

Richard Stout
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March 3, 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")
Call for Tenders for Capacity on Vancouver Island
Review of Electricity Purchase Agreement
Project No. 3698354**

Further to our notice of February 28, 2005, this letter will provide a report with respect to the status of matters outstanding in light of the Applications for Leave to Appeal (the "Leave Applications") Order E-1-05 filed by the JIESC on February 24, 2005 and GSX-CCC et al on February 28, 2005.

BC Hydro continues to believe that the DPP EPA represents the best solution for meeting the capacity needs of Vancouver Island, while satisfying BC Hydro's long-term planning criteria, provided that construction commences in time that it is on stream for the winter of 2007/2008.

The appeal filed by the JIESC renders closing of the VTA and commencement of construction on March 4, 2005 as contemplated in the EPA imprudent. The financial underpinning of the DPP project is the EPA and a successful challenge to its enforceability would render the project commercially unviable.

BC Hydro has reached an agreement to adjust the terms of the VTA and keep the obligations of both parties to the EPA alive, at least until the Leave Applications are determined. If the Leave Applications have been granted or have not been dismissed or abandoned by June 30, 2005, BC Hydro has a right to terminate the EPA and proceed with the contingency options then available to it. Alternatively, the EPA will continue in force after leave has been granted and after June 30, 2005 and construction of the project will be required if the appeal is abandoned or dismissed prior to July 31, 2005. If BC Hydro requires construction to commence after June 30, 2005, the VTA price will be adjusted for 50% of DPP's unavoidable and fully documented contractor costs and gains/losses for interest rate changes for the period after May 18, 2005 and until the appeal is withdrawn, abandoned or dismissed and the transaction closes. All guaranteed milestone dates and the guaranteed commercial operations date provided in the EPA will effectively be delayed by the number of days between

February 17, 2005 and the actual date on which the Leave Applications or appeal are resolved.

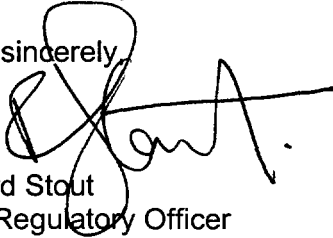
BC Hydro has advised counsel that it waives any requirement there may be for reconsideration by the Commission and the Court of Appeal has provided directions to permit an expedited schedule for both Leave Applications as follows:

March 24, 2005	Appellants' Submissions
April 5, 2005	Respondents' Submissions
April 8, 2005	One-day Hearing of both Applications

The Court's Order is dependent upon the Commission's Reasons being issued on or before March 11, 2005, failing which, the Order will be vacated and a new schedule and Order will have to be obtained.

Should leave be granted, BC Hydro, subject to its right to terminate, will seek an expedited schedule for the appeal so that it will be concluded in advance of May 18, 2005. The Court of Appeal Registry has indicated that time in the week of May 9, 2005 is available for this purpose, if required, and all counsel have indicated their willingness to try to accommodate an early hearing for the appeal.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Richard Stout', with a long horizontal stroke extending to the right.

Richard Stout
Chief Regulatory Officer

c. Registered Intervenors