

Sierra Yoyo Desan Road Registration of Interest

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partnerships
British Columbia



Ministry of
Energy and Mines

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1. Introduction

The British Columbia Ministry of Energy and Mines (MEM) is planning to undertake a major upgrade of the Sierra Yoyo Desan Road (SYD) via a Design-Build-Finance-Operate-Maintain arrangement. MEM is pleased to invite potential proponents to register their interest in assuming the role and responsibilities of a private sector partner for the upgrade and operation of the SYD.

The SYD is a public resource road used to access the oil and gas fields in north-eastern British Columbia. Industrial users of the road pay charges to cover the costs of operating and maintaining the road and constitute the majority of the traffic.

1.1 Objectives for the SYD Project

The SYD Project will:

- Improve multi-season access to the oil and gas fields in north-eastern British Columbia.
- Accommodate the movement of wider loads from Highway 97.
- Accommodate the movement of heavier loads without significant deterioration of the road.
- Improve the safety of vehicle operations along the SYD through improved road alignment and surface width.
- Reduce the number of days with axle loading capacity restrictions for road users.
- Bypass the existing major bottlenecks on the Clarke Lake Road (current access to the SYD), including the one-lane rail/road bridge over the Fort Nelson River.

1.2 Purpose of the ROI

The purpose of the Registration of Interest (ROI) is to inform potential proponents of this important opportunity. Specifically, the ROI:

- Provides general background information related to the SYD.
- Conveys the transaction process and the timing.

- Provides an opportunity for potential proponents to articulate their interest in participating.
- Solicits input from potential proponents on a variety of issues.

Please note that a response to this ROI is not a pre-requisite to participating in the transaction process. The submissions will not be evaluated. Submissions will only be reviewed to assist in refining the transaction process and the scope and structure of the partnership based on the responses received to the questions posed in Section 5 of this document.

Potential proponents are encouraged to respond to the ROI. By registering their interest, potential proponents ensure that they will be kept informed of progress of the SYD Project.

2. General Background

This section provides various background information of relevance to the SYD Project.

2.1 British Columbia's Oil and Gas Initiative

The provincial government introduced the Oil and Gas Initiative (OGI) in May 1998 to encourage British Columbia's oil and gas sector to expand and to make it easier for oil and gas firms to do business in British Columbia. The Oil and Gas Initiative provided regulatory efficiencies, tax efficiencies, and investments in infrastructure, including an initial investment in the SYD Road (facilitated through the BCTFA).

2.2 British Columbia's Oil and Gas Development Strategy

One objective of British Columbia's new Oil and Gas Development Strategy (introduced in May 2003) is to promote all-season oil and gas activities in British Columbia's heartland, creating stable job opportunities and increasing government revenue. The strategy was initiated following the Premier's Energy Summit held this past January in Fort St. John.

Major initiatives to be undertaken in this new strategy include:

- The Government of British Columbia providing royalty credits of up to \$10 million annually towards the construction, upgrading and maintenance of road infrastructure in support of resource exploration and development.
- Upgrading the Sierra-Yoyo-Desan Road, which extends 188 kilometres northeast of Fort Nelson. Improvements will strengthen the road for summer use, improve safety and generate an increase in exploration and development activities.
- Establishing new royalty rates that will enhance economic opportunities for British Columbia's oil and gas service sector and help stabilize communities in northeastern British Columbia.

2.3 History of the SYD Road

A government/industry funding partnership to upgrade and maintain the Sierra Yoyo Desan (SYD) Road was implemented on December 1, 1998. Work was contracted to Walter Construction (Canada) Ltd. and its subcontractors, Kledo Construction Ltd. and SureSpan Contractors Ltd. for a five-year period. The costs of improvements were recovered from petroleum, seismic, construction and timber companies and the provincial government shares the maintenance costs.

The Sierra-Yoyo-Desan Road, located north and east of Fort Nelson, starts 15 kilometres from the Alaska Highway via the publicly maintained Clarke Lake Road, and extends 173 kilometres to its end at the South Helmet airstrip. See the map on the following page for details on its location.

The road is owned by the BC Transportation Financing Authority (BCTFA), and while open to the general public, the road is used primarily for industrial activities.

