



News Release

Settlement Reached on Conditions for New PSE Baker River Hydropower License

BELLEVUE, Wash.--(BUSINESS WIRE)--Dec. 7, 2004--After nearly five years of effort, Puget Sound Energy (utility subsidiary of Puget Energy (NYSE:PSD)) and a large group of governmental entities, Indian tribes, fisheries interests, environmental organizations, and other parties today announced their ratification of a proposed set of long-term license conditions for PSE's Baker River Hydroelectric Project.

The group's 162-page settlement agreement, if approved by the Federal Energy Regulatory Commission (FERC), will enable PSE to continue generating low-cost hydropower at its North Cascades facility for decades to come. The settlement's provisions also would enhance fish and wildlife habitat, improve recreational facilities for the public, enhance flood mitigation in the Skagit River Valley, and protect Native American cultural resources.

"This collaborative agreement preserves an important source of clean, cost-effective electricity for our customers," said Steve Reynolds, PSE's president and chief executive officer. "We are deeply grateful for the extraordinary amount of time and effort that everyone at the table devoted to reaching the accord. Together, we showed that people can find common ground for the common good even when they hold widely differing interests and objectives at the outset."

Crafted by 24 different parties, the settlement recommends that FERC grant the utility a new Baker Project license lasting at least 45 years. PSE is scheduled to meet tomorrow (Dec. 8) with FERC representatives in Washington, D.C., to discuss the settlement. The utility said it will ask the commission to incorporate all of the settlement's resource measures into a new Baker Project license.

The 175-megawatt Baker River Project, PSE's largest hydropower facility, was last issued a federal license in 1956. Since then, stricter environmental laws and regulations -- for example, the Endangered Species Act, National Environmental Policy Act, Clean Water Act, and amendments to the Federal Power Act -- have required hydropower facilities to operate in greater harmony with the environment. Compliance with these laws and regulations has raised the cost of generating hydropower.

PSE estimates it will cost about \$360 million to meet the settlement's proposed licensing provisions over the next 30 years (or about \$178 million measured in today's dollars). While the Baker Project's power-production costs would rise, Baker River hydropower would still be favorably priced, long-term, compared to other available power resources.

"We have an obligation to provide our customers with reliable energy service at a good price," said Eric Markell, PSE's senior vice president of energy resources. "This settlement will help us do that. What's more, the agreement upholds our broader responsibilities to the public and the environment."

Numerous parties to the settlement praised its environmental measures.

"The Upper Skagit Indian Tribe believes this is an excellent long-term agreement that will help to protect and enhance the natural resources so important to us, and which fosters a spirit of continuing cooperation between the Tribe and Puget Sound Energy," said Marilyn Scott, the Tribe's chairman.

"We are happy to be a part of the relicensing agreement and are especially pleased by its provisions for upstream and downstream fish-passage facilities," said Steve Fransen, a fisheries biologist for the National Oceanic and Atmospheric Administration Fisheries agency. "We also think the modifications to the Lower Baker powerhouse will improve stream-flow management for ESA-listed Chinook salmon and other fish species."

The settlement's terms for boosting local flood-control capacity also were applauded.

"We commend PSE and all of the other participants in the Baker River Project settlement process for agreeing to increased flood protection for Skagit County citizens," said Skagit County Commissioner Ken Dahlstedt. "We look forward to working closely with PSE and others to make improved flood control a reality as soon as possible."

The settlement grew out of a relatively new, FERC-authorized "alternative licensing process" for hydroelectric projects. The goal of this process is to resolve the differences of interested parties before a license application reaches FERC, and thereby avert the long and costly legal battles that traditionally have ensued once the commission begins its review of an application.

