



PRP International, Inc.
Fairness Advisor

May 9, 2006

Ontario Power Authority
120 Adelaide Street West
Suite 1600
Toronto, Ontario M4W 3R8

Attention: Ms. Barbara Ellard
Manager, Generation Development

Dear Ms. Ellard:

Subject: Final Report (#3) of the Fairness Advisor
York Region Demand Response RFP

PRP International, Inc. is pleased to submit its Final Report on the conduct of the York Region Demand Response RFP.

Additionally, based on the advice that OPA has awarded a Demand Response Contract to Rodan Energy and Metering Solutions Inc. (Rodan) under this RFP, PRP International, Inc. confirms that Rodan was the Proponent that received the highest Combined Point Score in the evaluation process.

It was a pleasure to have worked with you and the York Region DR project team. Thank you.

Yours truly,

A handwritten signature in black ink that reads "Peter Sorensen." The signature is written in a cursive, flowing style.

Peter Sorensen
President
PRP International, Inc.

Attachment: Final Report, May 2006

PRP International, Inc.

Fairness Advisory Services

Final
Fairness Report

York Region Demand Response
Request for Proposal

Ontario Power Authority
May 2006

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I. Background:

The Request for Proposals (RFP) for approximately 20.0 MW of Demand Response in Northern York Region (“York DR RFP”), issued November 30, 2005, as amended, established the process and schedule requirements for Registered Participants to submit Demand Response Proposals to OPA for evaluation and selection of Selected Proponent(s). The objective of the York Region DR RFP was to secure approximately 20 megawatts (MW) of demand response during the May 1 to September 30 season for the next 5 years. OPA designed the RFP to permit the award of multiple contracts subject to the number of Proposals, their Contracted Demand Reduction offer and status following the Evaluation Process, and the terms and conditions of the RFP.

II. Fairness Advisor Role:

PRP International, Inc. was appointed the Fairness Advisor for the York Region DR RFP. Peter Sorensen performed the duties of the Fairness Advisor with technical assistance from Wayne J. Oliver of Merrimack Energy Group, Inc.

In performing the Fairness Advisor role, a fairness framework was established for the RFP which provided a reference for assessing the OPA “fairness” objectives for a competitive, fair and transparent procurement transaction. This framework is illustrated in the graphics attached in Schedule A, to this report.

The Fairness Advisor was actively involved in monitoring the conduct of the RFP from a period prior to the release of the RFP on November 30, 2005 through to the conclusion of the evaluation process, on or about March 3, 2006. The key activities of the Fairness Advisor were:

- Reviewing the RFP prior to its release and the addenda issued during the bidding period,
- Attending public technical information sessions for bidders/Registered Participants,
- Chairing and observing the one-on-one confidential individual information sessions between a Registered Participant and an OPA interview team,

- Participating in the orientation and training of the evaluation committee,
- Monitoring the consensus deliberations of the evaluation committee, and
- Reporting (the first report was provided to the OPA December 2, 2005 on the RFP, the second report was provided February 3, 2006 on the conduct of the confidential individual information sessions and this report represents the third and final report on the results of the evaluation process). The December 2, 2005 and February 3, 2006 reports are attached in Schedule B.

The scope of the Fairness Advisor role concluded with the results of the evaluation committee being submitted to the OPA Coordinator for the York DR RFP.

III. Observations (of the Evaluation Process):

Preparation for Evaluation of Proposals:

Guidelines and Protocols:

OPA developed guidelines and protocols for the conduct of the evaluation of Proposals, in consultation with their legal advisor and the Fairness Advisor.

Technical & Financial Evaluation Committee Orientation:

As part of the evaluation committee's preparation for evaluating the Proposals, the committee received presentations on:

1. Demand Side Management and general industry approaches;
2. The RFP and the Evaluation Process (Stages 1 to 4);
3. The role of the Fairness Advisor; and
4. The detailed evaluation criteria and schedule.

The evaluation committee reviewed the materials and convened a session to discuss their responsibilities and evaluation methodology. The committee validated the criteria and methodology prior to receiving any Proposals for evaluation.

OPA Evaluation Management and Decision Process:

Consistent with the RFP, OPA established a framework for managing the evaluation phase and the subsequent senior management consideration of the report from the evaluation committee. Key functions and activities included:

1. An overall OPA manager being responsible for the conduct of the evaluation phase,
2. Certain key management involvement, with as required legal advice, where circumstances in the evaluation process might warrant the possibility of the RFP reserved rights of OPA being invoked, and
3. Upon receipt of the evaluation committee report, a management due diligence and final decision making process.

