

March 31, 2006

Ms. Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: FERC Project No. P-12495 (Cascade Creek Hydroelectric Project)
SUB: Fifth Six Month Progress Report

Dear MS. Salas:

This letter is submitted in compliance to Article 4 of the preliminary permit for the above referenced project.

Fifth Six Month Progress Report

The fifth six months involved the following work:

1. Provided developmental and engineering information to the Alaska Energy Authority's consultant (Acres International) in the study of a transmission interconnection to British Columbia.
2. Continued work with the State of Alaska and Southeast Alaskan communities to develop the interconnection with North America.
3. Formed a strategic alliance with Canadian entities Edmonton Power Corporation (EPCOR) and Valard Construction with Tollhouse Energy (parent company of Cascade Creek, LLC) to promote construction of the Canadian portions of the Alaska – Canada Intertie.
4. Submit the EPCOR proposal to BCTC to build, own, operate and transfer the transmission line From Skeena, BC to the Alaska Border (see attached executive summary).

The next six month period will consist of the following work:

1. Prepare a Pre-Application Document.
2. Verify historical Stream gauge recordings.
3. Perform conceptual engineering

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If there are any questions or need for additional information, please call Richard Rosenberg at (360) 738-9999, ext. 129.

Sincerely,

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EXECUTIVE SUMMARY - PRELIMINARY PROPOSAL ON HWY 37 NW BC TRANSMISSION

Introduction:

The British Columbia Transmission Corporation, BC Hydro Corporation and the Government of British Columbia (jointly as “proponents”) are currently exploring options for the Highway 37-BC Northeast Transmission lines to:

- provide mining companies with energy;
- enable the region to develop renewable resource energy projects;
- assist Alaska with stranded energy assets; and
- expand economic development opportunities in this remote region of the province.

Some of the challenges and issues facing the proponents of the Highway 37 Transmission Project are:

- timing of the project to meet mining development schedule;
- determining economic viability of the Project and protection of existing rate payers inheriting a debt burden;
- mitigating risk of capital cost/schedule certainty along with construction risk;
- finding alternate Project delivery methods;
- funding for the interim financing of the project, until a financially sustainable scenario emerges; and
- centralizing project coordination to avoid a fractured approach, duplication of costs and other resources amongst the area developers.

The Government of British Columbia has retained a facilitator Mr. Kevin Mahoney to assist with options to meet the objectives of implementing a Highway 37 Transmission Project and addressing some of the challenges and issues facing the proponents. During discussions with EPCOR and Tollhouse Energy Company, BCTC and Mr. Mahoney expressed an interest in exploring a private finance initiative for the delivery of the project to deal with many of the issues currently facing the Project’s development. At the request of Mr. Mahoney and Mr. Rohan Soulsby of BCTC, EPCOR BC/PNW has developed a preliminary proposal for the proponent’s consideration.

The EPCOR Proposal:

EPCOR BC/PNW is proposing to Build-Own-Operate-Transfer (BOOT) over a 20 year term the various phases of the transmission line on highway 37 on behalf of the proponents. This arrangement entails:

- the initial financing of the Project on a cost certain and schedule certain basis;
- a twenty year fixed annual payments to be made on the Project to EPCOR by the proponents with the option to include O&M services for the term;
- EPCOR being the single point of responsibility for the Project including coordination with developers benefiting from the Project;
- a flexible financial structure that allows off balance sheet financing for the proponents until the eventual transfer of the Project ownership to BC Hydro. The project would also be open to initial partial capital contributions from the benefactors of the Project;
- definitive agreements between the parties being worked out in 90 days after proposal approval to allow for a January, 2007 construction commencement.

