



David Bennett
General Counsel and
Corporate Secretary

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August 30, 2006

Via Courier

Mr. R.J. Pellatt
Commission Secretary
BC Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Pellatt:

Re: An Application by Fortis Pacific Holdings Inc. (“FPHI”), FortisBC Inc. (“FortisBC”) and Princeton Light and Power Company, Limited (“PLP”) Regarding the Transfer of PLP Shares and then Assets to FortisBC and the Wind Up of PLP

On August 18, 2006, FPHI, FortisBC and PLP (the “Applicants”) jointly filed an application for the acquisition by FortisBC of a reviewable interest in PLP to be effective December 31, 2006 and the transfer of assets and wind up of PLP to be effective January 1, 2007. The Applicants submitted that the transaction is straightforward and should be considered by the BC Utilities Commission (“Commission”) without a public process.

FortisBC has provided a copy of the Application to its major regulatory stakeholders and requested them to provide to the Commission their views on the necessity for a public hearing process. Please find attached copies of correspondence from Mr. Alan Wait, Mrs. Beryl Jonas Slack, and the Interior Municipal Electric Utilities (“IMEU”). FortisBC has been advised by the Commercial Energy Consumers (“CEC”) that it will not participate in a public hearing, should the Commission order one.

Also attached is correspondence from the Mayor of Princeton and from two of PLP’s industrial customers, Mr. Brent Wiren, CEO of SBC Firemaster Ltd., and Mr. Dean Johnston, President of the Princeton Co-Generation Corporation, supporting the transaction.

Mr. Wait has identified a number of concerns, one relating to the condition of PLP's assets that is shared by the IMEU. FortisBC understands that PLP has invested in upgrades in recent years to convert and eliminate aged 4 kV plant in Princeton's core area, and converted a large percentage of the north feeder to 25 kV, which has substantially improved the general condition and capacity of the PLP system. A cyclic assessment rehabilitation program will be applied, identical to that performed by FortisBC on its own system, and to date there is no indication that the level of rehabilitation will exceed the levels found in the FortisBC system.

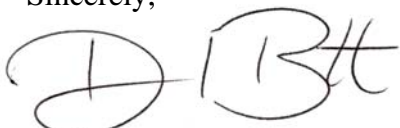
The PLP station switchgear is comprised of five 30 year old hydraulic reclosers located immediately adjacent to FortisBC's Princeton Substation. It is anticipated that these reclosers will require replacement over the next 10 years, but this is not considered a major capital expenditure. Again, FortisBC also has these types of reclosers in its own system and plans to replace these as condition and need necessitates.

With regard to Mr. Wait's remaining questions, although PLP's capital structure, debt and equity costs are different from FortisBC's, 2007 rates for the reorganized entity will be determined in accordance with the terms of FortisBC's 2006 Negotiated Settlement Agreement covering the 2007-2008 PBR Plan. That is, FortisBC's 40% equity component and approved Return on Equity and cost of debt will be reflected in 2007 rates. PLP's assets will be pooled and depreciated along with FortisBC's. Lastly, as stated in the Application, FortisBC intends to propose a reduction to Base O&M Expense on a per customer basis that will reflect the synergies arising from the reorganization. As stated in the Application, FortisBC believes that it's ratepayers will not be harmed by this transaction.

With regard to the IMEU's request to review the reorganization at FortisBC's upcoming 2006 Annual Review and 2007 Revenue Requirements Workshop, FortisBC confirms that the Workshop will include a segment covering the reorganization for the information of the participants.

FortisBC hopes that these responses are helpful to Mr. Wait and the IMEU, and respectfully submits that, given the apparent lack of stakeholder support for a public review of the Application, a review process conducted solely by the Commission is the most appropriate means of disposition.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Bennett". The signature is stylized and somewhat cursive.

David Bennett
General Counsel and
Corporate Secretary

Attachments

cc: BCOAPO, CEC, IMEU, Mr. Wait, Mr. Tarnoff, Ms. Slack, Mr. John Hall, Mr. McLean, Mr. Wiren, Mr. Johnston, Mr. Werner Krampfl

From: Al Wait [mailto:alwait@telus.net]
Sent: Tuesday, August 29, 2006 9:11 PM
To: Rob Pellatt
Cc: Martin, Joyce
Subject: FortisBC & Princeton Light and Power

Mr. Pellatt:

FortisBC is planning to absorb the regulated portions of Princeton Light and Power (PLP) and is requesting that this be done without a public hearing.

The material that FortisBC has forwarded to me explaining this merger deals only with the acquisition integration cost and the operating and maintenance costs.

