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July 12, 2005

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Box 250
Vancouver, BC V6Z 2N3

Attention: Mr. Robert J. Pellett

Dear Sirs:

**Re: British Columbia Hydro and Power Authority ("BC Hydro")
Call for Tenders for Capacity on Vancouver Island
Review of Electricity Purchase Agreement ("EPA")
Project No. 3698354**

Duke Point Power ("DPP") is in receipt of a letter dated June 17, 2005 from BC Hydro to the BCUC wherein BC Hydro advises the Commission of its decision to terminate the EPA with DPP. Certain comments made in the above-referenced letter require a response from DPP.

First, BC Hydro states that the delay in the project will result in "... the consequential diminishment of the relative reliability of the Duke Point Project". DPP does not agree with this statement. DPP has guaranteed construction, completion and operation and has a firm commitment from its EPC contractor (Kiewit) in this regard. In fact, DPP advised BC Hydro of its ability to meet its contractual requirements prior to BC Hydro's Board of Directors meeting, wherein DPP understands that the decision to terminate the EPA was made (see attached letters from DPP to BC Hydro). At all times DPP was, and is, willing and able to meet the obligations under the EPA and ensure that reliable capacity is available on Vancouver Island when needed. In this regard, DPP would observe that the EPA expressly addressed the situation where there could potentially be a short-term delay in the Project. If such circumstances arose DPP would have been required to pay significant liquidated damages to BC Hydro, which could have gone towards covering the costs associated with the implementation of short term stop-gap measures. By terminating the EPA, BC Hydro has forgone that cost contribution from DPP and has shifted the entire burden of such costs onto its customers.

Second, BC Hydro advises that its decision to terminate the EPA will directly result in it being unable to meet the N-1 planning criteria for (at least) one year. This, plus the adoption of costly "crisis" measures that were discussed during the public hearing to consider the EPA, makes it difficult to understand the prudence of BC Hydro's decision to terminate the EPA, which provided a long-term solution to the reliability concerns on Vancouver Island. As well, it is difficult to reconcile BC Hydro's decision with its testimony at the hearing, where it insisted that

the Duke Point Project was not an interim measure, but a long term capacity solution. On this basis, it seems to DPP that the only contingency plan required would be in the event of a delay in start-up of the Duke Point Project, which we view as unlikely and, if it happened, would be of a very short duration. Considering the alternatives, canceling the entire Project to address the risk of a short delay in its availability is difficult to understand. This is particularly true given the fact that DPP was able to secure an expedited hearing by the Court of Appeal of the sole issue that survived a split decision of the Court of Appeal on Leave. DPP is confident that the Appellant(s) would not have succeeded on Appeal, given the nature of this issue and the Commission's ruling in this regard. It appears clear to DPP that BC Hydro has not chosen to follow a course of conduct that is in the public interest.

One of the "crisis" measures that BC Hydro plans to implement is a load-curtailement arrangement with Norske Skog, known as the NorskeCanada Demand Management Proposal ("NCDMP"). The Commission, in its Reasons for Decision to Order No. E-1-05, stated that "In the presence of a cost-effective outcome to the CFT process, the Commission Panel finds that the NCDMP does not constitute a viable option to accomplish the objectives of the CFT" (BCUC Reasons for Decision dated March 9, 2005, p. 81). Clearly, the BCUC Decision that "electricity supply from the Duke Point Power project is in the public interest" (BCUC Reasons for Decision dated March 9, 2005, p. 101), supported BC Hydro's argument that DPP is the most cost-effective outcome of the CFT process and confirmed that the NCDMP is not a viable option. However, BC Hydro advises that its decision to terminate the EPA will result in the implementation of this stop-gap measure, even with the existence of a viable cost-effective, long-term solution.

Finally, BC Hydro speaks to the implications for its F2006 call for energy. In DPP's view, the actions of BC Hydro to terminate the EPA, when the matter was weeks away from final resolution, will have a chilling effect on the willingness of market participants to consider doing business with BC Hydro. This is particularly true given the time, energy and cost involved. In DPP's view, an environment which allows parties to frustrate what is clearly the best option available to meet the needs of Vancouver Island on tenuous procedural grounds will make it difficult to successfully implement the Government's Energy Policy.

