

SUMAS ENERGY 2, INC.

335 Parkplace, Suite 110 • Kirkland, Washington 98033 • Phone: 425-889-1000 • Fax: 425-803-6902

March 24, 2000

Mr. Ross Lea
Senior Transmission and Design Engineer
BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
6911 Southpoint Drive, AO1
Burnaby, British Columbia V3N4X8
CANADA

RE: FILING OF SUMAS ENERGY 2, INC.'S REQUEST FOR LONG-TERM FIRM POINT-TO-POINT TRANSMISSION SERVICE, ATTACHMENT B AND SPECIFICATIONS FOR LONG-TERM FIRM POINT-TO-POINT TRANSMISSION SERVICE

Dear Ross:

Sumas Energy 2, Inc. is filing effective March 16, 2000 our request for transmission service on BC Hydro's electric system in support of our proposed 660-megawatt power plant in Sumas, Washington.

The Point of Connection of our 230kV International Power Line is the BC Hydro Clayburn Substation in Abbotsford, British Columbia. The Term of Transaction is twenty-five (25) years. The start Date of Service is approximately September 2002. The termination Date is September 2027. The amount of capacity and energy to be transmitted is 660-megawatts and 5,782 GWh, respectively. The Point of Receipt is the BC Hydro Clayburn Substation and the Point of Delivery is the BC/USA border on the BCHxBPAT path.

Bonneville Power Administration Linked Transmission Service Request

I have also enclosed a copy of our recently filed transmission service request to BPA for 660-megawatts at the BC/USA Border (Blaine) on the 550kV bus. Our request should be posted on the BPA OASIS.

Facilities Study Agreement

Since an updated System Impact Study is not required (a similar study was done with a plant of 710 megawatt output), we can proceed directly with the Facilities Study similar to the proposal sent to us on November 8, 1999 by Gerry Garnett. Assuming the current Scope of Work and costs have not materially changed, we are prepared to authorize the work to be done on the system improvements at the Clayburn Substation and related transmission line connections.

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BRUCE THOMPSON & ASSOCIATES

When the Facilities Study Agreement is finalized, please forward it to me for execution.

I trust the foregoing has been helpful and that you will call me if you have any questions.

Respectfully,



Bruce Thompson
Senior Vice President

WATER CONTROL HYDRO AND POWER AUTHORITY
1000 West 10th Street
Vancouver, British Columbia V6Z 1A7
Tel: (604) 681-2222
Fax: (604) 681-2223

BT:mw

Enclosure: **BC Hydro Completed Application**
1) Attachment B, 3 pages
2) Specifications, 2 pages
BPA Transmission Service Request

- cc: G. Garnett, BC Hydro
- D.F. Gillespie, BC Hydro
- Y. Mansone, BC Hydro
- J. Thomson, BC Hydro
- R.J. Threlkeld, BC Hydro
- B. Bolden, IHI
- C. Godsoe, LD
- D. Jones, SE2
- J. Nash, CW
- D. Eaden, SE2
- C. Blumenfeld, PC
- C. Martin, NESCO
- M. Schreck, C&S

ATTACHMENT B

FORM OF SERVICE AGREEMENT FOR LONG-TERM FIRM POINT-TO-POINT TRANSMISSION SERVICE

- 1.0 This Service Agreement, dated as of March 16, 2000, is entered into, by and between British Columbia Hydro and Power Authority (B.C. Hydro) (the "Transmission Provider"), and Sumas Energy 2 Inc. (SE2) (the "Transmission Customer").
- 2.0 The Transmission Customer has been determined by the Transmission Provider to have a Completed Application for Long-Term Firm Point-To-Point Transmission Service under Tariff Supplement No. 30 (the "Tariff"). Reference B.C. Hydro "OASIS" request number _____.
- 3.0 The Transmission Customer has provided to the Transmission Provider an Application deposit in accordance with the provisions of Section 17.3 of the Tariff.
- 4.0 Service under this Agreement shall commence on the later of: (1) the requested service commencement date; or (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed; or (3) such other date as it is permitted to become effective by the Commission. Service under this Agreement shall terminate on such date as mutually agreed upon by the parties.
- 5.0 The Transmission Provider agrees to provide and the Transmission Customer agrees to take and pay for Firm Point-To-Point Transmission Service in accordance with the provisions of Part II of the Tariff and this Service Agreement.
- 6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Transmission Provider:

G.A. Garnett

Manager, Network Operations Services, Burnaby Mountain

British Columbia Hydro & Power Authority

c/o 6911 Southpoint Drive,

Burnaby, B.C.

