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July 20, 2006

Tulalip Indian Tribe
6700 Totem Beach Road
Tulalip, WA 98271

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

This letter is an update of our June 13, 2006 letter, and is intended to inform you of Snohomish PUD's recent filing of study permits for seven tidal energy sites in the Puget Sound area. Those sites are: Deception Pass, Admiralty Inlet, Agate Passage, Rich Passage, Guemes Channel, San Juan Channel (southern entrance), and Spieden Channel. We expect a decision on the applications in August or September, after the 60-day public comment period has expired. We reiterate that Snohomish PUD has made no commitment at this time beyond studying the environmental, technical, and economic feasibility of those sites and will only consider proceeding to implementation after careful due diligence and public policy discussion that confirms the environmental and economic viability of the sites.

As we indicated in our earlier letter, Snohomish County PUD recently began exploring 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 to meet that demand. 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 will continue 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. It is for these reasons that the preliminary permit applications mentioned above were recently filed.

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

As you may be aware, one of our applications, for the Deception Pass location, is competing with an application from an out-of-region entity. This entity has also filed dozens of applications throughout the country. It is our understanding that they did so with the hopes of gaining control of those sites. The Federal Energy Regulatory Commission (FERC) generally favors the first entity to file an application, and once FERC issues a study permit to an entity, that entity has exclusive rights to study that site. When we learned of the Deception Pass filing we had to expedite our filings in order to protect the remaining sites from being filed on by an out-of-region party, and also to meet the relatively short deadline to file a competing application for the Deception Pass site. Had we not accelerated our efforts to file, we likely would have lost any opportunity to have a local entity, such as ourselves, be in a position to study the sites from the perspectives of a Puget Sound resident.

A number of parties may have an interest in learning more about tidal energy and these filings. If you know of a group or entity you believe would be interested in discussing these matters, please let us know or have them contact us. There may be an opportunity for the entire region to benefit from the investigation and potential production of clean and renewable energy. What is learned and accomplished by this effort could be a model for the exploration of other renewable energy opportunities.

As this study and process unfold, we look forward to your input and ideas. Your interest and participation is important to us. If you have any questions, please contact me or Jeff Kallstrom (425-783-8250). Jeff is coordinating the application process and facilitating our communications on the tidal power initiative.

Sincerely,



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