Upgrade of the Sierra-Yoyo-Desan road included roadside brushing and extensive placement of two-inch crushed gravel to enhance shoulder width and running surface resulting in improved sight distances, road travel and road safety. For an illustration of the effect of the upgrades see the pictures below.



BEFORE

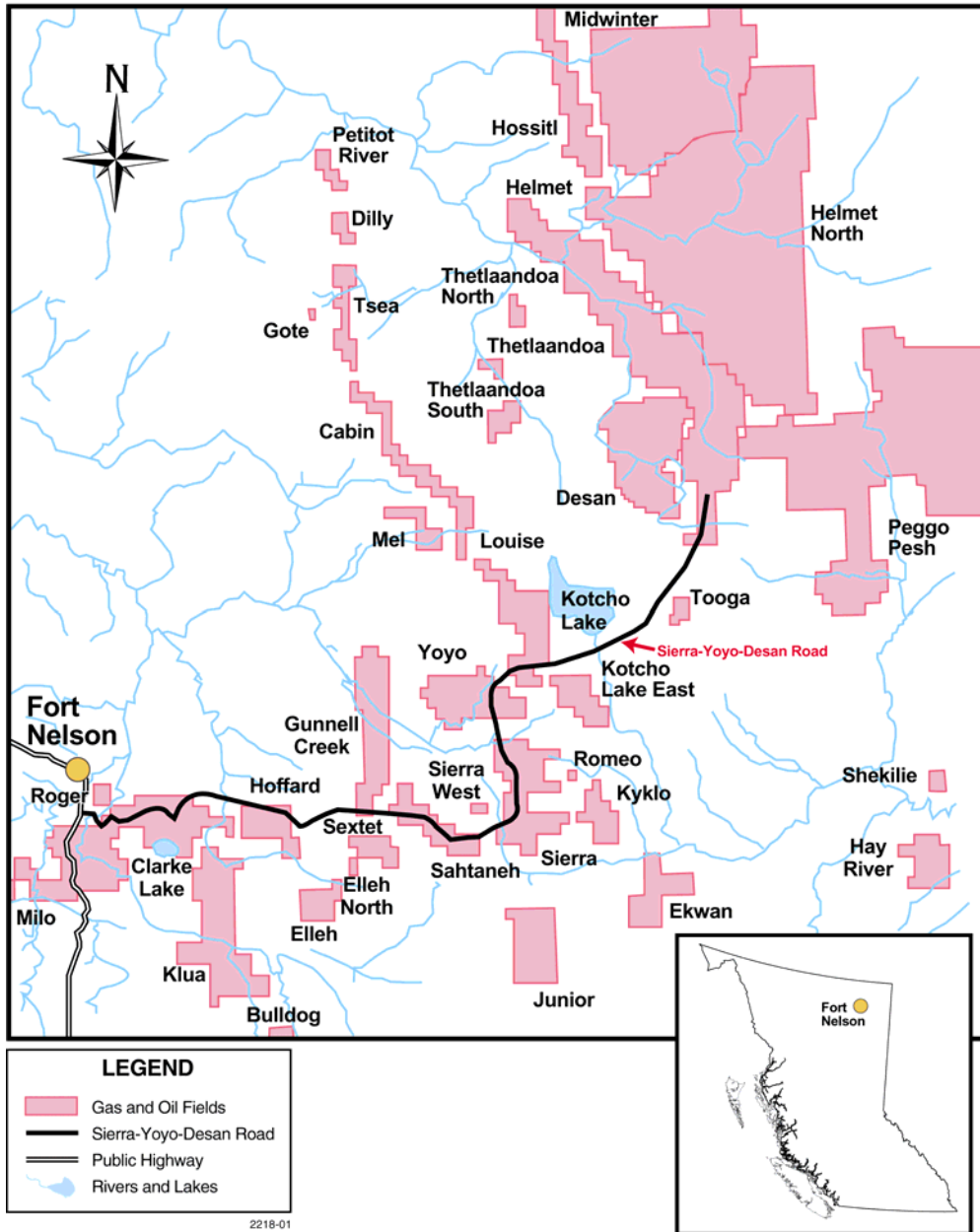
Photo of SYD road conditions prior to road upgrades.



AFTER

Photo of SYD road conditions after road upgrades.