Structure of the Evaluation Process:

The Evaluation Process consisted of four (4) stages:

1. Evaluation of the Mandatory Requirements (including the steps for Receipt and logging of Proposals and Completeness Review)
2. Rated Criteria (including Mandatory Compliance and Technical Proposal Evaluation),
3. Economic Bid Evaluation, and
4. Combined Point Score for Proponents.

The OPA Reception Centre was responsible for receiving Proposals and logging the time of receipt on the Proposals.

Ms. Barbara Ellard, Manager of Procurement, Generation Development conducted the Completeness and Mandatory Compliance Review of the Proposals received with Mr. Jacob Sadikman, Associate, Osler, Hoskin & Harcourt LLP and the Fairness Advisor in attendance,

A five (5) person Technical and Financial Evaluation Committee was constituted with three members from different groups within OPA (with no evaluator being from Generation Development), and one from the Independent Electricity System Operator. An independent consultant served as the chairperson for the committee.

Conduct of the Evaluation Process:

The following summary represents substantively the conduct of the Evaluation Phase.

Stage 1:

Proposals Received:

Four (4) Proposals were received; three were received prior to 3:00 pm on February 14, 2006 and one (1) was received at approximately 3:02 pm on February 14, 2006. In accordance with the terms of the RFP, OPA management invoked its reserved rights in the RFP and accepted the latter Proposal.

Completeness Review:

All four (4) Proposals were reviewed for completeness and the submission of Proposal Security. All Proposals were complete and submitted to the Evaluation Committee for evaluation.

Mandatory Compliance:

The Evaluation Committee determined that all Proposals met the mandatory criteria and undertook the evaluation of the Proposals against the Rated Criteria and subsequently the Economic Bid Statement Evaluation.

Stage 2:

Rated Technical Evaluation:

The Evaluation Committee determined that all four (4) Proposals passed the minimum score required in the rated criteria evaluation. The committee reached consensus on the score allotted to each Proposal.

Stage 3:

Economic Bid Statement Evaluation:

The Evaluation Committee, using a spreadsheet model, evaluated and concurred with the ratings for each Proposal based on the respective Economic Bid Statements. In accordance with the evaluation criteria

and Stage 3 steps, three (3) Proposals had Evaluated Costs within the Adjusted Price Ceiling and were awarded the appropriate points. One (1) Proposal was set aside in Step 2, as a result of having an Evaluated Cost above 135% Adjusted Price Ceiling.

Stage 4:

Combined Point Score:

The evaluation committee combined the technical rated and economic bid scores for each of the three remaining Proposals and submitted its report of the Combined Point Scores from the highest to the lowest score to the OPA.

IV. Findings on the Results of the Evaluation Process:

With respect to the three (3) “fairness” objectives for a competitive, fair and transparent procurement transaction, the following findings are made:

Competitive:

The scope of the RFP was limited to a specified part of York Region and it was clearly articulated to potential bidders and Registered Participants in the RFP, including the provision of detailed maps. The eligible projects were also well defined and subject to discussion during public technical information sessions and confidential individual information sessions.

The terms and conditions of the RFP and the Contract were clearly defined and subject to discussion during public technical information sessions and confidential individual information sessions. A number of Addenda were issued; some to respond to Registered Participants’ concerns and in certain instances to moderate certain terms, e.g. level of Security was revised downward and OPA provided for the purchase of curtailed electricity up to 150% of the Contracted Demand Reduction of a Proponent.

Accordingly, four (4) Proposals were submitted in response to the RFP resulting in a competitive RFP.

Fair:

The fairness framework ascribes three (3) primary attributes to a 'fair' objective: objectivity, competency, and consistency.

With respect to objectivity:

- all personnel assigned to this RFP had assigned roles and responsibilities and operated on the principle of “need-to-know only for your specific role”, i.e. the OPA Interview Team was not on the Evaluation Committee, the Evaluation Committee members were not engaged in prior activities during the evaluation process, e.g. the receipt of Proposals, the Completeness Review, etc.
- each evaluation committee member also provided a written confirmation of “no conflict of interest”,
- the RFP schedule was realistic and well documented in the RFP and it was appropriately amended following the initial public technical information session and the first round of confidential individual information sessions providing additional time for Registered Participants to assess Addenda and to prepare Proposals, and
- the decision protocols, including the OPA management role, were clearly set out in the RFP by way of the terms and conditions, as well as the detailed evaluation process.

