

1. The DOE shall describe how the reliability of the input values used in the investment analysis have been validated in accordance with the requirements of EB38 paragraph 54.

PP: the investment analysis is based on the *Feasibility Study Report (FSR)* and *Feasibility Study Complementarity Report (FSCR)*, which were approved by local authority.

The FSCR was designed by the Hydro Power Reconnaissance & Design Institute of Hunan Province, Chenzhou. The FSCR was developed later than FSR and it revised some unreasonable parameters in FSR according to relevant national regulation (the *Economic Evaluation Code for Small Hydropower Projects, Document No. SL16-95*).

Since this project was developed and submitted prior EB38, the national regulation was considered as a more reliable data source than a special design report. However, the input values from FSR and FSCR have not been changed.

2. The DOE shall describe how the investment analysis has been validated, in particular the debt/equity ratio as this differs between the feasibility study report and the PDD.

PP: refer to the Question 1, the investment analysis is based on the FSR and FSCR, since the loan application has been rejected by the bank, the debt/equity ratio in FSCR has been set to 0% / 100%.

3. Further explanation for the delay in submitting the project for validation is required as this delay impacts the credibility of the claims that CDM revenues were an essential requirements for a positive investment decision. The response should provide a detailed timeline of project implementation and evidence of actions taken to register the project as CDM.

PP: the timeline and events of the CDM progress are listed as follow:

Date	Event
2003	The project owner learned CDM during 2003 from other hydro CDM projects which have been developed at that time.
April, 2004	A third party institute finished the Preliminary Financial Evaluation of the Project. In this document the financial indicator of the Project was identified to be lower than benchmark value.
16 Sep. 2004	Based on the Preliminary Financial Evaluation, the project owner decided to improve financial situation for the Project by applying CDM. The official management decision was made and issued in the meeting.
Oct. 2004	Pre-construction, such as road building, site preparing, power and water supplying, was started.
15 Nov. 2004	The project owner contracted with a consulting company for CDM development.
August 2005	The FSR has been finished.
August 2005	The FSCR has been finished, some unreasonable parameters were

	revised. The financial indicator is low.
16 Aug. 2005	The bank rejected the loan application because high risk. The rejection letter sent to the project owner.
1 Sep. 2005	Because the Project faced investment barrier, the Development and Reform Commission of Zhengkang County issued a note for suggesting the Project apply for CDM.
5 Sep. 2005	The Project was approved by local authority. The construction was started.
Oct. 2006	The contracted CDM consulting company could not finish development, project owner made a cancellation with the consulting company.
5 Feb. 2007	The project owner re-contracted with Accord Global Environment Technology (Beijing) Co., Ltd. for CDM development. At this moment, all design documents, including FSR, FSCR and loan rejection, were available, they can reflect real financial situation better.