Sierra-Yoyo-Desan Resource Access Road



2.4 Current Status of the SYD Project

The Ministry of Energy and Mines (MEM) will assume responsibility for the road on December 1, 2003.

Through recent consultation with road users, the following primary areas of concern with the road have been identified:

- The poor and unsafe condition of the Clarke Lake Road (switchbacks and coulee).
- The bottleneck caused by the single lane bridge over the Fort Nelson River.
- The level of repair and maintenance on the SYD Road.

MEM is mandated with formulating and implementing a program that ensures the long-term operation and management of this road beyond November 30, 2003 when the current program expires. A short term contract is expected to be let effective December 1, 2003 to ensure that the road is maintained until the successful proponent for the SYD upgrade and operations program has been selected and is fully mobilized. This program must deliver an improved road to deal with the concerns noted by the road users.

MEM has appointed an experienced Project Manager and advisory team to carry out detailed planning for the SYD Road. The advisors include:

- Partnerships British Columbia, overall project advisor;
- KPMG LLP, business advisor;
- ND LEA, owner's engineer;
- EVM Project Services Limited, technical advisor; and
- Fraser Milner Casgrain LLP, Cook Roberts and Ministry of Attorney General, legal advisors.

Preliminary design work has been conducted on a new route and bridge to connect Highway 97 to the SYD Road and additional work has been initiated to confirm the technical and financial feasibility of the SYD Project and to identify environmental issues that need to be addressed.

2.5 Additional Information Sources

The Ministry of Energy and Mines website contains information that may be of interest to potential proponents (see <http://www.gov.bc.ca/em>).

3. Description of the SYD Project

This section describes the construction that will form the SYD Project and the business model that is being considered.

3.1 Project Description

The current proposal provides for two distinct types of road improvements, consisting of a bypass of the Clarke Lake Road and a base upgrade of the SYD.

3.1.1 Bypass

For the bypass, a new road and bridge to access the SYD from the Alaska Highway and Fort Nelson will be constructed, bypassing most of the bottlenecks and hazards identified by industry. The access to the SYD will be moved closer to Fort Nelson, and would use the road connecting the Town of Fort Nelson with its airport. A new 30-kilometre bypass would be constructed between Highway 97 and the existing SYD Road. This would replace the first 15-kilometres of the current alignment which originates from the end of the Clarke Lake Road, to the Alaska Highway south of Fort Nelson.

The bypass improvements are to commence during 2003 and must be completed by the winter of 2004/05 (~ Dec/04). The improvements are described in Table 1, and depicted in Figure 1.

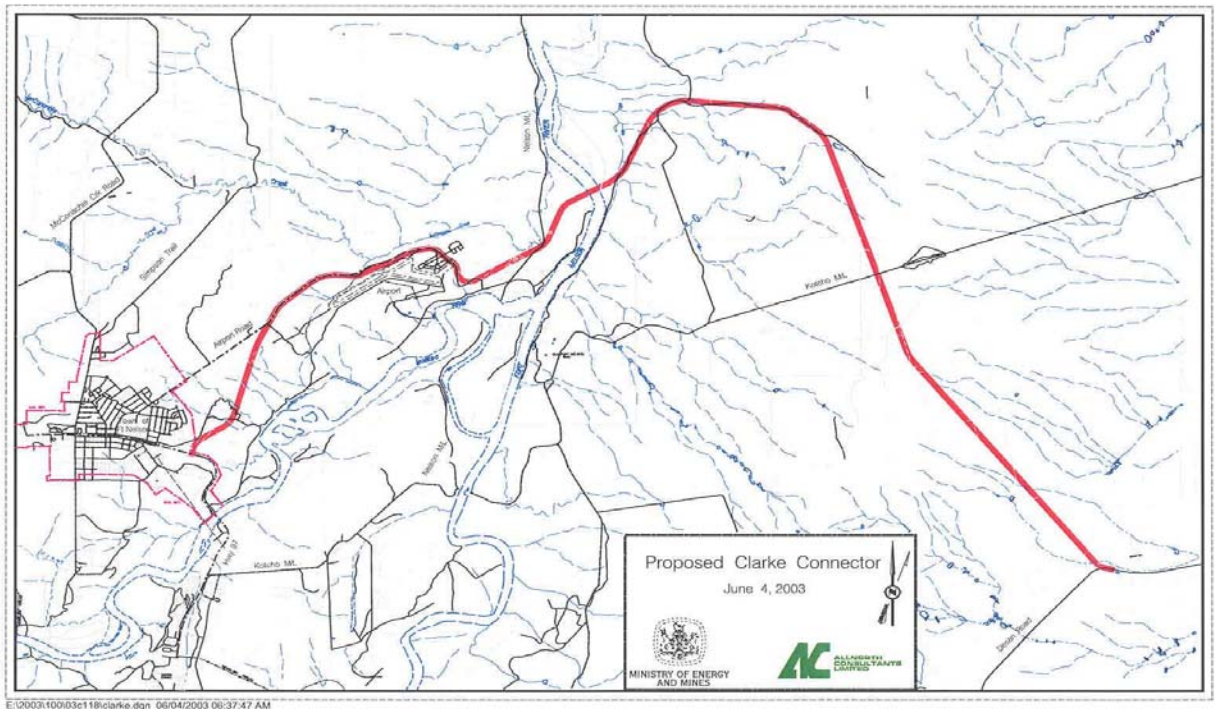
To facilitate construction during the summer of 2003, the Ministry of Transportation (MoT) will fund the construction of the bypass as far as the Fort Nelson airport (Km 3.9) and maintain the responsibility to operate and maintain this section of the road. The successful proponent will be expected to contribute at the outset of the contract an amount equal to MoT's investment in this section of road and include it in the overall concession. However, MoT will retain responsibility for the operation and maintenance of this section of road. The Ministry of Transportation will also provide construction access to the west bridgehead by mid December 2003.