The following items must also be laid out as to how they will affect the existing FortisBC ratepayers:

- PLP debt/equity ratio
- relative rates for return on equity
- interest rates on debt and terms of PLP debt borrowings
- the state of PLP infrastructure and whether major capital improvements are required soon relative to average FortisBC distribution infrastructure.
- depreciation rate differences from PLP to FortisBC

It would seem to me that it is not any easy thing to calculate the affect of the merger on the FortisBC ratepayers. It is clear that the PLP ratepayers will benefit from the merger.

FortisBC should be asked to rework the F2005 performance of FortisBC to include F2005 PLP costs with PLP revenues as per FortisBC rates in the same manner that FortisBC expects the consolidated company to function in F2008. The O&M savings expected to be realized, should be itemized and included separately as a reduction in costs. This should then show the net difference in revenue requirement versus projected revenue caused by the merger of FortisBC and PLP.

Without the above complete analysis it is impossible to say if the FortisBC ratepayers will be kept whole by this merger.

Without further information I cannot agree to wave the public hearing.

Alan Wait

August 28/06

Ph (250) 495.6702

to B.C.C.

Attn Commission Secretary,
Mr. Robert J. Pellatt.

1 page via
Fax.

Dear Sir;

On the subject of a process for PhP/
Fartis

I feel that this idea is not new,
and to date I have not heard
any objections when it has been brought
up @ workshops or hearings.

So, in my opinion it should go
ahead without other than B.C.C.
involvement.

Sincerely,
B. Slack.

BURVE J. SLACK
Box 356, 0504005, B.C.
V0H1V0

cc Fartis.

I.M.E.U.

Interior Municipal Electrical Utilities

Cities of Kelowna, Penticton, Grand Forks, District of Summerland, Nelson Hydro

August 30, 2006

Via Email: Commission.Secretary@bcuc.com

Mr. R. J. Pellatt
Commission Secretary
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver BC V6Z 2N3

Dear Mr. Pellatt:

Re: FortisBC FPHI and PLP Transfer of Assets Application

IMEU is responding to a FortisBC request for the IMEU's support of Commission approval of the above noted Application without a public process.

While the IMEU does not believe that a public process is likely necessary to dispose of this matter, we do have some concerns around the state of the former PLP assets at the time of transfer and whether FortisBC will be required to accelerate capital improvements on the PLP system, resulting in rate impacts to the rest of FortisBC customers. If the Commission concludes that this concern can be adequately addressed at the Annual Review, the IMEU would support that conclusion.

Respectfully submitted,



Russell Leslie, P.Eng
Chairman, IMEU

cc: IMEU group
Joyce Martin - FortisBC

Town of Princeton

August 25, 2006

L4394

FortisBC
1260 Commercial Way
Penticton, BC V2A 3H5

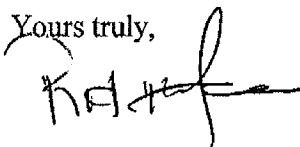
Attention: Mr. Bob Gibney, First Nations Executive Liaison

Dear Mr. Gibney,

Thank you for taking the time to meet with me today. This letter is to acknowledge that we have been made aware of the changes, which will occur when FortisBC assumes control of Princeton Light & Power.

Most of the changes are positive and those that are not are a result of the need for businesses to streamline so that, as much as possible, rising costs will not be passed on to consumers. We welcome the Fortis Company into our community and look forward together to a bright future.

Yours truly,



Mayor Randy McLean
Town of Princeton

RM/bg

-----Original Message-----

From: Brent Wiren <brentw@sbcfiremaster.com>

To: Gibney, Bob

Sent: Mon Aug 28 12:59:48 2006

Subject: Fortis B.C.

Bob,

Further to our conversation this morning:

Based on our conversation and the representations that you made this morning, I am in favor of the proposed rollover of Princeton Light and Power into Fortis BC, freezing the rates for current PLP customers as of the 1st of January, 2007, and reverting the rates to existing Fortis Rates (subject to any increases between now and then) as of October, 2007.

Sincerely,

Brent Wiren

CEO

SBC Firemaster Ltd.

PH- (250) 295-7686 ext. 202

Fax- (250) 295-4178

Cell- (250) 295-1881

From: Dean Johnston <dean@eagle-valley.ca>
To: Gibney, Bob
Sent: Wed Aug 30 16:08:28 2006
Subject: Power

Bob,

Thanks for dropping by on Monday.

I appreciate the explanation of our new rates that we can anticipate upon transferring our account to the Fortis schedule.

This saving will certainly enhance our cost structure and provide expansion incentives.

We have always enjoyed a strong relationship with Princeton Light and Power, and see no reason why this will not continue upon transition of our account to Fortis is complete.

Sincerely,
Dean Johnston
President
Princeton Co-Generation Corporation