

Bob G. Elton
President & Chief Executive Officer

January 13, 2004

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

Attention: Mr. Robert Pellatt, Commission Secretary

Dear Sirs:

I enclose with this letter, BC Hydro's submission with respect to the BC Hydro Call for Tenders for Capacity and Associated Energy on Vancouver Island. I thought it would be helpful to try to put our submission in context.

Our obligation is to ensure reliability of electric supply on Vancouver Island. In doing so, we have a tight time frame to meet. We also know that now and in the future, we must acquire energy through processes that are fair and competitive and are seen to be so.

In my view, there is no process that will perfectly meet all of the goals of reliability, timeliness and unanimous support.

What we therefore propose is a timeline that meets the needs of our customers; a process which will be independently reviewed by a highly reputable firm, and that clearly meets and exceeds industry standards for such a process; and for the BCUC to opine on this process in order to ensure that bidders can feel comfortable that the process will be reasonably predictable, and also to maximise bidder participation.

I appreciate that in a situation like this, various parties are concerned about positions held by others. We know that some parties are concerned about BC Hydro's position as the current owner of VIGP, as well as the manager of the CFT process. The role of the Independent Reviewer is, in our view, critical in ensuring fairness in the process. We also point out that we have been instructed by our Minister to sell VIGP at an appropriate time. For greater clarity, we do not intend to build or operate a project such as VIGP or any other project which wins the CFT process. We have not abandoned this option yet, only because we cannot do so until there is an alternative.

We also appreciate that various bidders and other interested parties have brought their own perspectives to bear and may have vested interests around the process. In responding to BC Hydro's request, there are various outcomes that the Commission may prescribe. We are concerned that the resulting decision balance the competing interests at play, encourage bidders' continued participation in the process and allow the process to proceed according to the established schedule enabling BC Hydro to meet its obligations to serve.

Overall, we believe that the process we have put forward will achieve the right balance among the conflicting priorities of reliability, urgency and meeting the needs of different stakeholders.

We appreciate that this is a difficult matter, and also appreciate the time that the Commission staff, bidders, customer groups and others have dedicated to this.

Yours truly,



Bob Elton
President & CEO

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