The remainder of the bypass will be the responsibility of the private sector partner, including the Fort Nelson River Bridge and the new road from the east bridgehead to the connection point with the existing SYD.

TABLE 1 – BYPASS

Description	From Km	To km	Width (m)	Surfacing	Load Rating
New construction, Hwy 97 to Airport Drive.	0.0	3.9	9.2	Hard Surfaced	80-85%
Upgrade Airport Drive to end of pavement.	3.9	9.3	9.2	Hard Surfaced	80-85%
New construction and upgrade of the existing gravel road from the end of Airport Drive to the Fort Nelson River Bridge.	9.3	12.5	9.2	Gravel	70-75%
New 369-m long, two lane bridge over the Fort Nelson River.	12.5	12.8	9.0		
Upgrade existing road to Kotcho Lake Winter Road.	12.8	22.0	9.2	Gravel	70 - 75%
New construction and upgrade of existing gravel road to connecting point on SYD road.	22.0	30.6	8.0	Gravel	70 - 75%

FIGURE 1 – MAP OF BYPASS



3.1.2 Base Upgrade

The base upgrade improvements will be undertaken by the private sector partner and are described in Tables 2 and 3, and depicted in Figure 2. A geotechnical study to determine the condition of the SYD, and the extent of upgrades required to strengthen the road envelope to achieve desired specifications has been completed.

TABLE 2 –BASE UPGRADE

Description	From km	To km	Width (m)	Surfacing	Load Rating
Selective upgrade of existing gravel road, realignment/widening of hazardous corners, improvement to sight lines, replacement of Snake River Bridge, upgrade to remaining bridges as required.	30.6	121.0	6.0 to 8.0	Gravel	70-75%
Selective road base/bridge repairs.	121.0	188.0	6.0	Gravel	70-75%

