



News Release

PSE's Review of New Fish Rules Confirms Lake Tapps Hydropower Not Viable; But Public Water-Supply Plan, Utility Says, Could Save Reservoir and Protect Fish

BELLEVUE, Wash.--(BUSINESS WIRE)--Nov. 21, 2003--Development of a regional drinking-water supply at Lake Tapps -- with or without Puget Sound Energy's current hydropower facility there -- now holds the best promise for preserving the popular Pierce County reservoir, the utility said today.

PSE (utility subsidiary of Puget Energy (NYSE: PSD)) this week concluded there is no possibility of obtaining an economical federal license for PSE's 92-year-old White River Hydroelectric Project. Consequently, the utility will cease power generation at the reservoir by mid-January.

"We've invested a tremendous amount of time, effort, and money over the past five years trying both to make the project's electricity cost-effective for our customers and to preserve Lake Tapps," said Eric Markell, PSE's senior vice president of energy resources. "Saving the lake is still our goal. And we're still optimistic we will succeed. But it's now clear we can't make today's hydro project economically viable and still meet emerging environmental standards."

PSE needs a license from the Federal Energy Regulatory Commission (FERC) to continue its power-plant operations past Jan. 15, 2004. The utility appealed the project license FERC issued in 1997, saying its requirements would make White River hydropower too expensive to produce compared to other available energy resources. FERC has postponed imposition of the license until Jan. 15 to give PSE and the Lake Tapps Task Force time to work on a plan for saving the reservoir and making PSE's hydro project economically viable.

The task force -- a coalition of elected officials, government agencies, Lake Tapps property owners, PSE, and others - formed soon after the utility announced in 1999 it might have to stop diverting water into Lake Tapps and halt power production there if it could not secure an acceptable FERC license.

Last night PSE told the task force that an analysis of new requirements for aiding the White River's Chinook salmon, protected under the Endangered Species Act, confirmed that PSE's current hydro project is no longer viable. The fish requirements are part of a "biological opinion" issued two weeks ago by the National Oceanic and Atmospheric Administration (NOAA) Fisheries agency. Preliminary PSE estimates indicate that the new fish-protection hydropower roughly twice as expensive to produce as electricity available from other sources.

"We have a hydropower project built in the early 20th century that simply doesn't pencil out under the environmental and engineering standards of the early 21st century," said Ed Schild, PSE director of energy production and storage. "But this doesn't have to mean the end of the lake. On the contrary, we're still confident we can save the lake, save salmon, and save PSE customers money on their power costs."

PSE has diverted water out of the White River into Lake Tapps since 1912. The utility-owned lake is actually a diked reservoir built to store water for a nearby PSE hydropower plant. After reservoir water runs through the power plant it returns to the White River, about 21 miles downstream from the point of diversion.

Under its FERC license, PSE would have to reduce its pre-license diversion of water into Lake Tapps by 40 percent or more. All told, Schild said, White River hydropower would cost PSE customers approximately \$100 million more than other available power resources over the next 20 years.

Schild said a plan by the Cascade Water Alliance to draw a new supply of public drinking water from Lake Tapps would require much less diversion of White River water into Lake Tapps than PSE needs for a viable hydropower project. Those smaller diversions, he said, presumably could meet fish-protection requirements, satisfy the drinking-water needs of alliance customers, and keep enough fresh water flowing into Lake Tapps to maintain a full, healthy lake.

"The alliance plan appears to have tremendous merit," Markell said. "It's good for fish. It saves one of the state's most popular recreational lakes. And it gives the growing Puget Sound region a new and sorely needed source of drinking water."

"It's taken a lot of hard work and creative thinking by members of the task force, the water alliance, and many others to get us this far," Markell added. "We're not done yet. The solution we're pursuing is complex. A lot more work and cooperation will be needed to reach our goal. But I'm hopeful we'll get there."

PSE, the Cascade Water Alliance, and numerous other parties now are discussing the terms of a sale of PSE's Lake Tapps (drinking water) water right and possibly the Lake Tapps reservoir itself. The alliance is a consortium of central Puget Sound cities and public water districts.

Markell said a final sale of the water right and other PSE project assets probably could not occur until after legal challenges to the water right are resolved, perhaps by late 2004.

In the meantime, Schild recommended that the Lake Tapps Task Force continue working with PSE, NOAA Fisheries, the Cascade alliance, and the U.S. Army Corps of Engineers to craft an "interim" agreement for protecting White River salmon until the water-right appeals are complete. Without such an agreement, PSE would be forced by Endangered Species Act limitations to completely stop water diversions into Lake Tapps on Jan. 15, 2004. And with no water diversion, Schild said, a Corps of Engineers fish trap on the White River would become inoperable, thus making it impossible to capture and haul migrating salmon upstream past the Corps' Mud Mountain Dam near Buckley.

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