



Office of the General Manager

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April 24, 2007

**Subject: Public Utility District No. 1 of Snohomish County
Investigation of Puget Sound Renewable Tidal Energy Generation**

This letter provides an update to key stakeholders regarding the status of Snohomish County PUD's FERC request for preliminary tidal energy permits to investigate the tidal energy resource in Puget Sound.

Last month Snohomish PUD received preliminary permits from FERC to study all seven sites (Deception Pass, P-12687; Rich Passage, P-12688; Spieden Channel, P-12689; Admiralty Inlet, P-12690; Agate Passage, P-12691; San Juan Channel, P-12692; and Guemes Channel, P-12698). Snohomish PUD has made no commitment at this time beyond studying the feasibility of these sites and will only consider proceeding to implementation after due diligence and public policy discussion which confirms their environmental, technical, and economic viability.

Snohomish PUD has an interest in tidal energy as a potential form of environmentally-friendly, renewable energy in part as a response to growing electrical demand and concerns about relying on fossil-fueled generation sources. The passage of a Renewable Portfolio Standard in Washington State late last year now mandates and quantifies the inclusion of renewable energy resources in our energy generation portfolio. While Snohomish PUD, like other utilities in the region, has undertaken an aggressive conservation program, loads continue to grow. Wind power continues to be the primary source of renewable generation, but the most promising remaining sites are in eastern Washington and require the use of an already constrained transmission system. In addition, the long transmission lines from eastern Washington result in significant line losses, and those lines are vulnerable to avalanches and other natural or man-made disasters.

While wind energy continues to remain an important part of the region's renewable portfolio, other forms of renewable energy may exist in our own backyard. The state of Washington is a coastal state and, together with the tidal activity of Puget Sound, we have the opportunity to explore a variety of wave and tidal opportunities. Having a clean and renewable source of energy in the Puget Sound area that can be connected directly into our shared local grid could provide many environmental, operational, and economic benefits. For these reasons we believe it is in the best interests of our customers and the region to engage in a responsible investigation of tidal energy.

A provider of quality water, power and service at a competitive price that customers value.

Commissioners: David Aldrich, Kathleen Vaughn, Tanya Olsen • General Manager: Steven J. Klein

Coincident with the receipt of preliminary permits, Snohomish PUD has now begun to formally develop plans to investigate the environmental, technical, and economic viability of tidal energy production in Puget Sound. In 2007 this work will include gathering existing relevant information for each of the seven sites (environmental information, multi-use issues, tidal current data, bathymetry/geotechnical data, grid connection options, etc.), as well as conducting some direct current measurement (utilizing acoustic Doppler current profiling techniques). Much of the existing information will be gathered via consultation and outreach meetings with key stakeholders. Snohomish PUD is currently developing the consultation/outreach plan for meetings this year and we are currently anticipating that these meetings will begin in June and continue throughout 2007.

We look forward to your input and ideas as the preliminary study process begins. Your interest and participation is important to us. If you have any questions, please contact me or the Project Manager, Craig Collar (425-783-1825). You can also visit our website at www.snopud.com for updates on the PUD's investigation of tidal energy. If you wish to be removed from communication lists associated with this project, please contact us and we will remove your name from our distribution lists.

Sincerely,



Steven J. Klein
General Manager
Public Utility District No. 1 of Snohomish County