

April 29, 2004

BC 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: Third Report of the Independent Reviewer

We are pleased to provide our Third Report, for the Pre-Qualification phase of the Call For Tenders for Capacity and Associated Energy Supply on Vancouver Island (“CFT”).

The CFT of October 31, 2003, as amended, established the process, schedule and submission requirements for registered bidders to pre-qualify for the CFT Tender phase. Pre-Qualification Submissions were received from 14 registered bidders before the deadline of 4:00 p.m. PPT, March 29, 2004.

FINDINGS

1) Preparation for Evaluation of Pre-Qualification Submissions:

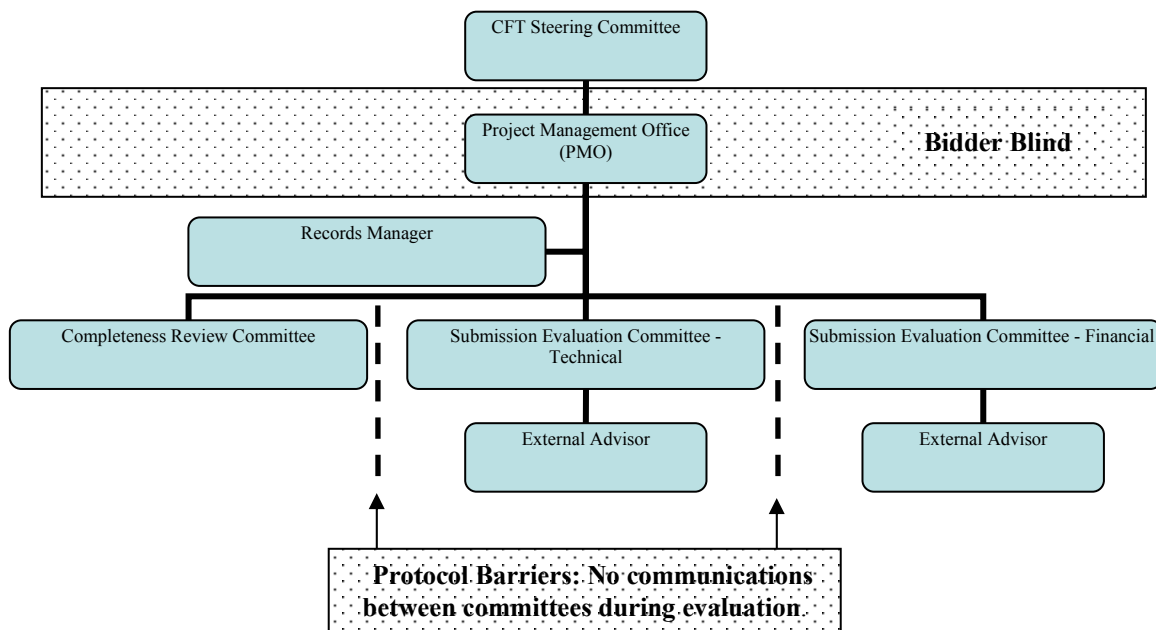
BC Hydro developed pre-established structure, processes and criteria for the receipt and evaluation of submissions, and for the determination of pre-qualified bidders and projects.

Structure:

The following functions were established:

- CFT Steering Committee – responsible for corporate review and ratification of PMO recommendations;
- Project Management Office (PMO) – CFT management team responsible for the direction and approvals for the Pre-Qualification phase;
- Records Manager – responsible for the receipt of all bidder submissions and communications, and secure custody of submissions and documents;
- Completeness Review Committee – responsible for evaluating the completeness of all submissions;

- Submission Evaluation Committees (SEC) – two (2) committees, a Technical and Financial committee, responsible for evaluating all bidder submissions against the respective evaluation criteria; and
- External Advisors – two (2) firms, a technical and a financial professional firm, responsible for advising the respective SEC committees, and to participate as an evaluation member of the committee.



Processes:

The following processes were established:

- Pre-Qualification Submission receipt and logging (document management)
- Conflict of interest disclosure prior to any review of submissions
- Completeness review of submissions
- Submission Evaluation Committee review and evaluation
 - Evaluation criteria
 - Clarification questions
 - Individual evaluation
 - Consensus determinations
- Results
 - PMO
 - CFT Steering Committee

The Independent Reviewer (IR) observed and reviewed the development and establishment of the foregoing structure and processes by the PMO. BC Hydro was guided by their objectives of consistency, objectivity and fairness in their development of the structure and processes. The processes were developed and approved by the PMO prior to the receipt of Pre-Qualification Submissions assuring that all submissions would be evaluated against a common and consistent standard.

2) Implementation

The following describes the primary activities and outcomes, as observed by the IR, under each of the processes listed above.

Pre-Qualification Submission Receipt and Logging:

Fourteen (14) submissions were received and logged prior to the deadline. There were no late submissions.

