

Alister Cowan

Executive Vice President Finance
& Chief Financial Officer

June 17, 2005

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

Attention: Robert J. Pellatt, Commission Secretary

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 (EPA)
Project No. 3698354**

**Re: BC Hydro 2005 Resource Expenditure and Acquisition Plan (2005 REAP)
Project No. 3698388**

On June 14, 2005 the British Columbia Court of Appeal issued its decision and reasons on an application to set aside an April 12, 2005 order of a single justice of the Court of Appeal denying leave to appeal Commission Order No. E-1-05 accepting the EPA as filed (see 2005 BCCA 330). The Court determined that the applicants ought to have been granted leave to appeal Order No. E-1-05. The appeal is to be heard on July 8, 2005, with an order and reasons to follow.

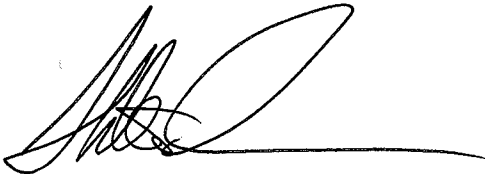
BC Hydro wishes to advise the Commission that in light of the Court of Appeal's decision and the further delay that it will occasion to the construction and operation of the Duke Point project, and the consequential diminishment of the relative reliability of the Duke Point project, it has exercised its contractual right to terminate the EPA.

BC Hydro remains committed to supplying its customers on Vancouver Island with reliable, cost-effective electricity. To that end it will begin to plan the implementation of short-term contingency options to secure additional reliability through to the in-service date of the proposed 230 kV transmission project. These options will be implemented sequentially to respond to the most current supply-demand forecasts. They include a load curtailment arrangement with Norske Skog, and perhaps other industrial customers, and temporary generation, if and when needed. Under current assumptions BC Hydro anticipates a one-year gap in its ability to meet the N-1 planning criteria. However, it need not commit to that course of action until the in-service date for the 230 kV project becomes more certain. If BC Hydro

concludes that the one-year gap is appropriate in the circumstances, it will bring the matter forward to the Commission.

The most immediate consequence of the decision to terminate the EPA is that BC Hydro is obliged to reconsider the evidence it had planned to file Wednesday in support of the F2006 call for energy described in the 2005 REAP. Fundamental issues of the F2006 call, including quantity, timing and terms and conditions, all require reconsideration by BC Hydro in light of its termination of the EPA. It is still BC Hydro's intent to issue a call this fiscal year, and to seek the Commission's input regarding the terms and conditions of that call. However, it is not clear at this time whether it will be possible to accommodate the review of the F2006 call within the 2005 REAP proceeding. BC Hydro expects to be able to advise the Commission further on this point in advance of the scheduled July 12, 2005 pre-hearing conference on the 2005 REAP.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Alister Cowan', written over a horizontal line.

Alister Cowan,
Executive Vice President Finance & Chief Financial Officer

cc: Registered Intervenors