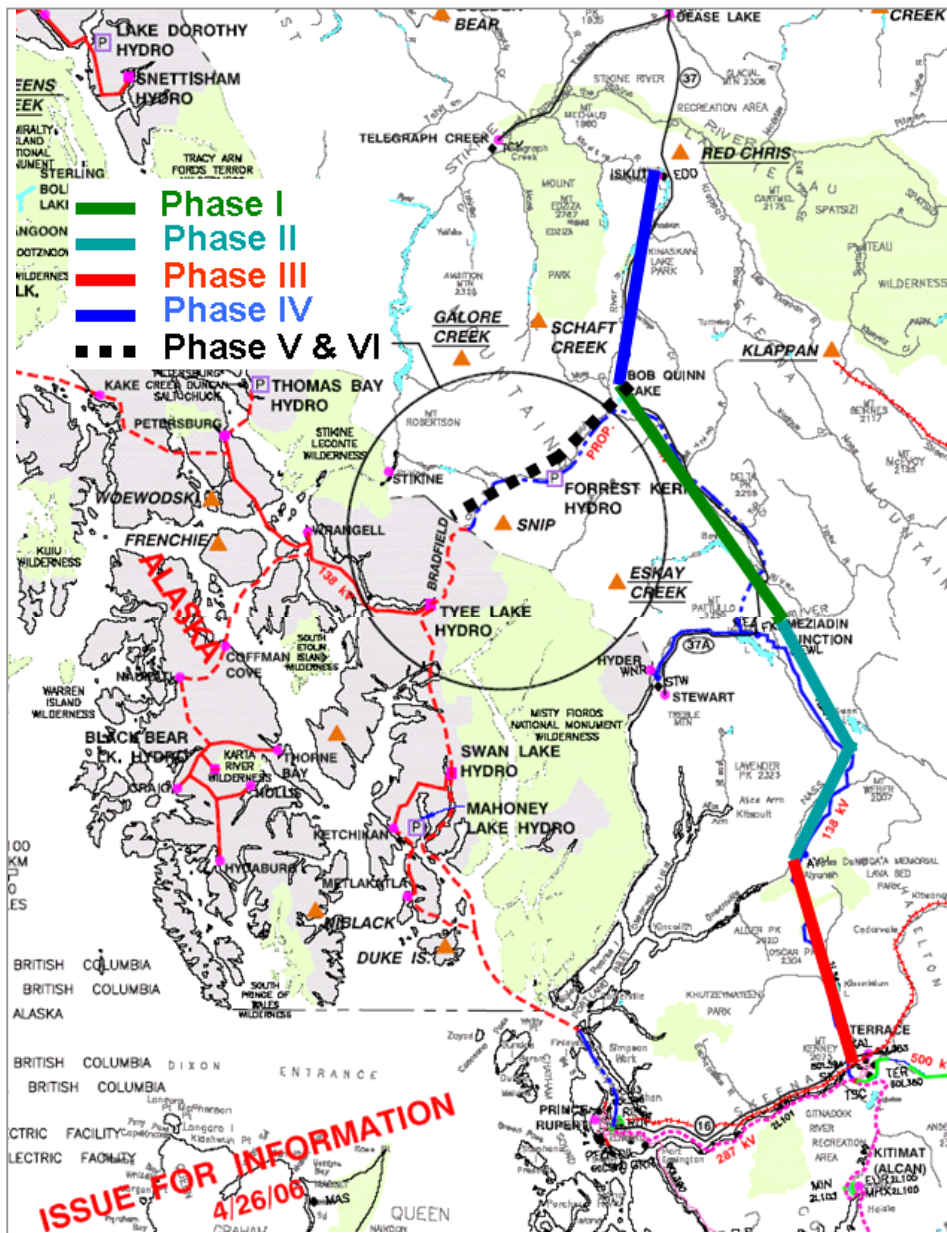
Proposed Project Risk Allocation	
<u>Risk Description</u>	<u>Allocated to:</u>
Capital Cost Overrun	EPCOR
Delay in Completion	EPCOR
Construction Performance	EPCOR
Capacity Performance	EPCOR
Asset Management/Maintenance	Optional
Project Permitting	Shared
Project Financing	EPCOR
Project Periodic Payments	BCTC/BC Hydro
Force Majeure	To be Determine
Change in Law	To be Determine

Preliminary Roll-Out Plan and Schedule:

EPCOR is proposing to develop the project in four phases (Phase I to IV) as contemplated by the proponents with an additional two phases (Phase V & VI) as required by hydro developments to the west of highway 37.

The chart provides a summary of the phases and proposed schedule for development. These dates can be adjusted to meet the timing of the proposed mining developments.

Phase	Description	2007	2008	2009	Duration
I	Meziadin to Bob Quinn	█			8 months
II	Alyansh to Meziadin		█		6 months
III	Skeena to Alyansh		█		6 months
IV	Bob Quinn to Iskut			█	8 Months
V	Bob Quinn to Forrest Kerr			TBA █	6 months
VI	F. Kerr to BC/AK Border			TBA █	8 months



Preliminary Financial Implications:

Table below provide the financial implications based on capital construction cost in 2006 dollars and project commencement date of January 2007:

Phase	Description	kms	Capacity Charge	O&M	20 Year Annual Payment
I	Meziadin to Bob Quinn	126	Confidential		
II	Alyansh to Meziadin	108			
III	Skeena to Alyansh	101			
IV	Bob Quinn to Iskut	105			
	Miscellaneous S/S Upgrades	n/a			
Sub Total Phase I, II, III, IV					
V	Bob Quinn to Forrest Kerr	44			
VI	Forest Kerr to AK/BC Border	58			
All in Total to Alaska Border					

