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FOR IMMEDIATE RELEASE

LAKE TAPPS PURCHASE AGREEMENT FINALIZED; MEMBER REVIEW UNDERWAY

(February 29, 2008) The agreement providing for the Cascade Water Alliance's (Cascade) purchase of Lake Tapps from Puget Sound Energy (PSE) has been finalized and has been made available for review by the eight Members of Cascade, the Cities of Bellevue, Issaquah, Kirkland, Redmond and Tukwila, the Covington Water District, the Sammamish Plateau Water & Sewer District, and the Skyway Water & Sewer District.

Each Member's legislative body will receive a briefing on the content of the agreement from Cascade at a regularly scheduled meeting. By March 17, all Members will have received the Cascade briefing and had the opportunity to review the agreement.

Following Member review, the Cascade Board of Directors is expected to approve and authorize for execution the Lake Tapps Asset Purchase Agreement at its March 26th meeting. PSE's board of directors has not yet approved this transaction, but the board is expected to consider it sometime soon.

"This is an historic agreement," says Grant Degginger, immediate past chair of Cascade and Mayor of the City of Bellevue. "Diligent negotiations with PSE over the past three plus years have concluded an extremely complex transaction for Cascade's acquisition of Lake Tapps. In addition to the purchase agreement, Cascade's efforts with PSE, the Lake Tapps community, the Puyallup Tribe of Indians, the Muckleshoot Indian Tribe, the State Department of Ecology and others is about to culminate in an undertaking that protects Lake Tapps as a community resource, enhances fish habitat and environmental stewardship, and ensures a long term and reliable water supply for a growing and thriving region."



Background

In 1999 a group of cities and water districts in King County joined together to form the Cascade Water Alliance to secure a reliable water supply to meet growing future demands in their service areas. Today, Cascade Members serve over 300,000 residential customers and 22,000 businesses. Population in King County is expected to grow by over a million by 2030. Cascade Members determined that even with the successful execution of long term water supply contracts with the City of Seattle and the City of Tacoma, a new, major regional water supply source was needed. Cascade accepted the responsibility for finding a new water supply source and developing the infrastructure necessary to deliver it to the region.

Approximately seven years ago, the Lake Tapps Task Force (LTTF) developed a list of preferred options for preserving Lake Tapps. One of those options involved the development of the Lake as a municipal water source. In 2001, Cascade and PSE entered into a memorandum of understanding to jointly pursue the water rights necessary to implement a municipal water supply project along side PSE's ongoing hydroelectric operation. .

In April 2005, following the end of hydropower generation, PSE and Cascade established the general terms and conditions for Cascade's purchase of Lake Tapps, its associated water rights and all other facilities necessary for Cascade to operate the reservoir and develop a municipal water supply project. Since that time, all parties have been diligently negotiating to reach a final agreement.

The Agreement

Under the terms of the Asset Purchase Agreement, Cascade will be acquiring all the assets (real property, facilities and water rights) necessary to operate Lake Tapps as a recreational and water supply reservoir. To this end, Cascade will acquire assets including:

- Over 150 parcels of land, including Lake Tapps
- Facilities including the barrier dam near Buckley, the Headworks and canal feeding Lake Tapps, fish screens, settling basins, dikes, withdrawal structures, penstocks and power house
- Hydropower water right and municipal water rights applications
- Other existing contracts and agreements associated with Lake Tapps

The amount Cascade will pay to PSE totals \$39 M which includes a Minimum Purchase Price of \$25M plus \$5M payable only upon issuance of the municipal water rights (which must include certain conditions



of Tribal settlement agreements) to Cascade by the Washington State Department of Ecology (DOE). In addition, Cascade will pay PSE an estimated \$9M for costs associated with developing the municipal water rights, operations and maintenance expenditures, and facilities improvements.

A number of conditions must be met to close the transaction. The Washington Utilities and Transportation Commission must approve PSE's sale of the project, all boundary line adjustment applications must be approved and appropriate title insurance must be issued. .

What the sale means for Lake Tapps, the surrounding community, and the region

"With this agreement in place, the Lake's future is protected. Cascade will manage Lake Tapps for recreation and enhancement of fish and the environment, as well as municipal water supply," says Ed Oberg, Cascade Chief Executive Officer. Cascade anticipates that DOE will issue the final municipal water rights soon and that settlement agreements will be finalized with the Muckleshoot Indian Tribe and the Puyallup Tribe of Indians. Cascade will also be developing a cooperative Lake management process with the Lake Tapps community and continuing discussions with utilities in Pierce County regarding long-term water supply requirements. PSE will operate the Lake under contract to Cascade for up to five years.

Lake Tapps is the centerpiece of Cascade's long-term plan to provide safe, clean and reliable water for its Members and the region. New water infrastructure, along with aggressive conservation programs, are necessary to support a thriving economy and future water demands for people and the environment. The development of Lake Tapps as a water supply source marks a milestone for the region. Over the next decade Cascade will build the infrastructure needed to develop Lake Tapps as a municipal water supply, including a state-of-the-art treatment facility and transmission pipeline. Water from the first phase of the Lake Tapps project is expected to be available by the mid-2020s. Cascade Members are not projected to utilize the full capacity available under the proposed municipal water rights until 2050 or later.

Cascade is committed to being a good neighbor and has made commitments to the Lake Tapps community to work cooperatively with the surrounding homeowners and neighboring cities to make the next 100 years of Lake Tapps as good, or even better, than the first.



History of Lake Tapps: from Hydroelectric Project to Regional Water Supply

- 1911 - Puget Sound Energy developed Lake Tapps and White River Project
- 1983 - FERC requires White River Project to be licensed
- 1997 - License issued and appealed
- 1999 - Lake Tapps Task Force created
- 2000 - PSE submits municipal water rights applications
- 2001 - Cascade and Puget enter into MOU to jointly pursue municipal water rights
- 2003 – Municipal water rights issued by DOE and appealed
- 2004 - PSE ceases power production at White River
- 2004 – Pollution Control Hearings Board remands municipal water rights to DOE
- 2005 - Cascade and Puget execute Term Sheet
- 2005 - Settlement discussions initiated with Tribes
- 2008 Cascade and PSE reach agreement on Asset Purchase Agreement

Looking Ahead

- 2008 – DOE issues municipal water rights (anticipated)
- Mid-2020's - Cascade begins operating initial phase of Lake Tapps regional water supply project (anticipated)
- Mid-2030's – Cascade implements second phase of Lake Tapps regional water supply project (anticipated)
- 2050 – Full capacity of Lake Tapps regional water supply project utilized (anticipated)

For more information please contact Michael Gagliardo, Director of Planning, at 425-453-0930.

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