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General Manager
Gregory A. Booth

November 12, 2008

Linda Lindus, Publisher
Cal Fitzsimmons, Editor
The Daily News
770 11th Ave.
Longview, WA 98632

RE: Publication of CPUD Investigative Report and Legal Opinion

Dear Linda and Cal:

The Clatskanie People's Utility District ("CPUD") Board of Directors has learned that The Daily News of Longview, Washington ("The Daily News") is in possession of an investigative report produced for CPUD by attorney Phillip Griffin, dated April 17, 2007 ("Report") and the accompanying Memorandum prepared by attorney Stacey Mark, dated April 17, 2007 ("Memo"). For the following reasons, we request that The Daily News not publish information from either one, and return to CPUD any copies of these documents that it may have in its possession.

1. CPUD has Not Authorized Any Party to Release or Disclose the Documents.

The Report and Memo are the property of CPUD. As with any potentially sensitive legal document, every reasonable measure was taken by CPUD to ensure that the Report and Memo would remain confidential. First, the Report and Memo were provided only to CPUD's then-sitting Board members and to CPUD's special and general legal counsel. Second, CPUD's general counsel specifically instructed each Board member to delete any electronic copies in their possession, and to return any hard copies in their possession. Third, all existing hard copies known by CPUD to exist were collected from the individual Board members and retained by CPUD's general counsel in a file labeled "Privileged and Confidential – Not for Public Disclosure."

Let us be clear. CPUD has not authorized any person to retain or to disclose a copy of the Report or the Memo. It is the position of the CPUD Board that The Daily News is in possession of property that belongs solely to CPUD and The Daily News does not have our permission or consent to retain, publish or disclose any of the contents of these documents.

2. CPUD has Not Waived the Attorney-Client Privilege.

Every person who was given a copy of the Report and Memo understood and agreed that these documents are protected against disclosure by the attorney-client privilege. The documents are privileged because they pertain to personnel matters and were prepared in anticipation of litigation. The Report was drafted by Mr. Griffin in his capacity as a lawyer for CPUD and a representative of CPUD for purposes of the attorney-client privilege. The Report is clearly marked as "CONFIDENTIAL ATTORNEY CLIENT PRIVILEGED, ATTORNEY WORK PRODUCT MATERIALS." Also, Ms. Mark was retained by CPUD to provide employment law advice and the Memo is a product of that advice. The Memo is designated "*Attorney Client Privileged Communication*" and "*Attorney Work Product.*"

Please be advised that the CPUD Board has not waived, and does not waive, this attorney-client privilege. We have been advised by counsel that The Daily News' possession of the Report and Memo, in and of itself, does not constitute a waiver of the attorney-client privilege. Therefore, we are hereby asserting that attorney-client privilege and we are notifying The Daily News through this letter that CPUD intends to take whatever actions may be necessary to preserve that privilege.

3. CPUD has Found that the Allegations in the Report Are Unsubstantiated and Unreliable.

The Daily News should also be aware that the CPUD Board has carefully analyzed each of the allegations contained in the Report and Memo. The CPUD Board has determined to its satisfaction that the allegations are either unsubstantiated or outright false. Nothing in the Report or Memo gave the CPUD Board the grounds or the inclination to remove its General Manager, either with or without cause.

As you know, the investigative process began early in 2007 when, following the 2006 Board elections, a new majority of the then-sitting Board members picked a new President. The Board then voted 3-2 to authorize their new President to retain a new attorney, Ms. Marks, who would report directly and exclusively to the Board President on certain employment matters. Following a process recommended by Ms. Marks, the Board met again very shortly thereafter and voted 3-2 to place the General Manager on administrative leave pending investigation. A few days after the General Manager was placed on administrative leave, and at Ms. Marks' recommendation and advice, the Board voted—again 3-2—to hire attorney Phillip Griffin to conduct an investigation and author the Report.

It is important to note that this investigation was not undertaken in response to any legitimate concerns about the conduct or performance of the General Manager. Rather, it was clearly motivated by the new Board President's personal dislike of the General Manager and her intention to not only terminate his employment but to do so in a manner that would deprive him of his contractual right to severance pay. The fact is that the General Manager could have been terminated at any time by a majority of the Board, with or without cause. If a majority of the Board members had simply fired the General Manager, however, his contract required that a

substantial severance amount be paid to him, as is usual for PUD general manager employment agreements. The only way to terminate the General Manager without making the severance payment was to terminate his employment "for cause." Thus, the new Board President, upon the advice of her legal counsel, essentially hired Mr. Griffin to find "cause" where none existed.

The problem with this strategy, however, was that before Mr. Griffin could complete the "investigation," the community had rallied in support of the General Manager and voted to recall two of the three Board Members who hired Ms. Marks and Mr. Griffin. After the recall, and upon the appointment of replacement Board Members, the Board decided to allow Mr. Griffin to complete the Report solely to avoid any appearance that matters alleged in the Report were not fully investigated.

The Board met with the investigator twice and went through each allegation. The investigator was asked time and again whether there was any proof of what had been raised. He admitted that it was not possible to prove the charges raised in the Report. In other instances, particularly involving charges of personal misconduct by the General Manager, the Board concluded unanimously there was absolutely no substantiation whatsoever. The only reasonable conclusion is that such charges were false. Further, the Board found that the Report contained rumors and unsubstantiated charges against other CPUD employees and other persons who would be needlessly harmed by public disclosure of the Report.

4. The Board Stands Behind Its General Manager

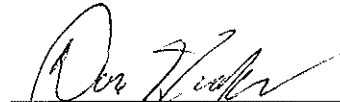
The Board finished the investigation and unanimously concluded that the right thing to do for CPUD and for the community was to reinstate its General Manager and keep the Report confidential. Following his reinstatement from administrative leave, a management consultant was hired to restore communications between the General Manager and the Board. Like all other employees, the General Manager's performance is periodically reviewed and he is very willing to try new ideas and approaches.

What is unfortunately lost amongst these events is the fact that the performance of the General Manager, and CPUD as a whole, has been exemplary. CPUD continues to have some of the lowest electric rates not only in the region but in the entire nation. These low power rates have been instrumental in attracting new employers to the area, as well as retaining existing ones. Needless to say, this provides a substantial benefit to the entire community. It is clear to the Board that the General Manager and the rest of the staff are exceptional and deserving of our support.


For the reasons stated above, the CPUD Board requests that The Daily News not disclose, and that it return to CPUD, the Report and Memo. First, the Report and Memo are the property of CPUD and the Board has not authorized The Daily News or any other party to retain or disclose this property. Second, the Report and Memo remain subject to the attorney-client privilege and the CPUD Board has not waived this right. Third, the Report is full of unsubstantiated rumors and allegations that the Board has examined and found to be both


unreliable and potentially harmful to otherwise innocent people. Finally, the Report and Memo overshadow the real story here, which is the direct role that CPUD—at the direction of General Manager—has played in developing new power resources and building the electrical system so as to attract and maintain jobs in our community during these very difficult economic times.


Merle Gillespie, Board President


Don Hooper, Board Vice-President


Bob Wiggins, Board Treasurer


Stephen D. Petersen, Board Secretary


Janet Willey, Board of Director

Cc: Cable Huston