



PALMERSTON NORTH CITY COUNCIL

REQUEST FOR PROPOSAL

No. 02849

TURITEA RESERVE

POTENTIAL WIND FARM DEVELOPMENT

Contents

| <u>Chapter</u> | <u>Page</u> |
|--|-------------|
| 1.0 INSTRUCTIONS TO PROPOSERS | 4 |
| 1.1 Background | 4 |
| 1.2 Proposal Provisions | 5 |
| 1.3 The Turitea Reserve | 5 |
| 1.4 Adjoining Landowners | 5 |
| 1.5 Carbon Credits | 6 |
| 1.6 Evaluation | 7 |
| 1.7 Deadlines for Proposals | 7 |
| 1.8 Council Information | 7 |
| 1.9 Scope of Proposal | 8 |
| 2.0 PROPOSAL | 9 |
| 2.1 Financial Return | 9 |
| 2.2 Non-Financial Benefits | 9 |
| 2.3 Financial Capacity | 9 |
| 2.4 Technical Capability | 10 |
| 2.5 Programme to Develop the Wind Farm | 10 |
| 2.6 Carbon Credit Strategy | 11 |
| 2.7 Access Requirements | 11 |
| 2.8 Protection of Reserve – Risk/Mitigation Strategies | 12 |
| 2.9 Transmission Lines | 12 |
| 2.10 Legal Documentation | 13 |

| | |
|--|-----------|
| 3.0 GENERAL TERMS AND CONDITIONS | 14 |
| 3.1 Enquiries | 14 |
| 3.2 Site Familiarisation | 14 |
| 3.3 Clarification | 14 |
| 3.4 Canvassing of Councillors, Officers, or Consultants | 14 |
| 3.5 Notification of Proposers | 15 |
| 3.6 Costs | 15 |
| 3.7 Disclaimer | 15 |

1.0 Instructions to Proposers

1.1 Background

Palmerston North City Council (“PNCC” or “the Council”) prides itself as an Eco-City and believes in using the natural resources that it has available. Over recent years, the Tararua Ranges of the Manawatu Region, adjacent to the city have become a premiere site for wind generation in New Zealand. This is primarily due to the relatively strong and consistent flow of wind from the west across the Manawatu Plain to the Tararua Ranges and channelled through the Manawatu Gorge. The region has the potential to become the wind farm capital of New Zealand

After a number of approaches to the Council to develop a wind farm along the ridgeline of the Turitea Reserve and adjacent Brown's Flat, the Council has decided to request proposals from electricity generators and other interested parties (“The Proposer”).

This Request for Proposal (“RFP”) is for the development of a wind farm (“the Wind Farm”) at the Turitea Reserve, which is located on the Tararua Ranges and owned by the Council. The Council offers this land (“the Land” or “Turitea Reserve”) by way of a long-term lease or licence (term to be agreed) or alternatively for the grant of an appropriate easement to the successful Proposer for a wind farm development.

Compared to other sites there are many advantages:

- a) The Council is the single landowner of a large block of the ridgeline extending from the top of the Pahiatua Track (South Range Road) to the Turitea Valley;
- b) The private road is secure with restricted access;
- c) There are existing access routes from both sides of the Reserve;
- d) The site is in relatively close proximity to Transpower’s Linton Substation; and
- e) There is an apparent consistency of wind which is highlighted by the inability of vegetation to grow.

The Council has also been in discussion and received expressions of interest from adjoining landowners to the Turitea Reserve to have their land included in any such development proposal as a single project. This could enable a larger development proposition to be put forward by Proposers, if desired.

1.2 Proposal Provisions

Under this RFP process the Council seeks to identify a potential partner to lease, license or enter into an easement arrangement for the Council Turitea Reserve land for the Wind Farm development. The Council reserves the right not to proceed with the Wind Farm on this site until a proposal is formally approved by the Council.

1.3 The Turitea Reserve

The Turitea Reserve is an area of 3,574 hectares of moderately steep to steep hill country rising to the main ridgeline forming the northern end of the Tararua Ranges. Altitudes vary from 160 metres above mean-sea level at the upper water reservoir to 500 to 600 metres above mean-sea level on the upper ridgeline, which is exposed to prevailing westerly winds.

This site provides approx 14 kilometres of main ridgeline. This could be extended if potential sites on side ridges and adjoining land held by landowners were added.