With respect to competency, the OPA team demonstrated a thorough understanding of their role and responsibilities as well as the purpose and process for the RFP. Additionally, OPA was supported by qualified external legal advisors, technical advisors and outside participants for the evaluation committee.

With respect to consistency, the OPA team demonstrated consistency in its consultation with potential bidders and Registered Participants, the conduct of the RFP, including the process of issuing Addenda to the RFP and the Contract, and the conduct of the evaluation process.

Accordingly, the conduct and result of the York Region DR RFP is judged to have been done in a fair (objective, competent and consistent) manner.

Transparent:

With respect to transparency, the RFP, the Contract and related communications (public technical information sessions, confidential individual information sessions, etc.) clearly:

- stated the requirements for becoming a Registered Participant, for eligible Projects and for compliant Proposals,
- set out and described the evaluation process, the criteria and the stages for determining the qualification and ranking of Proponents, as well as the conditions for award of Contract(s) by OPA,
- set out the decision roles, e.g. the position and role of the OPA contact person, the evaluation committee, OPA management and Board of Directors, and
- set out the process rules for the conduct of the RFP, e.g. the Schedule, the reserved rights of OPA, the Proposal requirements, the Contract, and the question and answer process.

As this was the first York Region DR RFP, there were no related interests (incumbents), e.g. current or prior contractors eligible to submit Proposals.

Accordingly, the conduct of the York Region DR RFP is judged to have been carried out with a high degree of transparency.

V. Conclusions:

PRP International, Inc., the Fairness Advisor, concludes that OPA conducted the evaluation of the four (4) Proposals received for the York Region DR RFP in accordance with the terms and conditions, the evaluation process, and the mandatory, rated and economic bid statement criteria, as disclosed in the RFP.

Further, the Fairness Advisor concludes that the determination by OPA management, under its reserved rights, to accept the late Proposal did not prejudice or disadvantage the final results of the evaluation process, as determined and recommended by the evaluation committee, e.g. the ranking of three (3) Proponents and the setting aside of the other Proponent, in stage 3 of the Economic Bid Statement evaluation.

Accordingly, PRP International, Inc. renders the following statement:

