

January 14, 2004

BC Hydro and Power Authority  
10<sup>th</sup> Floor – 333 Dunsmuir Street  
Vancouver, BC  
V6B 5R3

**Attention: Ms. Mary Hemmingsen**  
**Manager, Power Planning & Portfolio Management**

Dear Ms. Hemmingsen:

**Re: Issue Report of the Independent Reviewer**

## **I. Background**

Since our last report, dated December 15, 2003, a number of new steps in the Vancouver Island Call For Tender (“VICFT”) process were incorporated by revision to the VICFT. Specifically, registered bidders were provided:

1. an additional opportunity to reply to the BC Hydro responses to the registered bidder comments submitted on December 1, 2003;
2. an evaluation tool and user’s manual;
3. an opportunity to participate in a workshop for the quantitative evaluation methodology on January 6, 2004; and
4. an opportunity to comment on the evaluation methodology and tool, by January 9, 2004.

## **II. Our Observations**

During the course of monitoring of the implementation of these additional steps, we observed that BC Hydro was copied on representations made to the BCUC by non-registered bidders. For example, one of these representations was a letter dated December 29, 2003 addressed to the BCUC from an individual representing “a bidder in BC Hydro’s Vancouver Island Call for Tenders Process”, copied to BC Hydro.

The VICFT sets out the requirements for the conduct of bidders, particularly in respect of restrictive communications during the transaction period. Specifically, sections 15.3, 15.5,

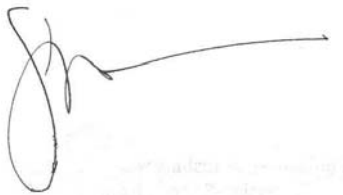
18.1, 18.20 and Addendum 5 of the VICFT provide a regime for BC Hydro to receive input from and provide responses to registered and pre-qualified bidders. This regime has the intent of providing a transparent and objective treatment of all communications between such bidders and BC Hydro. BC Hydro has implemented a sound process where submissions, comments or questions, have been consistently managed within a so-called “bidder blind” format which affords a high level of objectivity and transparency to the deliberations and decisions.

### III. Comments

As the Independent Reviewer’s role includes the responsibility to raise issues or concerns as they arise, we encourage BC Hydro to assess whether all communications, including the above-noted communication, were made in compliance with the stated terms of the VICFT process. If not, you should assess whether section 18.24 of the CFT is applicable, i.e. whether such registered bidders deemed not in compliance with the communications protocols should be disqualified by BC Hydro for non-compliance with the VICFT terms.

In addition, as this stage (i.e. the bidder registration and related clarification/comment stage) of the VICFT process is effectively concluded, and the next stage of pre-qualification of registered bidders begins, it may be appropriate for BC Hydro to remind the registered bidders, in writing, of their requirements to maintain compliance with the terms of the VICFT process.

Yours truly,  
PricewaterhouseCoopers LLP



Joe Parker  
Partner