A Management Plan for the Reserve was adopted by the Council in 2003 and the Reserve is classified into three areas, (i) the Water Supply Catchment (2,600 ha), (ii) the Water Structure Area (105 ha), and (iii) Hardings Park (869 ha).

Hardings Park is classified as a Scenic Reserve and as such is not to be considered for Wind Farm development. The other two areas, including the Water Supply Catchment and the Water Structure Area are designated as Local Purpose Reserves. A map of the area is provided in Appendix 1 together with an aerial photograph of the Turitea Reserve in Appendix 2 of this RFP.

The relevant Certificate of Title references for the Turitea Reserve and Browns Flat are as follows:

WN 373/131, WN F4/549 and WN B2/710

1.4 Adjoining Landowners

The Council has been approached and had dialogue with the adjoining landowners to the Turitea Reserve prior to the release of this RFP. These landowners could add up to a further 1,000 hectares of land to the development.

There is a desire particularly from Mr John Love to be included in any development. Mr Love's land (Lot 7) provides an access way to the

southern end of the Turitea Reserve off Green's Road and overlooks the nearby Linton Substation.

Mr Andrew Day of Lot 25 (see *appendix 1*) has also indicated a willingness to provide access through his property which is on the boundary of South Range Road and the Tararua District Council side of the Pahiatua Track. This provides an alternate route to the site for construction purposes.

Expressions of interest in wind farm electricity generation have also been received from the landowners at the northern end of the reserve bordering along South Range Road. The details of all adjoining owners contacted and willing to be included are as follows:

| | First Name(s) | Last Name | Address 1 | Address 2 | Phone | City |
|----|----------------|-----------|-------------------|-------------|----------------------|------------------|
| 7 | John | Love | Greens Rd | RD4 | 06 357 9200 | Palmerston North |
| 8 | Andy | Shilton | Massey University | PBag 11 222 | 06 350 5799 ext 4199 | Palmerston North |
| 9 | Graeme | Gerke | Greens Rd | RD[\$] | 06 355 1297 | Palmerston North |
| 20 | Campbell | Ebbett | Makomako | RD3 | 06 376 7158 | Pahiatua |
| 23 | Mark | Nichols | PO Box 5374 | | 025 533 850 | Palmerston North |
| 24 | Dennis & Ileen | Hunter | PO Box 5144 | | 021 534 554 | Palmerston North |
| 25 | Andrew | Day | | RD3 | 06 376 7397 | Pahiatua |

Please Note: Lots 8 and 9 are still considering their position at the time this RFP has been compiled.

1.5 Carbon Credits

PNCC is recognised as an environmentally progressive council. It is both a leader in waste minimisation and greenhouse gas reduction in New Zealand. The Council was awarded carbon credits in 2003 for its Landfill Gas Generation project and is currently in negotiations with the Austrian Government to on-sell carbon credits for Landfill Gas (methane). The Council is looking at additional initiatives to reduce greenhouse gas emissions.

1.6 Evaluation

Proposals will be assessed based on five key evaluation criteria:

- (i) Financial return to Council;
- (ii) Financial capacity of the Proposer to develop the Wind Farm;
- (iii) Technical capability of the Proposer to develop the Wind Farm;
- (iv) Programme to develop the Wind Farm; and
- (v) Environmental risk management policies and procedures, in particular water contamination.

Additional factors may also be considered. Based on this criteria the Council will assess the overall "best value" proposition for PNCC. The Council maintains the right to reject all or any Proposals and to negotiate with any party at any stage who may wish to approach Council in relation to the establishment of a wind farm on the Council Turitea Reserve land whether that party approaches Council as part of this RFP or not.

It is acknowledged that this RFP does not constitute Council calling for tenders for the development of a wind farm on the Council Turitea Reserve land .

1.7 Deadlines for Proposals

Proposals shall be delivered to the Council's Proposal Box located in the Customer Services Centre on the Ground Floor of the Civic Administration Building, **no later than 3:00 pm on Friday 22nd April 2005.**

1.8 Council Information

The Council will make available (in digital form if requested):

- Turitea Reserve Management Plan;
- Aerial photos of the Reserve with contour information;
- PNCC's Public Health Risk Management Plan (There is an assessed risk associated with the water supply from work in the catchment area);
- PNCC's legal opinions on the Reserve Status of the Turitea Reserve; and
- Other information related to the RFP.

The Council will also arrange site visits on request.

