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March 24, 2005

Mr. Robert J. Pellatt
Commission Secretary
British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Pellatt:

**RE: British Columbia Hydro and Power Authority (BC Hydro)
British Columbia Utilities Commission (Commission)
2004/05 to 2005/06 Revenue Requirements Decision
Directives 72 and 73 (pages 212-213) – Engineering Services**

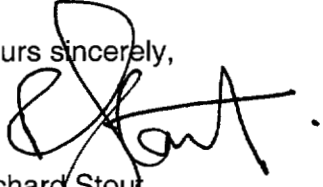
In the Commission's March 16, 2005 letter, BC Hydro was given a choice in respect of its proposal to review the provision of engineering services to the Generation and Distribution lines of business. The options are for BC Hydro to revise its fundamental principles in order to follow directives 72 and 73 or alternatively pursue BC Hydro's proposal as outlined in the First Stage Submission that was filed with the Commission on March 1, 2005.

BC Hydro's long-term purpose is to provide reliable power, at low cost, for generations. As the provision of electricity is a critical infrastructure industry that demands reliability, safety and security, a strong set of strategic relationships is required with engineering service providers to ensure that appropriate engineering resources are available as needed. The purpose of our review of engineering services is to determine what comprises core technical engineering work and determine the right balance of internal core technical engineering resources with the use of external engineering resources in a set of arrangements that will ensure the BC Hydro assets are maintained in an efficient, cost effective, safe and environmentally sound manner. BC Hydro therefore elects to continue to pursue our proposal as described in our First Stage Submission and advises that we have not revised our fundamental principles regarding the need for some level of core technical engineering work to be performed by BC Hydro employees.

As the Commission stated in its letter, if BC Hydro elected this course of action it would be relieved from the filing requirements of the Directives, including the September 1, 2005 filing. Consequently, BC Hydro's action plans for the provision of engineering services within the company for fiscal year 2007 and beyond and the costs

and benefits associated with the chosen approach will form part of our next revenue requirements.

Yours sincerely,

A handwritten signature in black ink, appearing to read "R. Stout", with a large loop at the top and a horizontal stroke extending to the right.

Richard Stout
Chief Regulatory Officer