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VIA FACSIMILE

January 28, 2000

Mr. John Hall
President and CEO
Princeton Light and Power Company, Limited
P.O. Box 908
Penticton, B.C.
V2A 7G1

Dear Mr. Hall:

Re: Princeton Light and Power Company, Limited
Certificate of Public Convenience and Necessity Application
to Construct a Princeton Substation

The PLP Application for a Certificate of Public Convenience and Necessity ("CPCN") is premised on the ability of PLP to purchase power from British Columbia Hydro and Power Authority ("B.C. Hydro") under terms and conditions that are acceptable to the two utilities. Such an agreement must also be approved by the Commission as being in the best interests of the ratepayers of both PLP and B.C. Hydro, and consistent with the state of competition in the British Columbia electricity industry.

The Commission is in receipt of a letter (attached) dated January 27, 2000 from B.C. Hydro identifying some significant and broad issues raised by proposed power supply arrangements between B.C. Hydro and some potential wholesale customers, including PLP. In its letter, B.C. Hydro suggests that these broader issues should be resolved in a separate forum, so that the Commission's review of the PLP CPCN Application may proceed in an expeditious manner.

The Commission notes that while this hearing is related to approval of the Princeton Substation, the Commission's determination in that regard cannot be made without considering the potential sourcing of power and the financing arrangements. Although it would have been preferable to have resolved any broader issues related to the agreements between B.C. Hydro and PLP in advance of this hearing, the Commission is also cognizant of the circumstances facing ratepayers at Princeton related to reliability of power supply and future prices.

At this time, the Commission sees two options before it. One option is to continue with the hearing as scheduled and attempt to review the issues related strictly to the proposed Princeton Substation and alternatives such as the upgrading of the West Kootenay Power Ltd. substation. This option could still require that a final decision on the PLP Application be held in abeyance if the issues related to the B.C. Hydro and PLP power supply arrangements remain unresolved. The second option is to find an

interim solution to PLP's power supply and reliability problems and delay the PLP CPCN hearing while the Commission holds a separate proceeding to review the issue of B.C. Hydro power sales arrangements. The Commission's review of the PLP CPCN Application would continue following a Commission decision on the power supply arrangements.

Consequently, the Commission is circulating the B.C. Hydro January 27, 2000 letter, and is requesting comments from Registered Intervenors on the letter, on the two options the Commission has outlined above, and on any other options that parties believe could assist in resolving the issues in an expeditious manner. The Commission directs that any responses be delivered to the Commission by Tuesday, February 1, 2000, so that the Commission can determine on Wednesday, February 2, 2000 whether to proceed with the hearing on February 8, 2000.

Yours truly,

Original signed by:

Robert J. Pellatt

JWF/mmc

Attachment

cc: Mr. Ray Aldeguer
Senior Vice President
Legal, Regulatory Affairs and General Counsel
British Columbia Hydro and Power Authority
Registered Intervenors