advice regarding laws and regulations pertaining to electricity generation and interconnection in Bermuda and to direct all enquiries regarding Bermuda’s Integrated Resource Plan to the Regulatory Authority of Bermuda. The Integrated Resource Plan is expected to indicate what level of capacity is required and when it is required by. The Integrated Resource Plan is also expected to indicate whether required capacity is open to competitive bidding.

17. Regarding the Build-Own-Operate-Transfer mode of delivery:

a) how long will the Project operate before being required to transfer; and

BLDC will consider all options presented by Proponents. BLDC anticipates the length to be approximately 20 years.

b) will there be a payment made for the Transfer or will it be at no charge?

Final decisions with regard to the nature of any concession to be granted have not been made.

18. Will the Regulatory Authority of Bermuda dictate how much capacity and energy that BELCO will be required to purchase from the Project or will this need to be negotiated with BELCO?

Final decisions with regard to the nature of any concession to be granted have not been made. Bermuda's future energy needs will be determined by the Integrated Resource Plan, which will also set recommendations for what capacity will then be procured by a competitive bidding process. This bidding process will also be set by the Regulatory Authority. The terms of any power purchase agreement will be commercially negotiated with BELCO and also be subject to approval by the Regulatory Authority.

19. Please confirm that Section 5 (labeled Port Operation Team Member) refers to the operation of the Project and not to the Port.

"Port Operation Team Member" should read "*Energy Plant Operation Team Member*".

20. If the Proponent plans to contract the services for design, engineering, construction and operation, should these contracted entities be listed as Team Members (or as part of a Joint Venture)?

Yes, they can be part of the Team.

21. If the services are contracted, will it suffice to only submit the Financial Information Package related to the Proponent Lead or would the financial information for these entities be required as well?

A single entity (Lead Proponent) will need to provide the Financial Information Package.

22. Regarding the statement "the BLDC is seeking to enter into a Development Agreement":

a) is there a draft of such Development Agreement that can be made available for review; and

No, there is no draft Development Agreement available at this stage. It is anticipated that this will be made available during the RFP process.

b) will BLDC also be a Co-Investor in the Project and if so, for what percentage. (e.g. Joint Development Agreements are typically co-investment arrangements)

Final decisions with regard to the nature of any concession to be granted have not been made. It is anticipated that BLDC will engage in a landlord/tenant arrangement with the Successful Proponent.

23. Regarding the statement “the current situation is that BELCO continues to operate all its plant and is considering where to move next for its future generation investment”:

a) what obligation will BELCO be under to purchase energy from the Project; and

The Regulatory Authority is currently engaged the Integrated Resource Plan process which is expected to inform the nature of any future Power Purchase Agreements (PPA) made available.

b) has BELCO committed to building (or purchasing energy from) any proposed generation?

The Regulatory Authority is currently engaged the Integrated Resource Plan process which is expected to inform the nature of any future PPA made available.

24. Regarding the statement “the daily peak demand for generation runs at around 90MW in the cooler winter months rising to under 110MW at absolute peak on a hot summer day” and given the lack of growth in historical demand:

a) what will be the electrical demand (capacity and energy) expected to be added due to the Ship’s Wharf Cargo Port Project; and

The Cargo Port is currently in the RFQ phase of the development process. To date, it is not known the electricity demand for the Cargo Port.

b) are there any other developments expected to add significant load to the Bermuda grid?

Proponents are encouraged to perform their own due diligence to determine any future developments planned in Bermuda and to contact the Regulatory Authority of Bermuda with enquiries regarding the island energy system.

c) Do the figures from 2014 presented (page 21) align with the most recent Integrated Resource Plan document submitted to the Regulatory Authority?

The Regulatory Authority is currently engaged in the Integrated Resource Plan process which is expected to inform the nature of any future PPA made available. Proponents are encouraged to contact the Regulatory Authority of Bermuda with enquiries regarding the island energy system.

25. Please provide information regarding the Merit Order Dispatch of the existing generating units on the Bermuda Grid, including the size, marginal dispatch price and annual production.

Proponents are directed to seek qualified professional advice regarding laws and regulations pertaining to electricity generation and interconnection in Bermuda and to direct all enquiries regarding Bermuda’s Integrated Resource Plan to the Regulatory Authority of Bermuda. BELCO’s TD&R license sets BELCO’s responsibilities in relation to the creation of the Merit Order system.