DPP is dismayed and shocked by BC Hydro's decision and submits that a complete explanation should be provided to the Commission, given the clearly identified need, the ability of DPP to meet this need and the significant financial implications for both BC Hydro and its customers.

Yours truly,

BENNETT JONES LLP



Loyola G. Keough

cc: Registered Intervenor



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June 16, 2005

Ms Bev Van Ruyven
Senior Vice President, Distribution
British Columbia Hydro and Power Authority
18th Floor, 333 Dunsmuir Street
Vancouver, BC V6B 5R3

Dear Bev,

Subsequent to our letter of June 15th, Duke Point Power ("DPP") and our Engineering, Procurement and Construction ("EPC") provider, Kiewit Industrial, have reviewed the current construction schedule and timing for guaranteed COD towards providing BC Hydro comfort that the project will be completed on a timely basis.

Firstly, the risk of completion and performance rests with DPP, in accordance with the terms of the EPA. There are substantial penalties in the form of liquidated damages if the plant does not meet the guaranteed COD date.

Secondly, we have assembled a world class team for project execution anchored by Kiewit Industrial and supported by Sterling Energy and Pristine Power. DPP is highly confident that the current 25 month construction schedule is appropriate and achievable, and the EPA contractual standard for reliability is achievable upon COD. Our level of confidence on these critical issues has been confirmed by the project lender's independent engineer, Black and Veatch. Our comfort on completion timing and a smooth transition to Commercial Operations is bolstered by the fact that Kiewit has 7 months of detailed engineering completed.

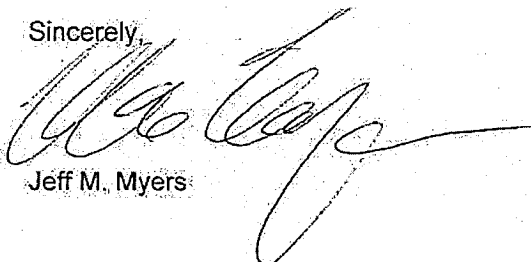
In an effort to provide BC Hydro with even greater security that this plant will be operational before the 2007/2008 winter season, DPP, in concert with Kiewit Industrial, will forgo the day for day extension of COD for 30 days. This will cover the period from the Leave to Appeal decision on June 14th until the anticipated date of a decision from the Appeal Court, July 14th. In doing so, DPP has eliminated any further delay implications which may have been associated with the appeal, essentially leaving BC Hydro in the same position as if the Leave to Appeal had been denied by the court. This is a firm offer with no conditions and a supporting letter from Kiewit Industrial is attached.

The net effect of this improvement in schedule is that substantial completion will occur in July and the guaranteed COD date will occur in August, 2007.

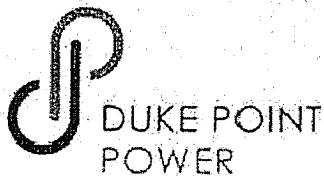
In addition to this schedule improvement, Pristine Power is willing to meet with BC Hydro to discuss the means to achieve even greater schedule improvements. These schedule improvements will not impact project reliability, which will remain comfortably above the contractually required 97%.

After years of effort by both parties, we look forward to finally engaging with BC Hydro in the construction and operation phases of this project.

Sincerely,



Jeff M. Myers



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645 – 7th Avenue SW
Calgary, Alberta T2P 4G8

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Mr. Bob Elton
President and Chief Executive Officer
British Columbia Hydro and Power Authority
18th Floor, 333 Dunsmuir Street
Vancouver, British Columbia
V6B 5R3

June 15, 2005

Dear Bob,

We are writing to you with the understanding that the Board of Directors of BC Hydro will be meeting shortly to consider next steps with respect to the Duke Point Power Project ("DPP"). While the recent decision by the BC Court of Appeal did not bring closure to this process, it did help us move almost all the way down the path toward building this project in a timely manner. With the hearing set for July 8th the end is clearly in sight. As your partner, we want to share with you some of our thoughts on the project and the remaining process, which we hope will assist with the Board's consideration of the path forward.