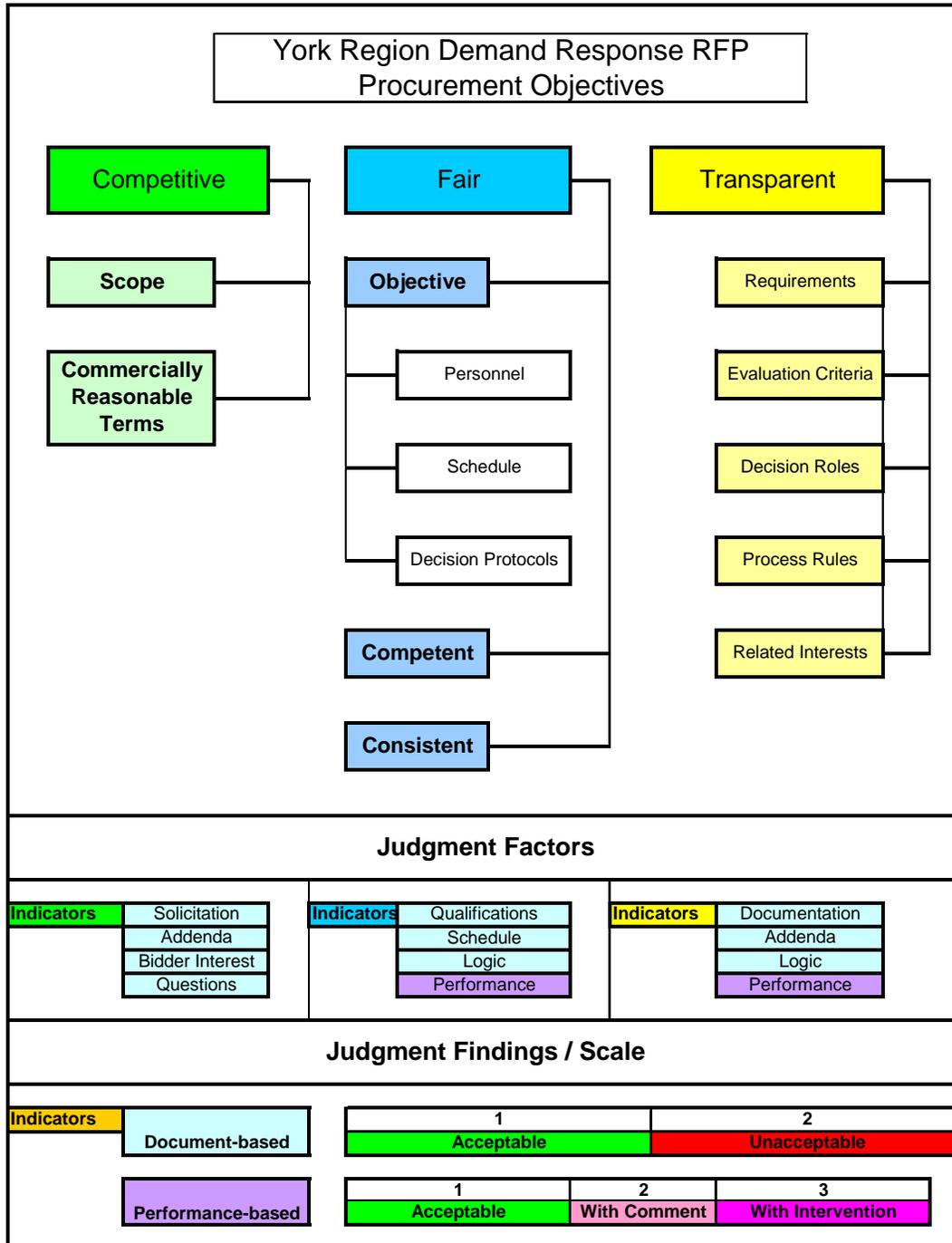
“It is our judgment that the evaluation and the determination of the Combined Point Score for each Proposal were conducted in accordance with the RFP, the Evaluation Process, and in a fair and transparent manner.”

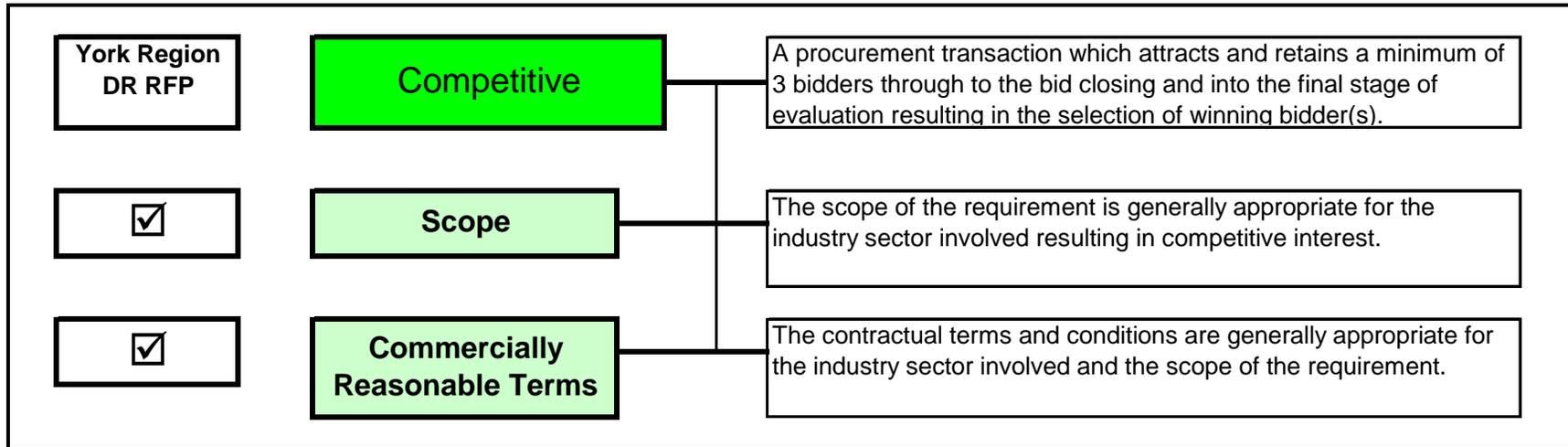
Yours truly,
PRP International, Inc.