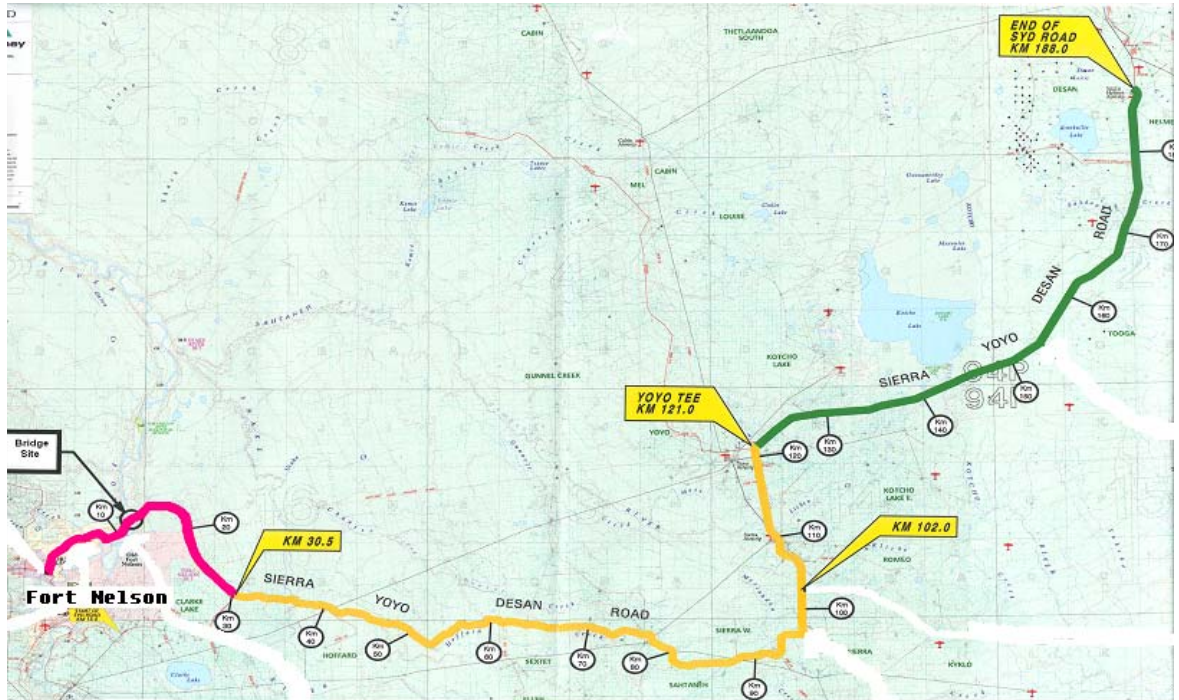
TABLE 3 –INCREMENTAL UPGRADE

Description	From km	To km	Width (m)	Surfacing	Load Rating
Widen road to consistent width, and strengthen to support summer drilling activities.	30.6	121.0	8.0	Gravel	80-85%

A series of upgrade options were evaluated ranging from selective repair through to construction of a new alignment. Road Users were consulted to determine the extent of upgrade that is needed to support both short-term and long-term business objectives, as well the extent of financial contribution companies are prepared to accept. Based on the feedback received from these consultations, a viable upgrade option has been identified that will improve the traveling surface; the option includes a higher level of annual maintenance to ensure the road does not deteriorate.

An additional incremental upgrade would increase the number of days during the year that drilling activity can take place, and facilitates expanded summer drilling opportunities. The incremental upgrade includes widening and strengthening 85 kilometres of the SYD to create a road base that can support the demands of summer drilling activity.

FIGURE 2 – MAP OF SYD



3.2 Revenues and Delivery Model

MEM expects the SYD Project to be financially self-sufficient through user charges collected from the industrial users of the road. These charges will be used to pay the partner for the design, construction, financing, operation and maintenance of the road.

It is anticipated that a Cooperative (or some other similar organization) will be constituted with the mandate and rights to undertake the SYD Project through a public-private-partnership. The Cooperative will have a number of obligations, as follows:

- Develop the project as envisaged.
- Enter into a contract with a private sector party for the upgrade and operation of the SYD.
- Collect charges from the industrial users of the road.
- Be financially self-supporting.

4. Selection Process and Schedule

This section presents an overview of the selection process and schedule.

4.1 Selection Process

The selection process will consist of two stages:

- Request for Qualifications (RFQ).
- Request for Proposals (RFP).

At the RFQ stage, potential proponents will submit qualifications to demonstrate their capabilities to fulfil the roles and responsibilities of the private sector partner. A key aspect of the RFQ is that potential proponents will be asked to review preliminary design work conducted on the proposed Fort Nelson River Bridge and provide suggested design changes that would:

- Increase the probability of delivering the bridge on time.
- Reduce life-cycle costs.

This information will be used to focus subsequent proposals on a solution that provides long-term value for money and can be delivered on time.

Submissions to the RFQ will be evaluated to shortlist proponents to proceed to the RFP stage. It is expected that three proponents will be shortlisted.

