

Via Courier

October 29, 2003

British Columbia Hydro and Power Authority
10th Floor - 333 Dunsmuir Street
Vancouver, BC
V6B 5R3

Attention: Ms. Mary Hemmingsen
Manager, Power Planning

Dear Ms. Hemmingsen:

Reference: Initial Report of the Independent Reviewer

We are pleased to provide our Initial Report covering our role and findings, as the Independent Reviewer, for the planning and preparation phase related to the Vancouver Island Call For Tenders (“VICFT”) to be initiated on October 31, 2003.

Our team has received orientation on BC Hydro’s objectives for VICFT and been afforded the opportunity to discuss the development and preparation of the key documents for the VICFT, including:

1. Call For Tenders for Capacity and Associated Energy Supply on Vancouver Island (“CFT”);
2. Preliminary Form Electricity Purchase Agreement (“EPA”); and
3. Process Management Framework.

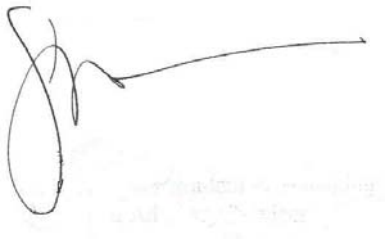
Accordingly, PricewaterhouseCoopers LLP is pleased to render the following statement:

It is our finding that BC Hydro has established an appropriate foundation of processes and governance to permit the initiation of the Vancouver Island Call For Tenders. With this foundation, our judgment is that the VICFT is capable of producing a result that meets the objective for a fair and transparent competition.

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A backgrounder on the role of the Independent Reviewer is provided as an attachment to this letter.

Yours truly,
PricewaterhouseCoopers LLP



Joe Parker
Partner

Attachment

BACKGROUND FOR THE INITIAL REPORT OF THE INDEPENDENT REVIEWER

PricewaterhouseCoopers LLP (“PwC”) was selected as the Independent Reviewer (“IR”) following a competitive request for proposal. PwC’s IR Team is comprised of power sector specialists and fairness advisors and is led by an experienced management team. PwC began its assignment on August 21, 2003.

A number of assignment orientation meetings were held with BC Hydro officials and the IR Team through September and October 2003. The meetings provided PwC with background information on the Vancouver Island Call For Tenders (“VICFT”) objectives and requirements, including the application and decision relating to the Vancouver Island Generation Project (“VIGP”) with the British Columbia Utilities Commission.

As BC Hydro planned and developed the VICFT, PwC reviewed drafts of the documents necessary for the conduct of the competitive process. These document reviews enabled PwC to develop its Fairness Framework, which will serve as a guide for PwC during its monitoring and review of the different phases of the VICFT including the Registration and Pre-Qualification of bidders and projects (Phase 1) and the Tender and selection of preferred Tenders (Phase 2).

As the VICFT commences, PwC will be actively monitoring the individual processes associated with each phase. IR Team members will monitor all interactions between BC Hydro and bidders as well as internal deliberations of BC Hydro officials throughout the solicitation and evaluation phases.

During the period of this assignment, the IR Team will maintain strict confidentiality and conflict-free positions.

PwC will file further reports; including one at the conclusion of Phase 1, and the other at the conclusion of Phase 2.

Vancouver, BC
October 29, 2003

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