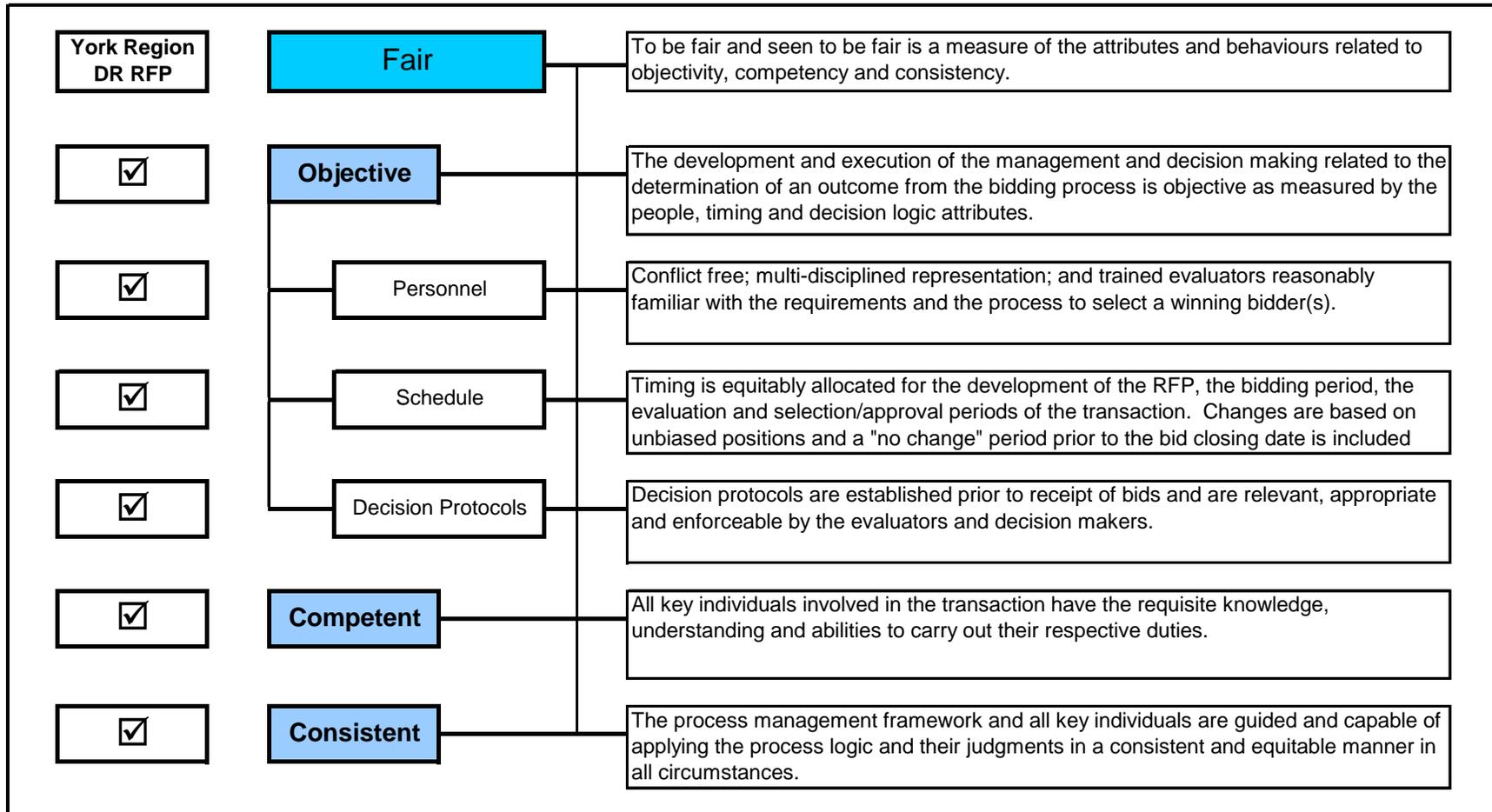
A handwritten signature in black ink that reads "Peter Sorensen." The signature is written in a cursive style with a large initial 'P' and a trailing flourish.

