

Richard Stout
Chief Regulatory Officer

11 December 2003

British Columbia Utilities Commission
Box 250
900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Mr. Robert Pellatt, Commission Secretary

Dear Mr. Pellatt:

BC Hydro Call for Tenders for Capacity and Associated Energy on Vancouver Island

Thank you for your letter of December 10th. We are writing to advise the BC Utilities Commission of BC Hydro's plans leading up to the Commission's consideration of the Vancouver Island CFT ("CFT"), the EPA and the related documents and timetable. By copy of this letter and that of the BCUC, we are also advising registered intervenors from the Vancouver Island Generation Project ("VIGP") CPCN hearing, and registered bidders in the CFT of these plans. There are, to the knowledge of BC Hydro, no other persons who have expressed an interest in the CFT process.

BC Hydro proposes the following timetable to meet the Commission's requests that bidders and interested parties will have the opportunity to provide their views. To do so BC Hydro will complete its receipt and consideration of input from bidders and will provide a parallel process to receive and consider comments from non-bidder intervenors in the VIGP CPCN hearing:

December 12, 2003	Issue invitation for December 19 non-bidder forum
December 12, 2003	Issue invitation for January 06 evaluation workshop for bidders
December 15, 2003	Issue BC Hydro response to bidder comments (post on web site/deliver to BCUC)
December 15, 2003	Issue addendum to CFT to provide for bidder replies and timing changes
December 19, 2003	Non-bidder forum attended by registered non-bidder intervenors and BCUC staff
December 22, 2003	Release to bidders and BCUC evaluation methodology spreadsheets and user manual
January 6, 2004	Evaluation Workshop for Bidders and BCUC staff

January 9, 2004	Deadline for non-bidder comments to BCUC
January 9, 2004	Deadline for bidders replies to BC Hydro on CFT and EPA revisions and evaluation methodology
January 13, 2004	Issue revised CFT, EPA, evaluation methodology to registered bidders and BCUC
January 23, 2004	Response from BCUC on appropriateness of CFT terms

Bidder Comments:

BC Hydro has proceeded with the CFT on the basis of a written process for bidders set out in the CFT document and designed to provide a high standard of fairness and impartiality. To that end, the CFT process established a series of comment periods complemented by ongoing opportunities for questions and answers posted on the CFT web site. Further assurance is provided by the oversight of the Independent Reviewer and a fairness report at each stage of the process.

The first comment period concluded on December 1, 2004 with the receipt of more than 250 bidder comments. As part of its commitment to bidders under the CFT, on December 15th, 2004, BC Hydro will post on its website all of the comments received from bidders by December 1st, 2003, and BC Hydro's responses to those comments. It will also describe the changes that BC Hydro intends to incorporate into the CFT and EPA arising from those comments. These comments and responses will be posted without any attribution. BC Hydro has maintained that anonymity so that bidders can offer criticism without fear that their comments might prejudice the assessment of a subsequent bid. In particular, bidder comments are coded before they are distributed to those involved in the CFT for BC Hydro.

At the same time as posting the comments and responses to bidders on December 15, 2003, BC Hydro will provide the Commission with the code to allow the Commission to attribute the comments to specific bidders.

There will be an evaluation methodology workshop for registered bidders only, on January 6th, 2004 at which time they will have the opportunity to ask questions on the evaluation methodology and software – both of which will have been issued to them by December 22, 2003. This workshop was contemplated under the CFT. BC Hydro is advancing its schedule to allow for more complete information to be provided earlier to both the bidders and the BCUC on the details of the evaluation methodology.

An addendum to the CFT will be issued on December 15, 2003 to provide for the reply comments from bidders, bidder comments on the evaluation methodology, and specific timing changes.

The process that is in place and will continue to be in place for bidder comments ensures that the Commission is party to all of the written comments through direct filing by BC Hydro and through the ability to monitor the question and answer process through the web site. Assurance as to fairness and impartiality is provided by the ongoing oversight and reports of the Independent Reviewer. The Independent Reviewer has already provided a fairness report on the process for designing and issuing the CFT, and on December 15th will provide a

fairness report on BC Hydro's process to receive, review and consider comments on the CFT.

Non-Bidders

In order to inform parties who were intervenors in the VIGP CPCN hearing who have not registered for the CFT, of the steps BC Hydro has undertaken since the Commission's decision, BC Hydro will hold a forum on December 19th for BCUC staff and non-bidder VIGP CPCN intervenors. The forum will allow BC Hydro to explain the approach being taken to the CFT and EPA and to receive the ratepayers' perspective on how the terms of the CFT might be improved to achieve its intention of securing the least cost new generation capacity on Vancouver Island. An invitation and agenda will be provided to BCUC staff and non-bidder VIGP CPCN intervenors within the next day or so.

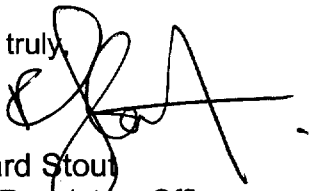
Comment Processes and Deadlines

The deadline set by the BCUC for submission of comments by both non-bidder VIGP intervenors and registered bidders on the then current terms of the CFT and EPA is January 9th, 2004. Non-bidders should make their comments directly to the BCUC with a copy to BC Hydro. To maintain the fairness standards and to adhere to the legal relationships established between BC Hydro and bidders under the CFT, bidders must reply to BC Hydro. BC Hydro will provide the bidders replies to the Commission by January 9th. BC Hydro will issue the revised CFT, EPA and related documents and provide them to the Commission by January 13th, 2004.

As set out at section 9.5 of the CFT, BC Hydro seeks the approval of the Commission by January 23rd of the terms of the revised CFT.

BC Hydro is satisfied that the process described in this letter meets the requirements of the CFT, and is consistent with its legal relationship with bidders. BC Hydro understands the Commission's need to have the assurance that interested parties have the opportunity to comment on a matter on which BC Hydro is asking for Commission's approval. We trust that the process outlined will provide the Commission with that assurance. If that is not the case, please advise me at your earliest possible opportunity.

Yours truly,



Richard Stout
Chief Regulatory Officer
BC Hydro

cc. VIGP Registered Intervenors
VI CFT Bidders
Mary Hemmingsen