1.9 Scope of Proposal

It is intended that the Proposer will confirm its role in obtaining resource consents, building consents and all other legal requirements for this project within its proposal.

The Council is prepared to consider a joint consenting process if adjoining properties are included in a larger development.

2.0 Proposal

In its Proposal, the Proposer should seek to cover all items as documented in this RFP.

2.1 Financial Return

The Proposer should clearly outline the financial consideration offered for the lease, licence or easement as the case may be of the Turitea Reserve land from the Council for the wind farm development:

The Council's preference is to structure the consideration as follows:

- (i) **Commitment Fee** to be paid to the Council, once agreement to proceed becomes unconditional; The Council also has a preference to receiving a portion of the carbon credits as part of the commitment fee.
- (ii) **Fixed Annual Payments** to be paid to the Council quarterly, based on the installed capacity on day one of each quarter;
- (iii) **Variable Annual Payments** to be paid to the Council quarterly, based on the generation production of the preceding quarter; and

The above represents the Council's preferred payment structure, but it will consider alternative structures that deliver enhanced financial returns.

The Proposer should provide a schedule of payments encompassing the expected life of the Wind Farm.

Any assumptions including the method of inflation adjustment and GST treatment should be stated.

2.2 Non-Financial Benefits

Proposers are encouraged to identify other non-financial benefits.

2.3 Financial Capacity

An annual report or a summarised set of most recent statutory accounts are to be submitted by the Proposer. Summary information of the Proposer's previous two years' statutory accounts is to be included covering:

- Revenue;
- Profitability;
- Value of Net Tangible Assets;
- Confirmation of credit rating (if applicable);
- Debt/equity ratio;
- Recent sharebroker reports (if the Proposer is listed);
- Staff numbers;
- Total electricity generation capacity installed and annual generation production;
- Total wind generation capacity installed and annual generation production;
- Total proposed future wind generation capacity and production; and
- Other significant financial items.

2.4 Technical Capability

A summary of the technical resources available to the Proposer to undertake the Wind Farm is to be submitted by the Proposer. Brief biographies of key personnel and technical parties are to be supplied including, but not limited to:

- Project management;
- Wind Farm design;
- Construction and engineering;
- Wind Farm operation;
- Consenting process; and
- Other relevant technical capabilities.

Details of the Proposer's existing wind generation partnerships may be requested at a later stage.

2.5 Programme to Develop the Wind Farm

An indicative programme is required for the Wind Farm, which assumes a start date of 1 January 2006 and where applicable sets out any staged development. This indicative programme shall include milestones for the:

- Planning phase;

- Resource consents;
- Access/site upgrades;
- Turbine installation;
- Commissioning; and
- Other significant milestones.

The Proposer shall provide details of the estimated number and generating capacity of the wind turbines to be included as part of the Wind Farm. The Proposer shall provide a representative diagram or photo of the proposed turbine(s) to be used at the Wind Farm. The Proposer shall also provide a proposed wind turbine map for the Wind Farm including use of adjoining landowners land as appropriate.

The Proposer shall identify any significant consenting issues for the Wind Farm covering, but not limited to the following:

- Environmental;
- Visual impact;
- Tourism recreation;
- Ecology;
- Noise;
- Traffic; and
- Social impact.

2.6 Carbon Credit Strategy

Proposers are required to document the carbon credit strategy for the Wind Farm covering, but not limited to the following:

- Estimated dollar value of carbon credits for the project;
- Total displacement credits applied for and awarded by New Zealand Climate Change Office;
- Existing proposals made to any Joint Implementation (JI) Programme; and
- Proposed allocation of carbon credits to Council.

The Council proposes to use a proportion of carbon credits received from the Wind Farm (either directly or indirectly) for resource management activities related to the Turitea Reserve such as pest management and native vegetation regeneration

2.7 Access Requirements

The Proposal should outline the access and upgrade requirements for the Wind Farm including, but not limited to the following:

- Pahiatua Track;
- South Range Road Junction;
- South Range Road;
- Turitea Reserve Road;
- Browns Flat;
- John Love Farm Road;
- Greens Road Junction;
- Greens Road; and
- Other access and upgrade requirements as necessary.

The Proposer shall indicate how neighbouring landowners will be accommodated with regards to site works, access roads and transmission lines associated with the Wind Farm.