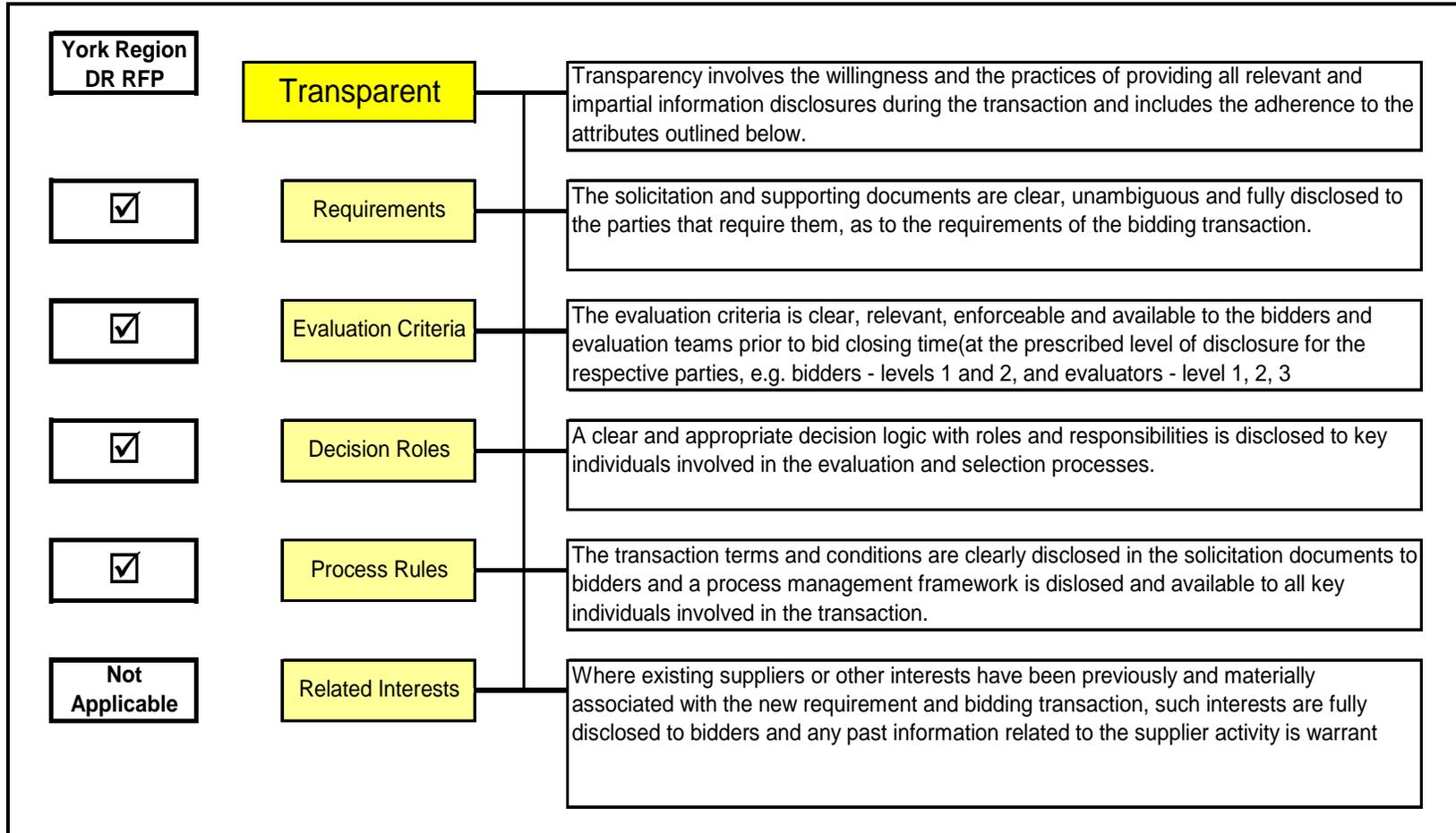
Peter Sorensen

Schedule A: Fairness Framework









Schedule B: Fairness Reports One and Two



PRP International, Inc.

December 2, 2005

Ontario Power Authority
120 Adelaide Street West
Suite 1600
Toronto, Ontario M4W 3R8

Attention: Ms Barbara Ellard

Dear Ms. Ellard:

Subject: Initial Report of the Fairness Advisor
York Region 20MW Demand Response Procurement
Ontario Power Authority

PRP International, Inc. is pleased to provide the initial report of the Fairness Advisor to this procurement transaction.

Our team has received orientation on the OPA objectives for the York Region DR RFP and been afforded the opportunity to discuss the development and preparation of the key documents and processes for the York Region DR RFP, including:

1. the Draft and Final versions of the Request for Proposal;
2. the York Region Demand Response Contract;
3. the outline of the evaluation framework; and
4. attendance at Technical Information Sessions with prospective bidders.