26. Regarding the statement “While detailed Interconnection and Power Purchase Agreements have yet to be drafted”:

- a) will the Power Purchase Agreements allow a Capacity Payment to be charged that will be sufficient to recover the fixed costs of the Project, with an associated Energy Payment sufficient to recover the fuel and variable costs; and**

The Regulatory Authority is currently engaged in the Integrated Resource Plan process which is expected to inform the nature of any future PPA made available. Any PPA would be expected to be fully negotiable between the BELCO and the prospective (Independent Power Producer (IPP), subject to approval by the Regulatory Authority. Tariff structures are currently under development via public consultation and have not been officially set by the Regulatory Authority and are, therefore, subject to change. Proponents are directed to seek qualified professional advice regarding laws and regulations pertaining to electricity generation and interconnection in Bermuda and to direct all enquiries regarding Bermuda’s Integrated Resource Plan to the Regulatory Authority of Bermuda.

- b) if not, how will these agreements be structured to compensate the Project?**

The Regulatory Authority is currently engaged in the Integrated Resource Plan process which is expected to inform the nature of any future PPA made available. The exact nature of any concession to be offered has not yet been finalized.

27. Does BELCO have an obligation to interconnect the Project to its transmission system?

Proponents are directed to seek qualified professional advice regarding laws and regulations pertaining to electricity generation and interconnection in Bermuda and to direct all enquiries regarding Bermuda’s Integrated Resource Plan to the Regulatory Authority of Bermuda. BELCO does have a general obligation to connect approved IPPs (i.e. Bulk Generation Licences) to the transmission grid pursuant to the *Electricity Act 2016 (EA), inter alia*.

28. Regarding the statements “It appears likely similar fees will be applied to energy generators following the introduction of the new Electricity Act ... energy surcharge review is a continuous process with monthly evaluations”:

- a) will there be any binding assurances made by the Government of Bermuda that changes to the tax situation of the Project will be cause for automatic pass through in the charge for power; and**

Proponents are directed to seek qualified professional advice regarding laws and regulations pertaining to electricity generation and interconnection in Bermuda and to direct all enquiries regarding Bermuda’s Integrated Resource Plan to the Regulatory Authority of Bermuda. Any PPA is expected to be negotiable between BELCO and the prospective IPP and to be subject to approval by the Regulatory Authority. Tariff methodologies are currently under development via public consultation through the Regulatory Authority and have not been officially set by the Regulatory Authority and are therefore subject to change.

b) as a generator, will the Project be subject to the energy surcharge review?

Proponents are directed to seek qualified professional advice regarding laws and regulations pertaining to electricity generation and interconnection in Bermuda and to direct all enquiries regarding Bermuda's Integrated Resource Plan to the Regulatory Authority of Bermuda. As noted above, any PPA is expected to be negotiable between BELCO and the prospective IPP and to be subject to approval by the Regulatory Authority. Tariff methodologies are currently under development via public consultation through the Regulatory Authority and have not been officially set by the Regulatory Authority and are therefore subject to change.

29. Reference is made to the National Electricity Sector Policy, however, has the BLDC assessed or consulted with the Regulatory Authority or other Government of Bermuda officials on the Electricity Act of 2016 which as promulgated In October 2016 serves as the statutory requirements that were conceived and contemplated in the National Policy document.

Discussions between BLDC, the Regulatory Authority and relevant Government Ministries have been ongoing.

30. Regarding the Cargo Port Feasibility Study:

a) as so much time has passed since issuance of the study (July 21, 1999), what has changed to now justify development of the Ship's Wharf Cargo Port; and

BLDC has constantly been reviewing the options for Ships Wharf with competing priorities. Following the Expression of Interest in 2014, steady progression has led to the current RFQ stage. Proponents are advised to make their own enquires regarding the nature and viability of the site and any commercial opportunity arising therefrom.

b) what is the status of development and forecasted date of initial operation for such Cargo Port?

It is anticipated that commercial operation could begin as early as 2021.

31. Has the BLDC Board made any rulings with respect to the project including the industrial zoning requirement? At what stage in the development process would the BLDC Board make a final approval? How does the BLDC Board approval align with or factor into Government of Bermuda project authorizations?

Proponents are directed to seek qualified professional advice regarding laws and regulations pertaining to the site, such as zoning. Final decision making will be made at the RFP stage. The BLDC Board approves the BLDC capital projects.

32. Has BLDC been engaged in formal consultations with Government of Bermuda agencies or representatives in respect to project permitting and approvals requirements? If so, which parties have been consulted with and what responses had BLDC received through such communications? Does BLDC have a clear assessment of the complete list of

regulatory and approvals required in order to take FID with the project? Does BLDC have an estimated timeline for the approvals process and matrix order of the requirements?

BLDC has been in preliminary discussions with the appropriate Government agencies regarding the Ships Wharf development project.

All project approvals and permitting will be the sole responsibility of the Proponent. Proponents are directed to seek qualified professional advice regarding laws and regulations pertaining to the site.

