

With A New Board And Management Team In Place, Run of River Power Inc. Is Focused On Building Their New Renewable Energy Power Plants On Time And On Budget

**Energy
Renewable, Sustainable Energy
(ROR-TSXV)**

Run of River Power Inc.

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**Richard W. Hopp
President and CEO**

BIO:

Mr. Hopp has over 30 years of experience in energy marketing and power development sectors. Prior to joining the management team at ROR Power, Mr. Hopp was Vice President, Business Development for Elemental Energy Inc. He is a board member of several clean technology companies and Pacific Northwest Biomass Corp., which is developing a 30 MW biomass power plant in northern B.C. Mr. Hopp is a technical advisor to the Clean Energy Association of British Columbia. He has a BSc in Applied Economics from the University of British

Columbia (1978) and a Master of Public Administration from the University of Victoria (1981).

Company Profile:

About Run of River Power Inc. ROR Power develops renewable, sustainable energy through its portfolio of run-of-river and biomass projects. The Company operates an Eco Logo(C) certified hydroelectric power generation station at Brandywine Creek, near Whistler, BC that generates cash flow under a 20-year contract with BC Hydro. ROR Power is well positioned for profitable growth through power generation initiatives that include its Skookum Power Project, selected by BC Hydro for an Electricity Purchase Agreement. ROR Power's total development potential, in excess of 715 MW, represents a significant opportunity to help BC meet its rising demand for clean, sustainable power and achieve energy self sufficiency by 2016.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Hopp, you have a long history in the industry, what attracted you to Run of River Power?

Mr. Hopp: I have always been interested in the renewable energy business, probably way before it became popular in the industry. The primary driver to get into the renewable energy sector was my long-term interest in green sustainable energy projects. I started out developing small scale co-generation renewable energy projects in Europe. Then ROR came about, and it was a local company trying to grow quickly. How it really happened was I was involved in developing two biomass plants - I sold my interest into ROR and became a director of the com-

pany, and that enabled me to see what was happening internally. I liked the people, in fact some of the people I brought over from a previous energy company that we worked with. So we had very good development opportunities and people going forward, and the opportunity came up to join the team.

CEOCFO: Would you describe the company?

Mr. Hopp: We are a development, operating renewable energy company. We build, own and operate renewable energy projects such as run of river small hydro and biomass to energy plants. Currently, we have a 25 megawatt contract with BC Hydro, to build a run of river project on Skookum Creek. We have a small operating plant, around 7.8 megawatts that has been operating since 2005. We are also looking at biomass opportunities in BC and outside BC in other jurisdictions.

CEOCFO: What is happening at Run of River today?

Mr. Hopp: Lots of things. We had a pretty big change over this last year with shareholders, a new board and new management; so the company is being refreshed. With the new strategic direction, we are continuing to focus on renewable energy, but we are getting a little more focused in terms of execution and deliverability to grow shareholder value over the long term. We are continuing our development efforts with the projects we have contracted and continue to pursue other opportunities. Our real challenge right now is that we have a \$95 million project to get a contract on, and it is one thing to get a contract, but it is another thing to build it on time and on budget. This is our key focus and continuing to develop our prospects to create growth.

CEOCFO: What do you look for when you look at a project?

Mr. Hopp: With any particular project you have to realize where you are operating and the value proposition therein. We have to understand the marketplace number-one. So when we look at a project we don't want to go too small, because you spend just as much time on a small project as you do a big project. What we are really doing is looking for the long-term contracted power purchase agreements with creditworthy companies like BC Hydro or large utilities. That is a long-term solid business model that provides stable cash flows. We are not in the merchant market (merchant meaning you just sell it to the spot market), and because in BC and North America there is quite an abundance of natural gas, my view is that the merchant market for power is going to be very ugly with very low prices for power over the long-run. For companies like ours, it is very difficult to survive in this type of market and even with the renewable energy credits and other attributes; we will not get the value that is required to finance renewable projects. So our focus is to look at long-term contracted assets to credit-worthy counter parties.

CEOCFO: Is there a big market for hydro today?

Mr. Hopp: You have to differentiate. We don't do dam storage projects. Run of river projects are typically higher elevation projects that divert some water out of a river (upstream of a natural fish barriers) and then re-deliver that water back into the same river after energy is extracted. There is a big demand for that kind of low impact sustainable project in BC. The uncertainty for ROR going forward is relying on one jurisdiction and the long-term power demand changing significantly over time. We may have structural changes. For example, in BC we are seeing the downturn and demise of the pulp/paper and lumber industries and these industries historically created a lot of energy demand on the power side. Over the long-term there is a lot of effort going into

demand restraint, demand management. So yes, power demand likely won't be increasing as rapidly in the past or it may be flat, but there is still the push for trading off renewables for carbon based power generation, particularly outside BC where a lot of energy is produced from coal and natural gas-based generation. There is a driver there for renewable energy and it is a trend that will last for the foreseeable future.

CEOCFO: As far as the biomass there seems to be many different ways of addressing the market, different types of raw material; what is your criteria there and what do you want to find?

Mr. Hopp: We are focusing on proven

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technology. We are not looking at anything that is an emerging new technology. Number-one, they are hard to finance for a company like ours, so we rely on existing technology that is proven in the marketplace; standard boiler system and steam turbines. The wood or the biomass supply is, I would say, the most challenging. A lot of plans have failed because they haven't been able to secure long term access to the fuel supply at a predictable price. We are focusing on creating that bankable or financeable product. It is all driven down to your fuel supply contract. Technology is known, we know the costs and how to engineer the project.

The structuring of the contracts is also critical. There are certain escalators in the power purchase agreements and it all comes back to matching back-to-back your fuel supply risk with your power purchase agreement, and then being able to convince your financiers to lend you money. The other key aspect is your fuel supply quality, as non-homogenous sources of fuel supply creates havoc in different technologies and you don't get the same efficiencies out of it. What we look for is uniform or homogenous fuel supply long term and matching that fuel up to the right technology, such as fluidized bed or stocker type technologies. It is a pretty easy model once you understand it. Proven technology, pick the right technology for your fuel supply and pay particular attention to how you do your fuel supply plan. You will never get financing if you do not pay attention to these details.

CEOCFO: Is your team in place?

Mr. Hopp: We are missing a few pieces in our team. This is one challenge that I have right now. I have to go back and look at the whole organization structure to see if it fits with where we want to go. I think the core pieces are there in terms of our senior executives, but we are missing horsepower on the business development side. It is a big hole there and we rely on consultants from

time-to-time; we are going to have to think about what areas we need to strengthen up on internally.

CEOCFO: What is the financial picture for Run of River Power today?

Mr. Hopp: We are driving some cash flow out of our operating plant. As a development company, we are continually seeking equity or project financing to finance our projects and this can be in the form of debt, equity or project participation with strategic partners.

CEOCFO: Are you doing any investor outreach?

Mr. Hopp: Yes, we have begun to do that. We regularly go to Toronto and

other financial markets and visit the people who are active in that particular area and make sure that we are keeping them up to speed on what we are doing.

CEOCFO: In closing, why does Run of River stand out from the crowd?

Mr. Hopp: I think we have a very good

senior management team in place with a very proactive board of directors that really want to participate in making the company successful. We also have a deep development pipeline and contracted assets. The market today doesn't really recognize value for pipelines but as a development company you need to continually fill the funnel up, take your best ones and

see them to realization. So we've got a very good pipeline, we also have other initiatives going on to diversify our portfolio, but in different locations with some very strong strategic partners. I think the market will see that and will respect what we are doing.



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