



LETTER NO. L-12-05

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February 10, 2005

Mr. Richard Stout
Chief Regulatory Officer
British Columbia Hydro and Power Authority
17th Floor, 333 Dunsmuir Street
Vancouver, B.C. V6B 5R3

Dear Mr. Stout:

Re: British Columbia Hydro and Power Authority ('BC Hydro')
2004/05 to 2005/06 Revenue Requirements Application
British Columbia Utilities Commission Decision
October 29, 2004 Directive 72 (p. 212) and 73 (p. 213)

This Letter is in reply to your letter of January 10, 2005 wherein BC Hydro has proposed a two stage response to Directive 72 and Directive 73. The two stage response comprises of a first submission by March 1, 2005, which would include a description of how BC Hydro uses and delivers engineering services and a spectrum of options for the provision of Engineering Services, and a second submission by September 1, 2005, which would include a final assessment of the options for the provision of Engineering Services and an action plan for fiscal 2007 and beyond.

The Commission accepts the proposed two stage response to the directives provided that the options and action plan contemplate either open competitive processes for securing engineering services or, in the alternative, outsourcing the engineering function as set forth in the directives.

Yours truly,

Original signed by:

Robert J. Pellatt

RWR/rt
cc: Registered Intervenor