

CASHMERE ELECTRICAL SYSTEM

April 16, 2007

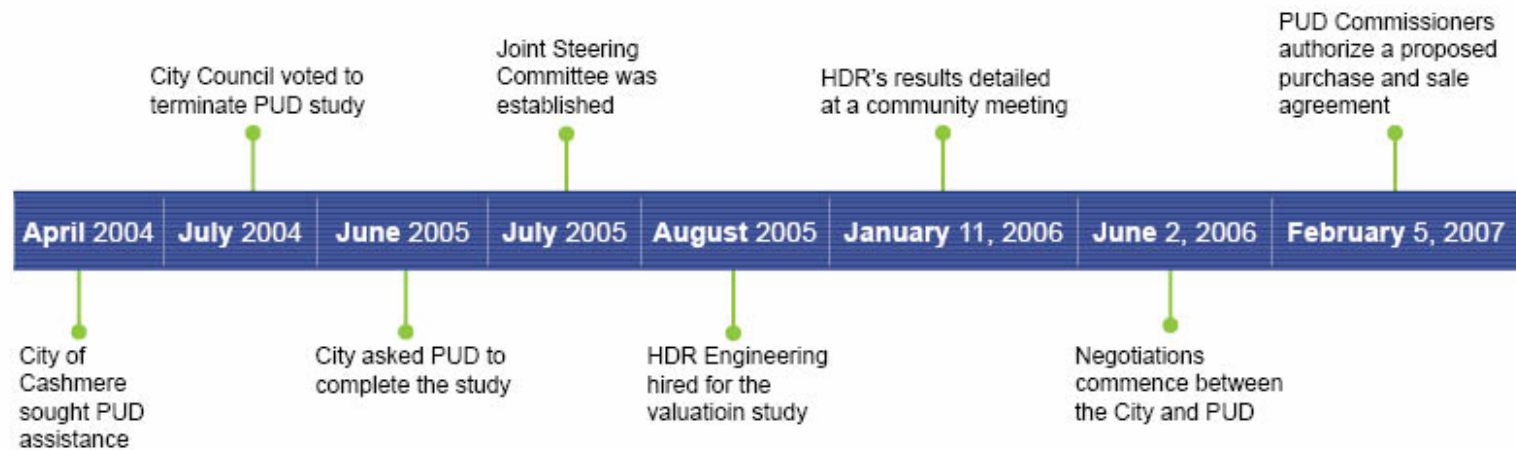
AGENDA

- Cashmere electrical system overview
- Process timeline
- Original purchase offer
- Managing risks
- Discussions and staff recommended counteroffer
- Next Steps

CASHMERE ELECTRICAL SYSTEM OVERVIEW

- Historical relationship with PUD
- 13.5 miles of line over one square mile
- Three substations
- Approximately 1,200 meters
- Peak loading 16.7MW with 25MVA capacity
- Load growth estimated at 1%
- System integration

Process Timeline



ORIGINAL PURCHASE OFFER

- Electrical System Sale
 - Real property (Blue Star, Jarvis & Simmer Substations)
 - Easements acquired by City
 - Electrical infrastructure
- First right of refusal to City for Jarvis & Simmer Substations
- City sets up bond payment and escrow account
- Purchase Price: \$3.5 million
- Grant of franchise to District
- Termination of Power Sale Agreement
- Conditions to closing

MANAGING THE RISKS

- Property title verification
- Electrical system operations
- Environmental assessment
- Feasibility study
- Transition period

CITY/PUD DISCUSSIONS AND COUNTEROFFER

- **February 5, 2007:** Commission approved Purchase & Sale Agreement offer
- **February 27, 2007:** City counteroffer received
- **March 12, 2007:** District staff response with questions and possible changes
- **March 23, 2007:** City response through City Attorney letter
- **March 29, 2007:** District staff letter to City with redlined Purchase & Sale Agreement
- **April 2, 2007:** City Council holds public hearing on PUD offer and recommended changes

RECOMMENDED PURCHASE OFFER REVISIONS

- City first right of refusal for all substations
- District covenant to serve City and customers
- Qualification of due diligence requirements for tanks (not presently on real property, under 20 gallons, which contained vehicle fuel)
- Qualification of environmental indemnity consistent with federal and/or state law
- Closing date on or before December 31, 2007, unless otherwise agreed
- Mutual indemnification

NEXT STEPS

- Commissioners could approve staff's recommended counteroffer (today's resolution)
- Commissioners could reject staff's recommended counteroffer
- Commissioners could renew original offer