Conflict of Interest Disclosure:

All persons involved with the Pre-Qualification processes were required to disclose (prior to accessing the submissions) any material interest they had in any of the bidders or project owners as represented by some 69 corporate interests identified in the submissions. PMO reviewed all disclosures and concluded there were no actual or perceived conflicts of interest.

Completeness Review of Submissions:

All submissions were reviewed by the Completeness Review Team, using pre-established review criteria for each of the required information elements for each bidder, owner and project. As a result of the completeness review, PMO approved issuing requests to thirteen (13) bidders to provide certain missing information within a pre-established time. Six (6) bidders failed to meet the deadline for the return of responses to the request – these submissions were evaluated as originally received.

SEC Review and Evaluation of Submissions:

Evaluation Criteria - Prior to receipt of Pre-Qualification Submissions, the Technical and Financial evaluation committees established detailed evaluation guidelines for all Mandatory Criteria. PMO reviewed and approved the guidelines for each committee.

Clarification Questions - Each evaluation member of the Technical and Financial committees reviewed all the submissions in their respective area of responsibility (i.e. Technical committee members reviewed only the technical sections of the submissions and the Financial committee members reviewed only the financial sections of the submissions) to identify any content areas that might warrant clarification prior to evaluating the submissions. A number of clarification requests were submitted by the Chairpersons of the evaluation committees to the PMO for approval. Seven (7) clarification requests from each of the Financial and Technical committees were approved and released to eleven (11) bidders for their response within a prescribed time period. All responses were received within the required 24-hour response period.

Individual Evaluations - Each evaluation member concluded the evaluation of all submissions on a pass or fail basis against pre-established criteria. Members of each committee were required to undertake their evaluations individually, without consulting or advising any other committee member. In the case of the Financial committee, an external advisor conducted the analysis of the financial statements submitted by each bidder, and provided its results and participated in the evaluation, as a member of the committee. In the case of the Technical committee, another external advisor provided advice as requested by the committee and participated in the evaluation, as a member of the committee.

Consensus Determinations - After all evaluation members had completed their individual determinations, each committee met as a group to review all the evaluations and develop consensus determinations of pass or fail for each submission. Each committee also developed a summary report and recommendation to the PMO for due diligence and approval. Both committees submitted recommendations that were without dissent.

Results:

PMO - The PMO received the report of each committee without knowing the bidder identity (on a 'bidder blind' basis, i.e., only a code was given for each bidder), thus permitting PMO to review and challenge, as necessary, the recommendations of the SEC evaluation committees.

The PMO considered the recommendations of the SEC Technical and Financial committees and conducted a careful and consistent review of the recommendations. The PMO confirmed all but one of the recommendations of the Technical and Financial committees. The one recommendation was modified from a fail to a pass condition to be consistent with the treatment of other bidders with respect to the criteria in question.

CFT Steering Committee - CFT Steering Committee was briefed by the PMO on its recommendations. Based on the recommendations of the SEC evaluation committees and the management review by PMO, the CFT Steering Committee approved and ratified the recommendation that the eleven (11) Pre-Qualification Submissions found to meet the Mandatory Criteria (as described in the CFT) should be pre-qualified, while the three (3) submissions found not to meet the Mandatory Criteria should not be pre-qualified.

3) IR Activities

Submission Review:

In accordance with the terms of reference for the IR, the IR reviewed each Pre-Qualification Submission. One member of the IR team conducted a technical review and another member conducted the financial review. The IR did not render an evaluation determination for any submission. The IR review was conducted in case IR intervention might be deemed appropriate. No such intervention was necessary.

Process Monitoring:

During the course of the Pre-Qualification phase (from receipt of submissions to the determination of the CFT Steering Committee), the IR actively monitored and observed the activities of the evaluation and management teams. Without exception, each team conducted its affairs in accordance with the procedures and the criteria adopted and approved prior to the receipt of the submissions. During the consensus meetings, there were consistently good discussions and debates on each submission. In all instances, the decisions were based on consensus and there were no dissenting positions.

CONCLUSIONS

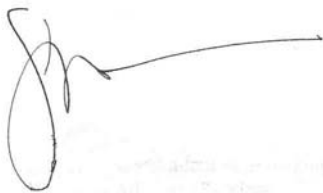
PricewaterhouseCoopers LLP, based on the foregoing, concludes that:

1. BC Hydro diligently and objectively developed and implemented a reasonable and fair process for the Pre-Qualification phase, and
2. The determinations made for each of the fourteen (14) Pre-Qualification Submissions were in accordance with the pre-established processes and criteria.

Accordingly, PricewaterhouseCoopers LLP renders the following statement:

It is our judgment that BC Hydro, with respect to the conduct the of Pre-Qualification phase of the CFT, have made determinations for each of the fourteen (14) submissions that were in accordance with the established processes and criteria and are appropriately consistent, objective and fair. Specifically, the Pre-Qualification phase has resulted in 11 pre-qualified submissions and 3 failed submissions.

Yours truly,
PricewaterhouseCoopers LLP



Joe Parker
Partner