

December 15, 2003

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

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

Dear Ms. Hemmingsen:

Re: Second Report of the Independent Reviewer

We are pleased to provide our Second Report, for the period of November 1 to December 15, 2003, for the initiation and registered bidder comment stage of the Vancouver Island Call For Tenders (“VICFT”).

The Call for Tenders for Capacity and Associated Energy Supply (“CFT”) sets out the requirements and guidelines for the following activities during this period:

1. Information exchange process;
2. Registration of bidders;
3. Registered bidders’ mandatory workshop; and
4. VICFT comment and amendment process.

Our findings and conclusions with respect to the foregoing activities follow.

FINDINGS

1) Information Exchange Process

CFT Requirement:

- All persons (prior to Registration) and registered bidders were required to communicate with BC Hydro in the manner specified, e.g. form of contact and point of contact; and
- BC Hydro was required to respond to persons (prior to Registration) and registered bidders in the manner specified, e.g. postings to VICFT website, issues of Addendum to the CFT.

Celebrating 90 years in British Columbia

Results:

- BC Hydro mobilized and utilized the VICFT website to receive communications from eligible persons and to post responses, Addenda and updates;
- Five (5) Addenda to the VICFT were issued;
- Questions and answers were posted, as required; and
- Site visits, equipment inspections and access to the data room were scheduled and provided for registered bidders that made the VIGP Election in their registration.

Our Role and Observations:

- We monitored the development of the BC Hydro guidelines and procedures for managing the information exchange between registered bidders and BC Hydro during the conduct of the VICFT, including the procedures for the compilation, development and approval of responses to the questions or comments and addenda. We observed BC Hydro's use of a "no bidder identity approach" (bidder blind) to this process. BC Hydro severed the identity of the bidder that posed questions or comments before consideration by the CFT team;
- We monitored the information exchange process by either attending and/or reviewing the drafting of responses and positions by BC Hydro. We observed an objective and impartial response to questions and comments; and
- We attended each site visit. We observed that BC Hydro provided a consistent and objective tour to each VIGP registered bidder.

2) Registration of Bidders

Requirement:

- All persons wishing to participate in the VICFT were required to register with BC Hydro, on or before, 4:00PM PPT, November 14, 2003.

Result:

- On or before the specified closing date and time for registration of bidders, twenty-three (23) persons representing thirty (30) projects were registered in accordance with the CFT;
- One (1) submission was not accepted, as it was not received on time, in accordance with the CFT requirements for bidder registration; and
- BC Hydro posted the names and projects of the registered bidders on the VICFT website, on November 14, 2003.

Our Role and Observations:

- We attended the closing date and time. We confirm that 23 registrations were received in accordance with the CFT; and
- We believe that the decision of BC Hydro not to accept the late submission for registration was fair and in accordance with the published CFT process.

3) Registered Bidders' Mandatory Workshop

Requirement:

- Registered bidders were required to attend the workshop on November 21, 2003 for the purpose of receiving an orientation to the VICFT requirements, and providing registered bidders with the opportunity to pose questions and comments on the requirements and processes governing the VICFT.

Result:

- Twenty-three (23) registered bidders were represented at the workshop;
- Registered bidders were provided with a handout of the workshop presentations, as well as copies of the four (4) Addenda that had been issued at that time;
- Registered bidders were provided the opportunity to pose questions or offer comments throughout the workshop without the need to identify themselves or their projects; and
- BC Hydro committed to responding to all questions and comments by November 26, 2003. Written responses to all the questions were posted on the VICFT website, on November 26, 2003.

Our Role and Observations:

- We attended the workshop. We confirm that all (23) registered bidders were represented; and
- We monitored the BC Hydro process of compiling, developing and approving the responses to the questions or comments posed by the registered bidders. We observed an objective and impartial response to questions and comments.

4) VICFT Comment and Amendment Process

Requirement:

- Registered bidders had the opportunity to comment on and pose amendments to, the VICFT (comprising of the CFT and its Appendices including the preliminary form Electricity Purchase Agreement (“EPA”) and the preliminary form VIGP Transfer Agreement (“VTA”), in a prescribed

manner (on the Document Comment Form (“DCF”) which enabled the bidders’ identities to be separated from their comments) and on or before 4:00PM PPT, December 1, 2003.

Result:

- On or before the specified closing date and time for receipt of the DCFs, fifteen (15) DCFs were received from 15 of the 23 registered bidders, in accordance with the CFT;
- All comments were reviewed, researched and decided upon by BC Hydro, on a “bidder blind” basis;
- BC Hydro provided responses to all comments and a description of certain revisions to be made to the CFT, the EPA and the VTA, where such revisions are deemed appropriate and approved by BC Hydro senior management;
- The responses to all comments and descriptions of certain revisions to be made to the CFT, the EPA and the VTA are scheduled to be posted to the VICFT website, on December 15, 2003; and
- Concurrently, with the release of the foregoing information to registered bidders, BC Hydro is submitting its report to the BC Utilities Commission (“BCUC”) as outlined in the CFT. This submission includes an envelope with copies of the original DCF received from the 15 registered bidders, i.e. bidder identities are attached for the confidential information of BCUC.

Our Role and Observations:

- We attended the closing date and time and confirm that 15 DCF submissions were received in accordance with the CFT. We confirm no late submissions; and
- We monitored BC Hydro’s process of compiling, developing and approving the responses and rationale for the comments and/or proposed amendments to the VICFT submitted by the registered bidders. We observed an objective and impartial consideration of all comments and/or proposed amendments.

CONCLUSIONS

Based on the requirements set out in the CFT, the Independent Reviewer’s fairness framework, and the results and observations identified for each of the foregoing activities, PricewaterhouseCoopers LLP concludes that BC Hydro has:

- Appropriately and consistently acted in accordance with the process and decision requirements set out in the CFT;
- Demonstrated objective, impartial and unbiased, and thorough and transparent approaches to developing and responding to registered bidders’ questions, comments and amendments to the VICFT; and

- Described certain revisions to be made to the CFT, the EPA and the VTA in response to issues or concerns expressed by the registered bidders, with such proposed revisions being consistent with the overall objectives for the VICFT.

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

It is our finding that BC Hydro, with respect to the VICFT initiation and registered bidder comment stage, has executed its responsibilities, in a fair, transparent and objective manner and in accordance with the requirements of the VICFT. With the proposed amendments to the CFT, the EPA and the VTA, our judgment remains that the VICFT is capable of producing a result that meets the objectives for a fair, transparent and objective competition.

Yours truly,
PricewaterhouseCoopers LLP



Joe Parker
Partner