

NRU CONSULTING SERVICES LLC

To: Northwest Requirements Utilities LLC RFP Respondents

From: John Saven, Chief Executive Officer

Re: RFP Evaluation Update

Date: March 27, 2009

The purpose of this memo is to provide you with an update regarding the NRU LLC non-federal power supply RFP that you responded to in December 2008. While a few months have passed and regional power supply needs have changed, we are still intent on moving forward to secure non-federal power supply to meet the above BPA High Water Mark loads of our members for the period beginning October 1, 2011.

Organizational Issues – Current Status

In December 2008, Northwest Energy Supply Cooperative (NESC) was formed as a new G+T Cooperative with our Articles of Incorporation filed with the State of Oregon. NESC will sign power supply contracts on behalf of all of the Coops that join the new organization.

In March 2009, Northwest Intergovernmental Energy Supply (NIES) was formed as an Intergovernmental Entity under Oregon law. NIES will sign power supply contracts on behalf of all of the member Municipals, PUDs and Special Districts that join the organization.

The interim Boards of these two organizations will be meeting within the next two weeks to address a variety of startup issues.

Utilities will have until April 30, 2009 to sign a Load Commitment Agreement (LCA) and Membership Agreement to join NESC or NIES for the 17 year period of the new BPA contracts. These documents will commit the utilities to place at least 50% of their above BPA High Water Mark loads on the organization for each two year interval when a new HWM is set. These LCAs should provide certainty to our power suppliers that NIES and NESC will have the necessary flow of funds from members to meet their underlying financial obligations.

Operational Issues

We are in the process of developing an agreement with BPA Power Services and Transmission Services for transmission where the LLC would act as agent for the members collectively. This proposed agreement would facilitate the delivery of non-federal power that we interconnect to BPA's main transmission grid. In other words, our resource suppliers will need to work with us to deliver power to an identified uncongested point on the BPA grid, rather than trying to arrange power flows potentially to multiple utilities in seven different states.

Amount of Load Placement on New Organization

In May of 2009 BPA will develop “Transitional High Water Marks” for all utilities. Each utility will then know for the period of FY 2012 – 2013 the amount of above High Water Mark exposure they are facing. This number will be expressed as an annual flat block for each utility.

Given the status of the regional economy, it is our expectation that the above HWM load exposure utilities have collectively will be less than what was previously forecast last October when our RFP was developed. BPA is responsible for producing the above HWM numbers. While the outcome is not certain, it is fair to say that the 100 aMW we initially identified in the RFP for FY 2012 - 2013 may be twice what our needs are for the initial transitional period.

By mid June utilities will tell us the amount (50% to 100%) of above HWM load they are placing on the organization. In general by that timeframe NESC and NIES would then be a position to work together to negotiate and execute contracts for non-federal power supply deliveries.

Refreshing Respondent Bids to the RFP

In addition to general changes in the economic climate, the passage of the American Recovery & Reinvestment Act of 2009 may have a significant impact on the price of future power supply, particularly for renewable resources. Because of these changes, as well as the passage of time, we will want to work with the RFP respondents to “refresh” or update their proposals once we are closer to the point where we will be screening resources and selecting respondents for negotiations. We will provide a period of up to 30 days for the revisions. This would be an opportunity for market participants to update prices based on current conditions. We will not limit respondents to resources or products bid into the initial RFP.

While we believe this update is prudent for all parties given the circumstances, it is important to note that we are not reissuing the RFP, nor are we intending to generally solicit new proposals from parties that did not initially respond to the RFP.

Please continue to check our website for other general information regarding our RFP process: NRU-NW.com/Consulting.htm. The updating period will likely begin near the end of May. However, we do intend to provide written notification to all parties of the opportunity and timeframe for updating bids.

Thanks for your continued interest in the NRU LLC. Now that our organizational issues are being successfully resolved, we look forward to long term business relationships with Northwest suppliers of non-federal power supply. If you have any questions on these matters, please feel free to contact me at (503) 233-5823, or Tim Castille at Lands Energy Consulting castille@landsenergy.com (360) 885-4567.