Accordingly, PRP International, Inc. renders the following statement:

It is our finding that Ontario Power Authority has established an appropriate foundation of governance and processes to permit the initiation of the York Region 20 MW Demand Response Request for Proposals. With this foundation, it is our judgment that the York Region DR RFP is capable of producing a result that meets the objective of a fair and transparent competition.



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A backgrounder on the role of the Fairness Advisor is provided as an attachment to this letter.

Yours truly,

Peter Sorensen
President

Attachment: Fairness Advisor Backgrounder



PRP International, Inc.

BACKGROUND FOR THE INITIAL REPORT OF THE FAIRNESS ADVISOR, YORK REGION 20 MW DEMAND RESPONSE RFP

PRP International, Inc. (“PRP”) was selected as the Fairness Advisor (“FA”) following a competitive request for proposal. PRP’s FA team is comprised of an experienced fairness expert and supported by a highly qualified power sector specialist. PRP began its assignment on October 5, 2005.

A number of orientation meetings were held with OPA officials and the FA team during October and November 2005. The discussions provided PRP with background information on the York Region 20 MW Demand Response procurement objectives and approach for a competitive undertaking.

As OPA planned and developed the York Region 20MW DR RFP, PRP reviewed drafts of the documents necessary for the conduct of the competitive process. These document reviews enabled PRP to develop its Fairness Framework, which will serve as a guide for PRP during its monitoring and review of the different phases of the York Region 20MW DR RFP, including Registration and the RFP phase for the selection of proponents and projects.

As the RFP commences, PRP will be actively monitoring the individual processes associated with the RFP. A FA team member will monitor interactions between OPA and bidders as well as internal deliberations of the OPA project team responsible for conducting and evaluating submissions to the York Region 20MW DR RFP.

During the period of this assignment, the FA team will maintain strict confidentiality and conflict-free positions.

December 2, 2005



PRP International, Inc.

Fairness Advisor

February 3, 2006

Ontario Power Authority
120 Adelaide Street West
Suite 1600
Toronto, Ontario M4W 3R8

Attention: Ms. Barbara Ellard
Manager, Generation Development

Dear Ms. Ellard:

Subject: Report of the Fairness Advisor
Registered Participant Interview Phase

I. Background:

The York Region Demand Response Request for Proposal (RFP) of November 30, 2005, as amended, established the process and schedule requirements for Registered Participants (Participant) to elect to meet up to twice with OPA on a confidential basis, during the Registered Participant Interview Phase. All Participants elected both sessions.

II. Observations:

Preparation for Registered Participant Interviews:

OPA developed objectives and protocols for the conduct of the interviews, in consultation with their legal advisor and the Fairness Advisor.

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Fairness Advisor

Structure of Interviews:

The RFP provided for two (2) one (1) hour interview sessions with each Registered Participant consisting of a general comment part and a confidential project part in each session. The principal objectives for the sessions were to:

- Identify obvious errors in the RFP and Contract,
- Identify and clarify any perceived deal breaker terms
- Clarify and simplify language
- Identify loopholes,
- Assure a balanced and objective criteria for evaluation purposes, and
- Generally, enable a confidential and constructive dialogue between OPA and a Participant for mutual understanding and clarification of desired outcomes and solutions.

The OPA interview team consisted of Ms. Barbara Ellard, Manager of Procurement, Generation Development and Mr. Sean Brady, Director, Industrial and Agricultural Programs, Conservation Bureau. The team also included Mr. Jacob Sadikman, Associate, Osler, Hoskins & Hardcourt LLP. These team members will not participate in the evaluation of Proposals and the information acquired during the sessions was intended for the sole purpose of improving and finalizing the RFP and Contract.

The Fairness Advisor, Peter Sorensen, acted as the independent facilitator and monitor for each session.

Each party was responsible for recording the discussions. No verbatim transcript or minutes of the sessions were taken. No handouts or exchanges of material were permitted among the parties. Participants were encouraged to submit details or subsequent questions or comments to OPA through the RFP website communication vehicle for Registered Participants.

