



January 15, 2020

Governor Jay Inslee
Office of the Governor
PO Box 40002
Olympia, WA 98504-0002

Dear Governor Inslee,

Thank you for your letter dated October 30, 2019. Like you, we too take the ongoing community concerns in Pend Oreille County and the City of Newport very seriously. During our original process to identify potential sites, two things were important to us, to be a part of Washington's green economy and provide an opportunity for an influx of family wage jobs in a rural area of the State of Washington. Those two goals remain a driving force for PacWest now and will in the future. With that said, the process to date has come with a number of hurdles, some were foreseen while others were not. As a company, we are committed to being as transparent as possible with our plans in Washington State. This letter will serve as an update on our efforts while at the same time filling in some of the inaccurate gaps found in the local narrative and to be clear, this project is on hold. The project is not abandoned, it is on hold for the immediate future.

Several years ago, when the decision was made to pursue a project in Pend Oreille County, as a company we knew that there would be several challenges, both in the regulatory environment and in the community. We soon realized the magnitude of those challenges and felt it best that we be as proactive as possible on all fronts. Thus, we began a process using independent science to measure both the impacts and benefits of the proposed facility. In one of our first meetings with the Department of Ecology regarding how we were to model the air impacts of the proposed project we included technical representatives of the Kalispel Tribe. There was no legal or binding requirement for us to do so, we just felt it was the right thing to do. It was a risk on our part to include a potential opponent, and we did it anyway. During those discussions we also volunteered to recognize the Tribe as a Class I Airshed before the Tribe received official designation. Again, we felt it was the right thing to do.

While as a company we did fail to secure a meeting with the Kalispel Tribal Council; our feeling is that it was not for a lack of trying. As a sovereign government we take very seriously their right to be consulted, both formally and informally. As a result, when we felt we had enough information and data to provide them, we reached out on several occasions for a meeting. Unfortunately, a meeting never came together. There were also informal discussions between PacWest's government affairs team and the Tribe's outside government affairs consultants. While the discussions were productive, they did not result in a meeting. Had the regulatory process continued, PacWest too would have continued to try and secure a meeting in good faith. With all due respect to the Tribe, they were not our only challenge.

Recently, it was reported that the Pend Oreille Utility District (PUD) returned earnest funds from PacWest and "officially" ended work with the company. For all intents and purposes, the company had

broken off any collaboration with the PUD long ago as a result of a number of instances that were viewed as bad faith actions. The price and timeline the PUD originally used during the onset of discussions was far from where they ended up. For example, connection time was originally 12-14 months which then became three years. The connection cost went from \$10-12 million to \$50 million. Further, power costs went up 30% from initial discussions. Additionally, the PUD had to outsource all engineering, yet they did not allow the company to be involved in that work collaboratively. Lastly, the PUD sold PacWest a piece of land with the assurance it was a legal transaction and that the company would have access to the property. Months after the completion of the sale, despite prior representations and verification, it was later verified there was in fact no lawful access to the land and the sale has been challenged in court. In addition, the PUD has experienced a substantial amount of turnover in critical staff and we found that the PUD lacked the ability to provide accurate accounting for the funds they spent on work for this project.

While at every point discussions with the PUD were dysfunctional, they have not been the only hurdle in the local community. Nearly four years ago the company was advised to not "self-declare" the property be zoned industrial (which was completely legal under County law at that time) because the optics would be better if we followed the ongoing process to address the overall zoning issues in the County. For years the company was told by County officials that the issue would be addressed and rectified "at the next meeting". We then sat on the sidelines and watched for approximately two years while the Planning Commission could not reach a simple quorum to take up zoning issues. We have never experienced anything like this in any of the countless number of communities we have successfully done business in. This inaction did not only hold up the rezone of our property, but countless other properties in the community. The County government denied everyone affected their due process, but also displayed a lack of respect for requirements of the Growth Management Act. The most basic functions of the governmental process could not be completed. These actions are a complete disservice to the local community and stifle any kind of economic growth which is critical given current unemployment trends in the area. We appreciate the excellent efforts of the Washington State Department of Commerce in assisting us with the PUD and County, but their efforts, like ours, could not overcome inherent barriers to growth that have existed for a long time.

From our years of involvement in the community we are proud of the relationships we were able to form with countless supporters. While their voices may have been publicly silenced by a very vocal minority, we were privy to their support and encouragement. We are obviously disappointed on a number of fronts, but as a company we are especially sympathetic to the workforce in the Pend Oreille area that was hungry for 150 family wage jobs. It is disappointing there are so many unnecessary roadblocks to rational economic development in the County and we feel for those residents who are willing and able to work but face a lack of opportunities.

As referenced above, there is a great deal of uncertainty associated with development in Pend Oreille County including, general infrastructure, zoning, energy delivery, and rail capabilities. When coupled with the inability of the County to zone lands, our project has been delayed significantly and is not able to move forward at this moment. In addition, we were disappointed with the Washington State Department of Ecology's inability to secure more than one contractor for bidding purposes regarding the SEPA analysis for the project. This resulted in an initial bid of \$1.8 million (versus an expected estimate of \$500k) which ballooned over time, as did the proposed timeframe.

PacWest Silicon will continue to be an active landowner in Pend Oreille County with a focus on potential opportunities both near and long term should the regulatory climate become more transparent and begin to resemble what we have seen in most other communities around the country. Silicon metal remains a product with critical demand, especially when it comes to domestic production. We plan to be successful in filling that demand and contributing to the green economy by supplying solar panel makers and automotive manufacturers a vital input to ensure the proliferation of renewable energy resources and more fuel-efficient vehicles. That was our focus at the inception of this proposed project, and it remains our focus today. Given the carbon output of the silicon smelting process it is imperative that the majority of our production be allocated to solar panel manufacturers so that the lifecycle of our product has a carbon reduction benefit far beyond our carbon emissions. It is our strongly held opinion that the lack of professional behavior on the part of Pend Oreille County and the PUD has not only cost the local community 150 family wage jobs and economic activity, it has cost the State of Washington a major investor in the green economic supply chain.

Even though we are not presently underway with any official regulatory process or environmental review, our feeling (backed up by recent history) is that the public conversation and exchange of misinformation will continue. To that end, PacWest would be willing to provide you, your team, and other stakeholders a quarterly update of our status and activities in Washington State. Like now, there may not be much to report but we are committed to transparency when dealing with the State and hopefully a quarterly update will satisfy interested parties. On behalf of PacWest Silicon, we thank you for your devotion to Washington State's green economy and we hope that one day we can be a productive component of that system.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Jayson Tymko', with a large, stylized flourish at the end.

Jayson Tymko
President, PacWest Silicon