33. In reference to the comment concerning the site footprint and ease of project and interconnection siting (p 22):

a) Has BLDC conducted any technical due diligence on the site (e.g. fatal flaw analysis) which provide a feasibility assessment for a 20MW plant and similar assessment for larger capacity plant designs?

Proponents should refer to the RFQ Technical Information Booklet and make independent enquiries and investigations regarding the site.

b) Does BLDC anticipate a plant design requirement for dry/ air cooling due to environmental (water) or visual impact mitigation?

Design requirements will be made available in the RFP documentation.

34. How will the grid react to the arrival of at least 20MW in the East part of the grid?

For the purposes of this RFQ, BLDC is accepting submissions for all types of energy solutions. Proponents are advised to make their own enquiries and investigations regarding the site and the nature of any commercial opportunities at the site. All due diligence regarding the viability of options is the sole responsibility of the Proponent.

35. How is BELCO involved in the project? (as there is currently a monopoly for power generation and distribution from BELCO)

The distribution division of BELCO is expected to provide interconnectivity and distribution for this plant.

36. Who will buy the power? (with whom will the Power Purchase Agreement be signed?)

Final arrangements with regard to power off-take have not yet been made, however, it is anticipated that power purchase arrangements will be negotiated with BELCO, subject to the review and approval of the Regulatory Authority.

37. The proposed energy site location is not compatible and will not support, either from a technical or financial perspective, the concept of importing LNG as the primary fuel for generating electric power for the island. Does this mean BLDC or some other entity will

be offering another location that will facilitate the implementation of the Bermuda Energy Policy?

There have been no other sites identified within the RFQ. BLDC encourages all Proponents to conduct their own due diligence as to the viability of their proposed concept and solution. BLDC is accepting submissions for all types of energy solutions.

38. What is the maximum generation capacity that can be proposed?

There has been no maximum limit specified in the RFQ documentation. Additional capacity requirements will be identified as part of the Regulatory Authority's Integrated Resource Plan process.

39. What is the expected daily load profile and annual capacity factor for the new power plant?

These details are not yet available. It is anticipated that the power plant will have a name plate capacity at least 20MW. Additional capacity requirements will be identified as part of the Regulatory Authority's Integrated Resource Plan process.

40. Is BELCO allowed to respond to the RFQ?

Any individual or entity not identified in the RFQ document as a "Conflict of Interest and Ineligible Persons" is permitted to respond to the RFQ.

41. Will all information submitted for the RFQ be held confidential and not be made public or used as the basis for a future RFP?

Please refer to the RFQ Section 8 - BLDC RIGHTS AND PROPONENT OBLIGATIONS

42. With respect to Section V.b) IRP Alternative Proposals in the Integrated Resource Plan Proposal Consultation Document prepared by the Regulatory Authority, will the BLDC be making the required submission of the alternative proposal for bulk generation (for the Ships Wharf Energy Plant) in accordance with the deadline of 2 Jul 2018? If not, then please provide details of how the submission of the Ships Wharf Energy Plant (RFQ award Dec 2018, RFP issue Jan 2019 and subsequent award process) will fit into the next cycle of the IRP process which according to the Electricity Act 2016 will be some 3 to 5 years hence.

BLDC has been in contact with the appropriate Government agencies regarding the Ships Wharf development project and will make submissions to the Regulatory Authority in its discretion. Proponents are encouraged to contact the Regulatory Authority to make enquiries, to seek professional advice and to make submissions in accordance with the Integrated Resource Plan Proposal Consultation process directly.

43. Aside from the Finger Solar Plant, has BELCO committed to purchasing energy from any other IPP?

BELCO is currently purchasing energy from Tynes Bay. The Finger Solar Plant is not yet an approved IPP, as it the Finger Solar Plant does not yet have a Bulk Generation License.

44. Can BLDC consult with the Regulatory Authority regarding the *Electricity Act of 2016*?

The Regulatory Authority has indicated that it is happy to answer any questions in relation to its regulation of the electricity sector, including questions on the EA for informational purposes, however, its role is not to provide specific legal advice.

45. Can BLDC be involved in the negotiations along-side the Ships Wharf IPPs for items such as: PPA, Fuels supply, Connection agreements, regulatory approvals?

BLDC's goal is to seek to resolve limited and specific high level commercial and operational issues where possible and within its control in order to provide a more complete and attractive project offering to the market. The Regulatory Authority will only be involved in the licensing and regulation of a potential IPP/Bulk generation license applicant. The PPA is a commercial agreement between BELCO and the potential IPP and is subject to Regulatory Authority approval once it has been agreed between the two parties. Any application for a Bulk Generation Licence would be submitted by the applicant for review by the Regulatory Authority.