Conduct of the Interviews:

The following summary represents substantively the conduct of the sessions with the Registered Participants:

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Fairness Advisor

- The Fairness Advisor opened all sessions with a statement of the objectives and protocols for the conduct of the session (the opening statement of the second round of sessions was brief, e.g. a reminder of the initial session's statement of objectives and protocols). Thereafter, he observed the conduct of each session between the OPA team and the Registered Participant. Only where the potential for confusion or inaccuracy did the Fairness Advisor pose a clarification question to the parties; and such participation of the Fairness Advisor was infrequent, i.e. on average, less than once per session.
- All Registered Participants opted for both sessions (round one, during the week of December 13th and round two, during the week of January 9th. All except one session were conducted face-to-face at the OPA office in Toronto. The exception was the second session for one Participant who opted to have the session via teleconference. In some sessions, a Participant had a fellow team member participate via teleconference.
- The same OPA team participated in all sessions except in the second round of sessions; Mr. Brady did not participate in any session.
- In the round one sessions, most Participants opted to start with a confidential description of their proposed Project and to relate their comments and questions thereto. All Participants opted to structure and manage their allotted time (60 minutes) on this approach. In round two sessions, all Participants focused on feedback relating to the Addenda issued following the first round of sessions, e.g. RFP Addenda #2 and #3, dated December 19th and January 7th, respectively, and Contract Addendum #1, dated January 7th.
- All sessions were concluded within the allotted 60 minutes.
- All sessions were conducted consistently and in accordance with the established protocols communicated to parties. There were no requirements for the Fairness Advisor to intervene in the conduct of any session. There were no challenges or objections posed by any Registered Participant to the conduct of the sessions.

Results of the Interview Phase:

Following the conclusion of the first round of interviews, OPA issued 3 addenda, as noted previously.

- RFP Addendum #2 substantively dealt with amending the RFP Schedule so that the closing date for Proposals would be extended from January 20th to February 14th, 2006. All Participants with the exception of one sought additional time to submit their Proposals.
- RFP Addendum #3 provided a number of corrections to the RFP, clarifications and revisions to certain terms. This addendum focused predominantly on corrections and clarifications resulting from the feedback of all Participants. It should be noted that one amendment in this addendum, in the Fairness Advisor's judgment, should be considered material. The amendment to Section 5.3 allowing Suppliers to curtail a magnitude of demand that is equal to 150% of the Contracted Demand Reduction during any Operational Directive, responded to comments raised by all Participants in some manner.
- Contract Addendum #1 provided a number of corrections to the Contract and complementary revisions to the Contract based on the RFP revisions set out in previous RFP Addenda.

Following the conclusion of the second round of interviews and questions or comments received through the RFP website, OPA issued 6 addenda, as noted hereunder.

- RFP Addendum #4, dated January 21, 2006, provided further corrections, clarifications and revisions to certain terms. It should be noted that several amendments, in the Fairness Advisor's judgment, should be considered material. Each of the material amendments reflected a response to common Participant concerns, for example; Section 2.2(a) and Section 5.3 (modification of percentage curtailment during certain Callable Hours), Section 3.2(c) (reduction of levels of Proposal Security), and Section 5.2 (clarification of Term).
- Contract Addendum #2 provided a number of corrections to the Contract and complementary revisions to the Contract based on the RFP revisions set out in previous RFP Addenda.

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Fairness Advisor

- RFP Addenda #5 and #6 dated January 27 and February 2, 2006, respectively, provided clarifications.
- Contract Addenda #3 and #4 dated January 27 and February 2, 2006, respectively, provided for revisions to certain sections to assure consistency with previous RFP and Contract Addenda.

III. Conclusions:

PRP International, Inc., the Fairness Advisor, concludes that OPA:

1. developed objectively the protocols for Registered Participant interviews,
2. conducted the interviews with each and all Registered Participants in a consistent and fair manner,
3. considered diligently the comments and questions presented through the interview phase and rendered decisions that were consistent with the stated RFP mandate and objectives and the interview objectives and protocols, and
4. where required, made amendments to the RFP and Contract that were not inconsistent or inappropriate in the circumstance with the OPA objectives for achieving a competitive, fair and transparent procurement.

Accordingly, PRP International, Inc. renders the following statement:

“It is our judgment that OPA, with respect to the conduct the of Registered Participant Interview phase of the York Region 20MW Demand Response RFP, has made determinations for the identified issues and comments that are in accordance with the RFP objectives and terms and are not inappropriate or inconsistent with achieving a competitive, fair and transparent procurement.”

Yours truly,
PRP International, Inc.



Peter Sorensen
President