During the RFP stage, the RFP will be issued only to proponents shortlisted from the RFQ stage. Shortlisted proponents will be asked to submit binding proposals on how they intend to meet the requirements of the SYD Project. MEM will select a preferred proponent using a clearly defined evaluation process and criteria, and will proceed with contractual arrangements with the preferred proponent.

4.2 Transaction Schedule

The following table presents the proposed schedule for the SYD Project:

Project Milestones	Timeline
RFQ	Mid- July 2003
Develop Shortlist	Early September 2003
Issue RFP	Mid-September 2003
Identification of the preferred proponent	Mid-December 2003
Contract award	Late December 2003
Opening of the Bypass	Late 2004
Completion of SYD Base Upgrade	Early 2005

Please note that the schedule may be altered at any time.

The SYD Project team anticipates providing proponents with approximately six weeks to respond to the RFQ and approximately ten weeks to respond to the RFP.

The issuance of the RFP is contingent upon several factors, such as the receipt of all necessary environmental approvals. Major approvals have already been sought and are expected to be received within the next three months.

5. Responding to this ROI

This section outlines the information to be provided in a Registration of Interest and provides information on how to submit responses.

Please note that responses should be limited to a total length of **ten pages**.

5.1 General Profile

Please provide the following general information about your organization:

- Organization name.
- Mailing address.
- Phone number.
- Fax number.
- Web site address.
- Name, title and e-mail address of your primary contact for the ROI.
- Your major lines of business.

5.2 Questionnaire

MEM is interested in your responses to the following questions. It is not mandatory for you to respond to these questions, but any answers received will assist MEM in delivering the project more effectively. MEM will not necessarily share a summary of the comments with the respondents but may use the comments in the development of the Request for Qualifications and Request for Proposals.

Please provide your current views on each of the following questions:

- 1) What are your thoughts on the inclusion of a design review (for the Fort Nelson River Bridge) in the RFQ? Would this affect your decision to respond to the RFQ?

- 2) What steps could be undertaken to facilitate an early start to construction and/or timely completion of the Fort Nelson River Bridge (one of the key elements of the project)?
 - Finalization of the number and location of bridge piers prior to release of the RFP?
 - Pre-ordering of critical materials (steel piles, etc.) prior to award of the contract, to facilitate an early mobilization? *Completion of the in-water bridge piers in the period January to March 2004 (when the river is frozen and construction can be completed from the ice) may be necessary if the bridge is to be completed by the end of 2004.*
 - Award of a separate contract for the bridge immediately after selection of the preferred proponent, but before negotiations and signing of the overall contract?
 - Other?
- 3) Could the bridge piers be constructed outside of the winter months while still ensuring completion of the bridge by late 2004?
- 4) Is the schedule for the transaction appropriate? If not, please explain your concerns and indicate what adjustments you feel would be appropriate.
- 5) Are there any specific aspects of the SYD Project that are of concern to you and why? How would you like to see these issues addressed?
- 6) Are there any aspects of the selection process that are of concern to you and why? How would you like to see these issues addressed?

5.3 Questions and Answers Regarding the ROI

Any question with respect to the ROI or your response should be made to:

Ed Beswick
Infrastructure Project Manager
New Ventures Branch
Ministry of Energy and Mines
Fax: (250)356-2222
Email: syd@partnershipsbc.ca

5.4 Registering Interest

Please submit three copies of your response by *end of business (5:00 pm Pacific Daylight Savings Time) on Wednesday, July 9, 2003* at the following address:

Ed Beswick
Infrastructure Project Manager
New Ventures Branch
Ministry of Energy and Mines
c/o Partnerships BC
3rd Floor, 707 Fort Street
Victoria, B.C.
V8W 3G3

5.5 Other Matters

MEM reserves the right, but will not be obligated to:

- Interview potential proponents and request clarification, additional information or supporting data.
- Solicit further input from potential proponents to the planning process.
- Make public the names of organizations that respond to this ROI and a summary of the ROI responses.
- Alter or abandon the transaction process or schedule at any time.
- Respond to questions regarding the ROI or circulate any questions and responses to all potential proponents.

Please note that this ROI does not obligate MEM to enter into a contract with any proponent nor does this ROI constitute an offer to enter into a contract with any proponent.

Proponents should be aware that the *Freedom of Information and Protection of Privacy Act (BC)* applies to MEM and Partnerships British Columbia.