Participants in the Baker Project settlement process initiated 76 major studies and held more than 400 separate meetings over the past four-plus years to reach their agreement. Besides enabling continued Baker River hydropower production, the settlement also offers the following public benefits:

Fisheries Enhancement

-- Construct improved upstream and downstream fish-passage facilities for moving migrating salmon around the project's two dams, and provide fish passage between Lake Shannon, Baker Lake, and other parts of the Baker basin for bull trout and other native, non-salmon species;

-- Construct new fish-hatchery facilities and upgrade spawning beaches to increase the project's sockeye propagation at least threefold (with eventual capacity for 14.5 million fry per year); and

-- Increase the minimum outflow and reduce the maximum outflow of water from Lower Baker Dam into the Baker and Skagit rivers to protect fish and fish habitat (the planned construction of two new Lower Baker turbines will enable much higher minimum outflows than is currently possible).

Flood Control

-- A commitment by PSE to pursue federal authorization for an increase in the project's flood-storage capacity during winter months by up to 29,000 acre-feet (above the existing 74,000 acre-feet already provided).

Recreation

-- Redevelop Baker Lake Resort with 30 to 50 new campsites, reconstruct Bayview Campground, and provide funding to maintain numerous U.S. Forest Service campgrounds, trails, and roads;

-- Construct a new public boat ramp, day-use area, and parking lot at Lake Shannon; and

-- Construct up to 8 miles of new hiking trails around Baker Lake and Lake Shannon.

Wildlife Habitat

-- Provide funding to acquire, maintain, and enhance varied habitats for elk, mountain goats, osprey, loons, bald eagles, spotted owls, marbled murrelets, and other endangered or threatened species; and

-- Provide funding for additional acquisition or enhancement of wetlands or riparian habitat in the Skagit and Baker basins.

Cultural Resources

-- Provide training, education, and program coordination to preserve artifacts and to protect and enhance historic properties and traditional cultural properties that are affected by Baker Project construction and use of the project area.

A FERC decision on PSE's Baker Project license application is not expected until 2006, the same year the facility's current, 50-year operating license expires.

The parties that signed the settlement agreement are: Puget Sound Energy, the U.S. Forest Service, the U.S. Fish and Wildlife Service, the National Park Service, NOAA Fisheries, the Upper Skagit Indian Tribe, the Sauk-Suiattle Indian Tribe, the Swinomish Indian Tribal Community, the Washington Department of Ecology, the Washington Department of Fish and Wildlife, the Washington Department of Natural Resources, Skagit County, the City of Anacortes, the Town of Concrete, the Public Utility District No. 1 of Skagit County, the Interagency Committee for Outdoor Recreation, The Nature Conservancy of Washington, the North Cascades Conservation Council, the North Cascades Institute, the Rocky Mountain Elk Foundation, the Skagit Fisheries Enhancement Group, the Washington Council of Trout Unlimited, the Wildcat Steelhead Club, and Skagit County resident Bob Helton.

Additional quotes on the settlement from parties to the agreement:

-- "This is an excellent long-term agreement that provides a great deal of protection for fish and wildlife resources throughout the Baker River watershed now and into the future," said Dr. Jeff Koenings, Ph.D., director of the Washington Department of Fish and Wildlife. "The agreement secures significant financial resources for fish-passage improvements, increased sockeye and coho salmon production, habitat protection, and habitat enhancement for a number of wildlife species."

-- "This settlement will have very beneficial effects not only for people and for salmon, but for bull trout, bald eagles, marbled murrelets, spotted owls, and many other species," said Ken Berg, manager of the Western Washington office of the U.S. Fish and Wildlife Service. "In that sense, it will benefit everyone in the Pacific Northwest over the long run."

-- "The Baker Project agreement provides national-forest users and ecosystems in and around the project a very good future," said Linda Goodman, regional forester for the Pacific Northwest Region of the U.S. Forest Service. "The mix of measures in this settlement continues to foster multiple uses of the land while sustaining a healthy forest ecosystem."

CONTACT: Puget Sound Energy
Media: Grant Ringel, 888-831-7250
Analysts: Durga Waite, 425-462-3808
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