The Proposer shall also outline any road alignment and traffic management issues on main access roads (e.g. The Pahiatua Track, Greens Road) and how these issues will be addressed.

The Council has a budgetary sum of \$500,000 in the Draft Annual Plan 2005/06 for upgrades to the Pahiatua Track. This is yet to be approved by the Council.

2.8 Protection of Reserve – Risk/Mitigation Strategies

The Proposer should outline the proposed strategy to protect the Water Catchment areas of the Turitea Reserve from contamination, including drainage and silt issues, health risks, and disposal of waste for both the construction and operational phases of the Wind Farm.

The Proposer is also required to outline the proposed strategy for reinstatement of areas after site works are complete.

2.9 Transmission Lines

The Proposer is required to outline the proposed location, path and specifications of transmission lines including, but not limited to the following:

- Location of substations;
- Total height and construction of poles and/or pylons;
- Total number of poles and/or pylons;
- Capacity of lines (kV);
- Additional construction required; and
- Other items related to installation of transmission lines.

It should be noted that there are two sub-stations in close proximity to the proposed site. The Linton sub-station which is close to the

Southern end of the site (off Harts Road) and the Mangamaire sub-station which is approximately an equivalent distance as the Linton site from the summit of the Pahiatua Track. The Mangamaire sub-station is located on the Eastern side of the Tararua Ranges.

2.10 Legal Documentation

Final legal documents will be agreed with the successful Proposer.

3.0 General Terms and Conditions

3.1 Enquiries

The Proposer shall direct all enquiries to the designated Council Representative, being: Chris Pepper, Palmerston North City Council. Chris' contact details are as follows:

Phone: +64 6 356 8199
Fax: +64 6 351 4489
Mobile: +64 27 4582 488
E-mail: chris.pepper@pncc.govt.nz

The Council has engaged PricewaterhouseCoopers (PwC) to assist with the evaluation of Proposals. The contact person at PwC is Craig Rice and his contact details are as follows:

Phone: +64 9 355 8641
Fax: +64 9 355 8024
Mobile: +64 21 624 462
E-mail: craig.rice@nz.pwc.com

3.2 Site Familiarisation

The Proposer is presumed to have a working knowledge of the site.

3.3 Clarification

If the Proposer has any doubts as to the meaning of any of the RFP documents or conditions, Proposers should direct all enquiries to the designated Council Representative as defined above. If necessary, the Council will issue statements of clarification regarding the RFP. Any clarification given will also be issued to all other prospective submitters.

3.4 Canvassing of Councillors, Officers, or Consultants

Canvassing Councillors, Officers, or Consultants employed by the Council will disqualify the Proposer from engaging in this RFP process. Legitimate queries in relation to the RFP shall be directed to the designated Council Representative.

3.5 Notification of Proposers

All Proposers will be notified in writing whether or not Council wishes to investigate further with that Proposer a potential wind farm development on Council's Turitea Reserve land. Council shall not be required to provide any further information than this to any Proposer.

3.6 Costs

Each Proposer shall be responsible for its own costs incurred in association with responding to this RFP.

3.7 Disclaimer

This RFP is an invitation to treat. This RFP shall not be read, as constituting an offer that is capable of acceptance by submitting a Proposal in accordance with this RFP.

The Council shall not be liable in any way whatsoever and howsoever caused, including any claim based on contract, tort or equity, to any Proposer on the grounds that the Council has failed to consider a Proposal or has entered into a contract otherwise than in accordance with this RFP including with a party who did not respond to this RFP.

Any conditions of Proposals or other statements in the RFP which specify how the Proposal will be evaluated, including conditions or statements which repeat or restate requirements of any Act of Parliament, shall not be read as creating any obligation in law or equity owed by the Council to Proposer to evaluate proposals in accordance with those conditions or statements.

All due care has been exercised in the preparation of this RFP. However, the Council will not be liable for any losses or expenses (whether direct or indirect) or consequential damages of any kind, suffered or incurred by any Proposer as a result of relying on any information contained in this RFP which proves to be incorrect. Proposers should verify for themselves any information contained in this RFP that they intend to rely on from other sources before submitting a Proposal in response to this RFP to the Council.

The Council in preparing this RFP gives no warranty expressed or implied as to the outcome of any Resource Consent, Building Consent or consenting process. The Council will appoint an independent Commissioner to consider any resource consent application. The staff involved with the preparation and evaluation of this RFP are not part of the Regulatory arm of Council.