



LETTER NO. L-26-07

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VIA E-MAIL

bowragroup.com

March 23, 2007

Mr. Doug Chivers
Receiver of Hemlock Valley Group
The Bowra Group Inc.
1930-1095 West Pender Street
Vancouver, B.C. V6E 2M6

Dear Mr. Chivers:

Re: Hemlock Valley Electrical Services Ltd.
Regulation of Public Utilities under the Utilities Commission Act

By letter dated December 23, 2005, MacKay & Company Ltd. informed the British Columbia Utilities Commission (the "Commission") of the appointment of MacKay & Company Ltd. as Receiver-Manager in respect of Hemlock Valley Resorts Inc., Lawrence Stores Ltd., Hemlock Valley Electrical Services Limited, Hemlock Valley Water Services Ltd., Hemlock Valley Sanitary Services Ltd. and H.V.R. Holdings Inc. collectively the Hemlock Valley Group, an insolvent person.

By letter dated February 2, 2006 (copy attached), the Commission informed MacKay & Company Ltd. that the Commission is a regulatory agency of the Provincial Government, operating under and administering the Utilities Commission Act ("the Act") and Hemlock Valley Electrical Services Limited is a public utility as defined under the Act. The Commission requested to be kept apprised of actions taken or could be taken that will impact Hemlock Valley Electrical Services Limited and its ratepayers.

Further to your letter to the Commission dated January 2, 2007, the Commission recently became aware that a proposed sale of Hemlock Valley Electrical Services Ltd. was to occur between The Bowra Group Inc., the current Receiver, and 0762608 B.C. Ltd. The following excerpts of Sections 52 or 54 of the Act show that a proposed purchase and sale of utility assets or utility shares require Commission approval.

- 52** (1) Except for a disposition of its property in the ordinary course of business, a public utility must not, without first obtaining the commission's approval,
- (a) dispose of or encumber the whole or a part of its property, franchises, licences, permits, concessions, privileges or rights, or
 - (b) by any means, direct or indirect, merge, amalgamate or consolidate in whole or in part its property, franchises, licences, permits, concessions, privileges or rights with those of another person.
- (2) The commission may give its approval under this section subject to conditions and requirements considered necessary or desirable in the public interest.

- 54** (4) For the purpose of this section, a person has a reviewable interest in a public utility if
- (a) the person owns or controls, or
 - (b) the person and the person's associates own or control,
- in the aggregate more than 20% of the voting shares outstanding of any class of shares of the utility.
- (5) A public utility must not, without the approval of the commission:
- (a) issue, sell, purchase or register on its books a transfer of shares in the capital of the utility or create, or
 - (b) attach to any shares, whether issued or unissued, any special rights or restrictions, if the issue, sale, purchase or registration or the creation or attachment of the special rights or restrictions would,
 - (c) cause any person to have a reviewable interest,
 - (d) increase the percentage of voting shares owned by a person who has a reviewable interest,
 - (e) be a registration of a transfer of shares, the acquisition of which was contrary to subsection (7) or (8), or
 - (f) increase the voting rights attached to any shares owned by a person who has a reviewable interest.
- (6) Failure of a public utility to comply with subsection (5) does not give rise to an offence if the public utility acts in the genuine belief based on an enquiry made with reasonable care, that the issue, sale, purchase or registration, or the creation or attachment of the special rights or restrictions, would not have the effects referred to in subsection (5) (c) to (f).

Please advise the Commission whether and when an application for the purchase and sale of utility assets or utility shares of Hemlock Valley Electrical Services Limited will be filed for Commission approval pursuant to Sections 52 or 54 of the Act. A response by April 15, 2007 is required.

Yours truly,

Original signed by

Robert J. Pellatt

RJP/yl

Enclosure

cc: Mr. Marcel J. Peerson
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