

NRU CONSULTING SERVICES LLC

To: Northwest Requirements Utilities LLC RFP Respondents

From: John Saven, Chief Executive Officer

Re: RFP Evaluation Update

Date: June 17, 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. In April I advised you that the RFP process would be “on hold” until we received a final set of “above High Water Mark” load forecasts for the NRU LLC members that joined our new organization. BPA completed that process at the end of May 2009. As a result of the overall economic decline in the Northwest, the total retail loads now projected for FY 2012 – 2013 are substantially lower than BPA previously predicted, and frankly than we expected.

On the positive side we had 20 utilities, located in 7 states, and representing over 1,000 aMW of total retail load, sign contracts to join our new organization. Pursuant to a Load Commitment Agreement, for a 17 year period these utilities agreed to place 50% or more of their above HWM loads on the organization when their above HWM load initially exceeds 1.0 aMW on a forecast basis. These utilities represent a mix of Coops, Municipals, and PUDs. However, for these 20 utilities, only 4 have above HWM loads of greater than 1.0 aMW in FY 2012. This accounts for slightly less than 10.0 aMW in FY 2012 and 20.0 aMW in FY 2013. Some utilities with less than 1.0 aMW above their HWM may place such load on the new organization rather than relying exclusively on the BPA Load Shaping Charge. We will have final load commitments by June 30th. However, it is unlikely that our total non-federal power requirements will exceed 10 aMW and 20 aMW respectively.

In light of these circumstances, and based on recommendations of consultants and staff, on June 2nd the Members agreed that for the FY 2012-2013 period, we should focus on short term market purchases of flat blocks of power. Depending upon price, terms and conditions, we may consider market purchases for longer than two years.

Assuming a return to historic growth rates of about 1.25% applied to total retail load, and some degree of economic recovery, we forecast load served by NRU LLC to approximately 35 aMW in FY 2014 and growing in the years beyond that. Our strategy is to serve the initial modest load obligation with market purchases and to consider longer term resource commitments for a larger amount of power beginning in FY 2014.

From an organizational perspective, the new entities described in the April update, Northwest Energy Supply Cooperative, Northwest Intergovernmental Energy Supply, and Northwest Energy Supply Services, have all been formed and are operational. These new entities will allow Coops to work in close conjunction with Municipals and PUDs in procuring non-federal power

supply. We are also in the process of working with BPA Power and Transmission Services on a new business relationship where the LLC could act as agent for the members collectively as BPA NT transmission customers. Regardless of current economic conditions, our new organizations plan to have a growing reliance on the use of non-federal power supply resources.

In the weeks ahead, Tim Castille of Lands Energy Consulting, working with the LLC staff and attorney, will be initiating a process for a “refreshing” of bids from the RFP market participants based on our final load commitments. Our members need to provide notification to BPA by November of 2009 regarding the initial split of federal and non-federal resources for above HWM loads. Therefore we would like to move forward with negotiations in an expedited manner during the summer. A more detailed proposed schedule will be posted on our website in early July once the final purchase amounts are known.

Please continue to check our website for other general information regarding our RFP process: NRU-NW.com/Consulting.htm. Additional information will be sent to the bidders proposing market purchases.

Thanks for your continued interest in the NRU LLC. We regret any inconvenience our revised plans may have caused, but they are primarily a result of regional economic forces beyond our control. Hopefully we can work again with you in the future. 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.