As confirmed by the BCUC, DPP is the most cost-effective and reliable project to meet the capacity deficit on Vancouver Island. For good reason, the BCUC rejected projects that purported to be alternatives to DPP including the Norske Demand Side Management proposal, which is not a long-term capacity solution, and the new transmission line, which provides no new generation and according to recent news reports has experienced further challenges.

DPP was the winner of a rigorous and comprehensive CFT process, which included the oversight of an independent reviewer. It succeeded in a challenging regulatory hearing and subsequently, our legal teams have done an outstanding job countering the appeals from JIESC and GSXCCC. The initial Leave to Appeal filing in the BC Court of Appeal contained eight issues, all of which were dismissed by Judge Thackray. In the subsequent Leave to Appeal application before a three-judge panel, the appellants narrowed the number of issues to four, of which three were dismissed and one was allowed in a split decision.

This remaining issue, "receipt and disclosure of confidential information", is one we strongly believe we can win. As noted above, the Appeal Court has confirmed that the case will be heard on July 8th and we expect a decision well before the end of July. This provides comfort that the termination right included in the Extension Agreement need not be invoked, given that its original intent was to mitigate against extensive delays in the process.

We understand that the issue of disclosure of confidential information related to competitive bidding situations transcends the hearing in question and could affect all regulatory proceedings in the province, if left unresolved.

BC Hydro's staff members were outstanding proponents of the overall VI-CFT process and the cost effectiveness of the Project. In addition, BC Hydro did an excellent job of managing the environmental permitting process, one of the most extensive in BC's history. This review concluded that the project would have no material environmental impact. This Project meets the federal government's greenhouse gas performance benchmark for new power generation facilities, the standard being BATEA (Best Available Technology Economically Achievable), defined as natural gas combined cycle for the electricity sector. It is ironic that the GSXCCC criticizes gas fired generation in BC, while environmental groups in other jurisdictions are applauding it.

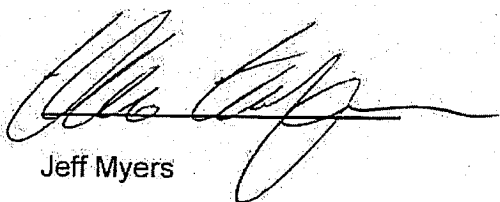
Duke Point Power LP and associated parties have made a tremendous investment in this project, with direct expenditures of \$4.0 million, security of \$35 million, two years of "sweat equity" on behalf of the owners and a commitment to reimburse BC Hydro for \$50 million of the costs it has spent in the form of development work and equipment procurement for the Project. Failure to complete the Appeal process at this late stage would be a deterrent to private-sector participation in future BC Hydro procurement processes. Future power costs would rise due to an increased regulatory burden and the substantially increased risk of a competitively sourced contract being overturned, thus jeopardizing the province's Energy Plan.

Among the Project's contributors and stakeholders, the BCUC's contribution should not be overlooked. Commissioners and staff have worked long hours on this project and, as it is really their actions which are on trial in the Appeal Court, they deserve the right to have this appeal heard and decided.

JIESC would advocate the lowest cost irrespective of environmental performance. GSXCCC would advocate lowest environmental impact irrespective of price and reliability. The Duke Point Power Project has a history of over ten years of consideration proving that it is the best balance of economic, environmental and highly reliable performance: it is the most cost effective solution for Vancouver Island.

We urge you in your discussions with your Board of Directors to take into account the tremendous efforts of your staff, our staff and the BCUC's. To terminate this project now would not only leave Hydro with stranded assets worth approximately \$50 million, but it would be interpreted as saying that JIESC and GSXCCC were right and BC Hydro was wrong. This is absolutely incorrect. Your staff, our staff and the BCUC's "did it right" and have every right to be proud of our collective accomplishment. We all deserve to see this process through the next few weeks.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Myers", with a stylized, flowing script.

Jeff Myers