Canada, V3N 4X8

Facsimile number: (604) 473-2722

Telephone number: (604) 293-5811

Transmission Customer:

Bruce Thompson

Senior Vice President, Sumas Energy 2, Inc.

335 Parkplace, Suite 110

Kirkland, Washington

USA, 98033

Facsimile number: (425) 803-6902

Telephone number: (425) 889-1000

7.0 No failure by B.C. Hydro or the Transmission Customer at any time or from time to time to enforce or require a strict observance of any of the provisions of this Service Agreement shall constitute a waiver of the provision or affect or impair such provisions or the right of B.C. Hydro or the Transmission Customer at any time to enforce such provisions or to avail itself of any remedy it may have.

8.0 (a) This Service Agreement shall be construed in accordance with the laws of the Province of British Columbia; and

(b) B.C. Hydro and the Transmission Customer will promptly comply with all relevant laws and regulations and the relevant orders, rules and requirements of all authorities having jurisdiction.

9.0 Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.

10.0 This Service Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors.

11.0 The Tariff and the attached Specifications for Long-Term Firm Point-To-Point Transmission Service is incorporated herein and made a part hereof.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

Transmission Provider:

By: _____ Senior Vice-President, T&D _____

R.J. Threlkeld Title Date

Transmission Customer:

By: Bruce Thompson Senior Vice President, SE2 MARCH 10, 2000

Bruce Thompson Title Date

**SPECIFICATIONS FOR LONG-TERM FIRM POINT-TO-POINT
TRANSMISSION SERVICE**

- 1.0 Term of Transaction:** Twenty-Five (25) Years
Start Date: Approximately September, 2002
Termination Date: September, 2027
- 2.0 Description of capacity and energy to be transmitted by Transmission Provider including the electric Control Area in which the transaction originates.**
660MW of Reserved Capacity and 5,782 GW.h per year of energy transmitted from the British Columbia Hydro and Power Authority Control Area to the Bonneville Power Administration (BPA) Control Area at the British Columbia/United States border. Energy transactions originate in the British Columbia Hydro and Power Authority Control Area
- 3.0 Point(s) of Receipt:** The British Columbia/United States border at or near the Clayburn Substation.
Delivering Party: Sumas Energy 2, Inc.
- 4.0 Point(s) of Delivery:** The BC/USA border on the BCHxBPAT path
Receiving Party: Purchasers in the Pacific Northwest and/or Southwest United States. Sumas Energy 2, Inc. will be an Exempt Wholesale Generator (EWG) under the Federal Energy Regulatory Commission (FERC) regulations. It will operate as a merchant power plant.
- 5.0 Maximum amount of capacity and energy to be transmitted (Reserved Capacity):** 660MW and 5,782 GW.h energy.
- 6.0 Designation of party(ies) subject to reciprocal service obligation:**
Sumas Energy 2, Inc. will be a merchant independent power plant that is not

affiliated with or owned by another United States corporation. Sumas Energy 2, Inc. will own the assets of the power plant facility and will maintain and operate the cogeneration plant as a private power company. Sumas Energy 2, Inc. will own and operate the 230 kV international power lines to be located in British Columbia and the United States and the transformer yard, substation and switchgear, and related electrical equipment at the generation plant in Sumas, Washington. Sumas Energy 2, Inc. will design and finance, subject to British Columbia Hydro and Power Authority's review and approval, improvements to the Clayburn Substation that will comply with British Columbia Hydro and Power Authority's interconnection standards. The 230 kV interconnection will require adding a new electrical bay to the Clayburn Substation along with breakers, meters, communication, control, and other required equipment. Sumas Energy 2, Inc. will not have reciprocal service obligations with any existing or future power plant, investor owned utility or public utilities. It does not own, control or operate other transmission facilities in Canada or the United States.

- 7.0 Name(s) of any Intervening Systems providing transmission service:**
Bonneville Power Administration and transmission entities in the Pacific Northwest and/or Southwest USA.
- 8.0 Service under this Agreement may be subject to some combination of the charges detailed below. (The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.)**
- 8.1 Transmission Charge:** Per with British Columbia Hydro and Power Authority Tariff Rate Schedule 3001.
- 8.2 System Impact and/or Facilities Study Charge(s):** To Be Determined
- 8.3 Direct Assignment Facilities Charge:** To Be Determined
- 8.4 Ancillary Services Charges:** Per with British Columbia Hydro and Power Authority Tariff Rate Schedules 3003 To 3010. As Applicable.