



**LETTER NO. L-9-04**

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February 16, 2004

Mr. George Isherwood  
Regulatory Affairs Executive  
Aquila Networks Canada (British Columbia) Ltd.  
1290 Esplanade  
PO Box 130  
Trail B.C. V1R 4I4

Dear Mr. Isherwood

Re: Aquila Networks Canada (BC) Ltd.  
Supply Reinforcement in the South Okanagan  
Final Estimates and Incentive Mechanism Filing

This is in response to Aquila's filing of final cost estimates and proposed Cost Containment Mechanism pursuant to Commission Order No. C-3-03.

The Commission accepts Aquila's final cost estimates of January 14, 2004 as a basis for cost control for the South Okanagan Supply Reinforcement Project as defined in Order No. C-3-03. Please file the detailed breakdown to the January 14, 2004 final cost estimates by Friday, March 5, 2004.

With regard to the Cost Containment Mechanism as proposed in the January 14, 2004 filing, the Commission does not approve this mechanism. The Commission believes that the best interests of ratepayers are better served by a stringent cost control and project management regime subject to prudence reviews, rather than the cost containment mechanism as proposed.

Yours truly,

*Original signed by:*

Robert J. Pellatt

RWR/yl  
cc: Registered Intervenors/Interested Parties