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Mr. Frank Majors
Chairman, Finance Committee
Kirkwood Meadows Public Utility District
P.O. Box 247
Kirkwood, CA 95646

Re: FirstSouthwest's Commitment to KMPUD

Dear Mr. Majors:

Introduction to Kirkwood and KMPUD. In the 1st quarter of 2009, before the KMPUD/KMR asset purchase agreement became stalled I was introduced to Tom Henie and Standish O'Grady by East Meadows resident, Bill Buckingham. Bill and I (formerly) were both working at Goldman Sachs in 2008. Bill recommended that Standish reach out to me based on my 25+ years experience working on municipal electric system bond issues.

Understanding of KMPUD and Contributions to Financial Planning. Since my introduction, I have remained consistently in touch and involved with matters pertaining to financing reliable long-term power supply alternatives for the residents of Kirkwood. On January 13th, 2010 First Southwest Company ("FirstSouthwest") delivered a comprehensive "Plan of Finance" proposal for financing the acquisition of Mountain Utilities ("MU") and the development of an interconnection to the PG&E grid (copy attached). Since that time I have maintained contact with Kirkwood and provided financing strategy input consistent with KMPUD's utility development strategy.

In early January, 2010, I met with Tom Henie, Eric Richert and Standish O'Grady in San Francisco to discuss FirstSouthwest's financing strategy proposal. An Executive Summary of this proposal was utilized by Tom Henie at a January, 2010 KMPUD Board Meeting. It provided Phase 1 financing for the MU acquisition in 2010 and Phase 2 financing of the interconnect in 2011. In December, 2010, I met with Bob Epstein in New York to brief him on current municipal bond market conditions, get an update on the Kirkwood projects, and discuss various approaches that might work for KMPUD given changes in the market and Kirkwood's projects.

FirstSouthwest is Interested in Serving as KMPUD's Financial Advisor. FirstSouthwest has an intimate understanding of KMPUD's unique and substantial financing needs. We also understand the risks associated with Kirkwood Mountain Resort as the economic driver in the valley and dominant consumer of electricity balanced against the intrinsic credit quality associated with an essential service electric utility revenue pledge and the broad based support of Kirkwood residents.

I believe that FirstSouthwest, as financial advisor, will deliver value-added results to KMPUD's financing of its in-valley and out-valley interconnection project. I believe that a financial advisor, like your bond counsel Bob Haight, have a strict fiduciary duty to do what is in the best interest of KMPUD. I understand that the interim financing completed in August, 2010 did not utilize a competitive bid process.

When moving from short-term interim finance to long-term fixed rate bonds for the \$15 million you seek to raise in April, I strongly believe that KMPUD would benefit from a financial advisor who works with the bond security package developed by Bob Haight. Mr. Haight's bond issue package would be combined with a "Notice of Sale" and "Competitive Bid Form". If FirstSouthwest were you financial advisor, we would send this package to Cantella & Co

and a variety of other banking institutions that bid on non-rated electric revenue bonds. This is the source of the value-add, more parties bidding should produce a lower interest rate.

It is recognized in the industry by the Municipal Securities Rule-Making Board ("MSRB") that it is a "best practices" to separate the functions of bond counsel, financial advisor and bond underwriter.

FirstSouthwest has substantially greater experience and staff than KMPUD's previous financial advisor and it is crucial, at KMPUD's current juncture, to have the best financial advisor with large amounts of fixed rate bonds scheduled to be sold in 2011 and 2012.

KMPUD utilized Public Finance Resources ("PFR") for its prior financings. PFR has served as financial advisor on only four bond/note issues in the last five years and as co-financial advisor on nine bond/note issues over the same period. I don't believe that PFR conducted a competitive bid of KMPUD's note offering in October.

I also believe that KMPUD will benefit from a competitive bid of the bonds which Bob Haight structures versus a private placement to Cantella & Co. Cantella, while capable, has only served as underwriter of four new issue municipal bond in the last 10 years aggregating \$34.1 million. If FirstSouthwest were financial advisor, we would solicit broad participation from the community of municipal investment banks who bid on competitive sales of non-rated bonds.

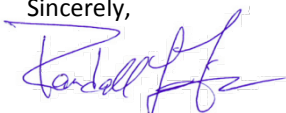
Discussion of KMPUD's Utility Development and Financing Strategies. I respectfully ask for the opportunity to have an in-person or conference call meeting in early February. I would like to learn of your financial plan for 2011 and 2012. I understand that you may already be down the road somewhat with the 2011 financing, but I will still give you the full benefit of my financial advice (gratis). The Finance Committee will benefit from my personal involvement in structuring over \$25 billion of electric revenue bonds in 27 years in the business. I believe it is important to recognize that the structure and security provisions that Bob Haight establishes for 2011 (if bonds are long-term fixed rate) create the template for the 2012 interconnect financing and beyond. **It must be done right the first time.** The Finance Committee may also want to gain my insights into the costs and benefits of a \$15 million interim financing in April, thereby giving you the opportunity to craft the best possible "credit pledge" for a single \$40+ million long-term fixed rate bond issue in 2012.

I recognize that KMPUD will have difficulty obtaining an investment grade credit rating because rating agencies will recognize "single event risk" that could result in a failure to make timely debt service payments. That single event would be a KMR bankruptcy, and the resulting uncertainty about whether it would be operational in the following ski season. We have already analyzed the full range of ski resort bankruptcies or financial stress situations coast-to-coast in the U.S. The vast majority of the time, the resort operations continue and the host communities don't skip a beat in paying their bond debt service. This type of investor liaison activity would precede a competitive bid managed by FirstSouthwest.

About FirstSouthwest. FirstSouthwest was founded in 1946 and employs 360 people across 23 offices nationwide, including Santa Monica, CA. FirstSouthwest is a wholly owned investment banking subsidiary of PlainsCapital Corporation, a Dallas headquartered commercial bank with assets exceeding \$5 billion. FirstSouthwest served as financial advisor on \$132 billion of municipal bonds in the last five years and is ranked 1st nationally in total bond issues and 3rd for public power electric revenue bond issues (Source: Thompson Reuters SDC). I am Manager of the Firm's Public Power Group. Prior to joining FirstSouthwest, I worked 25 years for PaineWebber, UBS and Goldman Sachs.

I look forward to the opportunity to schedule a call or meeting in early February to see if I can contribute to developing the optimal financing solution for Kirkwood's long-term power supply needs.

Sincerely,



Randall L. Finken
Senior Vice President