Key Commercial Terms and Assumptions:

The assumptions of our financial proposal are as follows:

- Costs are indicative at this time, but unlikely to change significantly except to reflect the construction market at the time of execution of the contract and the negotiated contractual terms and conditions.
- All costs proposed are in 2006 \$. Each individual project phase under a 20yr financing term commencing COD.
- All lines are built at 287kV, EPCOR Team willing to offer a 20 year maintenance agreement of the lines to ensure best practices deployed in the project construction.
- Where applicable a 2% rate of inflation has been used. Annual construction costs escalations have not been incorporated and will depend on a confirmed phasing plan. No GST taxes assumed (likely exempt).
- Costs include 100% financing of the Capital Cost with no provision made currently of developer contribution.

The Commercial Framework of EPCOR Offer:

- The contract will be between an EPCOR based entity and BCTC/BC Hydro.
- Annual payments to be made by BCTC/BC Hydro to EPCOR. Security of payments needs to be worked out.
- The Project will be delivered under a Build-Own-Operate-Transfer (BOOT) arrangement. Early break in contract will have an element of a break fee.
- Ongoing O&M over the term is optional.
- The following aspects to be determined by the parties:
 - 20 year hand-over responsibilities and obligations
 - Reliability and performance requirements (including design guidelines)
 - Possible wheeling implications if line is connected to Alaska
 - Project permitting requirements
 - Project Right of Ways and land lease/ownership issues
 - Force Maieure implications

Payments would be reduced accordingly if contributions are negotiated.

- Schedule has not allowed for delays in EIA approval (EPCOR willing to share this risk).

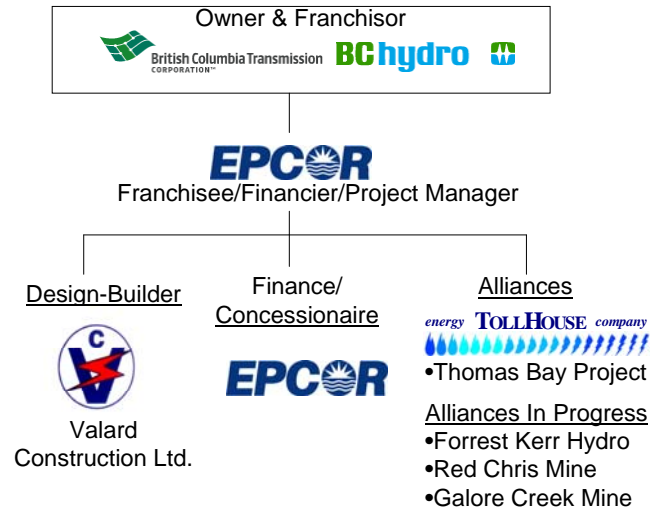
In overall terms the financial and commercial arrangement enables the transfer of key financial and technical risk and introduces a level of accountability previously not available under a traditional approach for design-bid-build projects.

The EPCOR Team and Business Arrangement:

EPCOR British Columbia/PNW is the lead private partner willing to undertake the Highway 37 Transmission Project on a Build-Own-Operate-Transfer basis. EPCOR Utilities Inc. has a portfolio of \$5.2 billion in assets (consolidated, 2005) and annual sales of \$2.7 billion (2005). EPCOR has a credit rating of BBB+ by Standard & Poor's, and A (low) by Dominion Bond Rating

Service Limited (DBRS). EPCOR is therefore well able financially, to undertake this initiative through private participation. EPCOR has had previous experience with various private sector models in delivery of infrastructure services.

EPCOR has partnered with Valard Construction Ltd., a 25 year old western Canada based overhead and underground electrical distribution systems turn key contractors who have undertaken projects from 2400-25 kV and are well capable of undertaking this assignment with EPCOR on a turn key basis. Assisting EPCOR and Valard is the firm of Tollhouse Energy Company based in Bellevue, Washington State. Tollhouse is a hydro project developing company with interest in the Thomas Bay Project in southern Alaska. They have been instrumental in spearheading the development of highway 37 transmission on behalf of the developer community on both side of the borders and will be instrumental in bringing various interested parties to participate on the project in unison. The Team also has extensive experience with operating and maintaining electrical infrastructure and specifically in western Canada. This Team is therefore best placed to offer total service delivery for the Project.



The EPCOR Team is very interested in partnering on this initiative and would welcome the opportunity to hold further discussions with BCTC, BC Hydro and the Government of BC on our offer. A summary of the various business arrangements proposed is provided under the organization chart above.

Next Steps:

The following is an implementation plan with a schedule for completion, which will provide the proponents with a definitive scope of commitments and contractual relationship to move the project to the development phase.

