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KIRKPATRICK & LOCKHART
PRESTON GATES ELLIS LLP

February 25, 2008

Ms. Elizabeth Thomas
Kirkpatrick & Lockhart Preston Gates Ellis LLP
925 Fourth Avenue
Suite 2900
Seattle, WA 98104-1158

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Edward R. Oberg

Re. Lake Tapps Community Council Proposal

Dear Ms. Thomas:

I am writing on behalf of the Board of Directors of the Cascade Water Alliance (Cascade) concerning the proposal for management of Lake Tapps developed by the Lake Tapps Community Council. Cascade appreciated the opportunity to meet with you and representatives of the Council on November 16, 2007 to discuss the proposal and your follow-up letter to Michael Ruark of November 20.

Cascade has carefully reviewed the proposal. We appreciate the initiative and thought put into the effort. However, Cascade is unable to take a position on the Council's proposal as we are on the verge of completing a multi-year negotiation with the Muckleshoot Indian Tribe and the Puyallup Tribe of Indians with respect to Lake Tapps and the White River. Please assure the Lake Tapps Community Council that Cascade remains willing and committed to work with them to accommodate its legitimate concerns about lake levels, recreation, waterfront management, water quality, and public access. Cascade fully recognizes that the Lake has been and will continue to be an important recreational resource.

Cascade is sincerely interested in establishing a positive, long term relationship with the Lake Tapps community. Cascade fully intends to be a good neighbor. It is Cascade's objective to engage the Lake Tapps Community Council, Pierce County, local governments and other stakeholders in meaningful ways as participants in the Lake's management.

While Cascade will acquire Lake Tapps from Puget Sound Energy, Inc. (Puget) in the near future and thus become responsible for managing the operation of the system, it will be many years before we begin to utilize the Lake for water supply. Our current plans do not anticipate drawing water for municipal supply purposes until approximately 2025. During this interval, Cascade will operate, manage and maintain Lake Tapps. This is a substantial financial commitment. The annual operation and maintenance cost of the system is estimated to be approximately \$2 million. In addition, Cascade anticipates capital improvements in the range of \$5 to \$20 million will be required during this period. Cascade is also committing to upgrading the current gauges and installing additional gauges, to provide real time information about river flow, Lake Diversion and Lake Levels to allow for better management of the Lake Tapps.

The first phase of the Cascade water supply project (approximately one-half the total capacity provided for under the proposed water rights) will not be operational until approximately 2025. Construction of the second phase is not scheduled to begin until approximately 2036.

If impacts on recreational lake levels were to occur, such impacts are not likely until sometime in the mid/late 2030's – at least 30 years in the future (Lake Level impacts are projected to occur when the White River is experiencing low flows in combination with maximum withdrawals for municipal water supply). This provides ample opportunity for Cascade, the Lake Tapps Community and others to develop flexible management approaches to minimizing such impacts. Cascade has previously made several commitments and offers to mitigate potential future Lake Level impacts. These offers and commitments still stand and include:

1. Establishing a process for Community participation in determining the annual Spring Refill/Fall Drawdown schedule. This process would begin as soon as Cascade has taken over Lake Management responsibilities from Puget.
2. Engaging the Community to develop strategies to incorporate the objective of preserving recreational Lake Levels as part of Cascade's Shortage Management Plan. In 2006, the Cascade Board passed a resolution committing to take into account the probability of Lake Level impacts as a criteria in determining the appropriate stage of shortage response.
3. Exploring the possibility of "over-filling" the Lake in projected dry years to mitigate potential Lake Level impacts later in the recreational season.
4. Working with the Community and Pierce County to explore ways to manage the Lake bottom (i.e. removal of stumps) to enhance recreational opportunities.

Cascade has appreciated the opportunity to meet with the Council in the past and has indicated to Council representatives that we would like to meet again in late February to present the details of Cascade's transaction with Puget and discuss the next steps in engaging the Community in the management of the Lake.

Sincerely,



Grant Degginger
Chair

CC: Cascade Board of Directors
Ed Oberg
Michael Gagliardo