



News Release

PSE Awarded New 50-Year License for Baker Hydropower Facility

Years of Collaborative Negotiation Led to Comprehensive Relicensing Agreement for Low-Cost Power, Improved Flood Control, Fish Protection and Public Recreation

BELLEVUE, Wash.--(BUSINESS WIRE)--

Puget Sound Energy (utility subsidiary of Puget Energy (NYSE:PSD)), on Oct. 17, received a new, 50-year federal operating license for the utility's largest hydropower facility, the 190-megawatt (MW) Baker River Hydroelectric Project in Skagit and Whatcom counties in Northwest Washington state.

The new license from the Federal Energy Regulatory Commission results from years of collaborative studies and negotiated agreements between PSE and a group of 23 other parties, including governmental entities, Indian tribes, fisheries interests, and environmental organizations. Their 162-page settlement agreement, adopted unanimously in late 2004, formed the backbone of the new license provisions, which PSE will review with those parties during the 30-day review period. The utility estimates it will spend about \$360 million to meet the new license provisions and operate the Baker facility. More than half of those costs relate to fish-enhancement measures.

"This is great news for Puget Sound Energy customers, communities and the environment," said Kimberly Harris, executive vice president and chief resource officer for PSE. "With this license, we retain a clean, renewable, low-cost source of electricity for all of our customers in Western Washington. What's more, we and our relicensing partners can now continue to provide flood-control storage for downstream communities, boost salmon runs in the Baker and Skagit river basins, and improve recreational opportunities for the public."

PSE's Baker project consists of two concrete dams in Washington's North Cascades mountains: Lower Baker Dam, built in 1925, and Upper Baker Dam, completed in 1959. Together, the dams can serve the peak power demand of about 170,000 households. On average, the hydroelectric project's output can meet the total power needs of 60,000 households.

The facility's previous 50-year federal license was issued in 1956. Since then, stricter environmental regulations and laws, such as the Endangered Species Act and National Environmental Policy Act and Clean Water Act, require newly licensed hydropower facilities to operate in greater harmony with the environment. PSE has operated the project on an annual FERC license since 2006.

Major new license provisions - contained in the 2004, multi-party settlement agreement - include:

- Construction of improved fish-passage systems for moving salmon, both upstream and downstream, around both Baker River dams. These will include a new "floating surface collector" on Lake Shannon similar to the \$52.5 million Baker Lake collector PSE completed in early 2008; the collector attracts and safely captures juvenile salmon for downstream tanker-truck transport to the Skagit River. PSE also will be replacing its adult-fish trap below Lower Baker Dam with a new, state-of-the-art facility.
- Construction of a fish hatchery and improved spawning beaches aimed at quadrupling (to 14 million) the number of juvenile sockeye salmon released annually to the dams' reservoirs.
- Closer regulation of water flows through Lower Baker Dam to better accommodate the needs of fish and fish habitat. The planned addition of one or two new powerhouse generators will enable PSE to moderate the lower dam's outflows and thereby reduce water-level fluctuations in the Baker and Skagit rivers.
- Enhanced camping, hiking, and boating access for the public within the Baker project boundaries.
- Provisions to increase the project's flood-storage capacity during winter months by up to 29,000 acre-feet at Lower Baker under conditions acceptable to the Corps of Engineers (above the 74,000 acre-feet already provided at Upper Baker).
- Funding to acquire and maintain habitat for elk, mountain goats, osprey, loons, bald eagles, spotted owls, marbled murrelets, and other endangered or threatened species; and
- Funding for additional acquisition or enhancement of wetlands or riparian habitat in the Skagit and Baker basins.

PSE pursued its new operating license under an "alternative licensing process" FERC created to help dam owners and outside parties seek consensus and avoid the long and costly court battles that traditionally have arisen over dam-relicensing issues.

Harris said PSE and the 23 other parties involved in the Baker relicensing process initiated 76 major studies and held more than 400 separate meetings to craft their collaborative settlement agreement for submission to FERC.

"It took an extraordinary amount of time and commitment on everyone's part," said Harris. "At the outset, our interests and objectives differed widely, but we hung together, worked through the issues and, in the end, found common ground."

The parties that signed the relicensing settlement agreement were: 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.

About Puget Sound Energy

Washington state's oldest and largest energy utility, with a 6,000-square-mile service territory stretching across 11 counties, Puget Sound Energy (PSE) serves more than 1 million electric customers and 737,000 natural gas customers. PSE, a subsidiary of Puget Energy (NYSE:PSD), meets the energy needs of its growing customer base primarily in Western Washington through incremental, cost-effective energy conservation, low-cost procurement of sustainable energy resources, and far-sighted investment in the energy-delivery infrastructure. PSE employees are dedicated to providing great customer service to deliver energy that is safe, reliable, reasonably priced, and environmentally responsible. For more information, visit www.PSE.com.

About PSE's Baker River Hydro Project

PSE's largest hydropower facility is the Baker River Hydroelectric Project. Located on a tributary of the Skagit River in northwest Washington, the project has two dams, each with its own powerhouse. The dams' reservoirs, Baker Lake and Lake Shannon, are fed by runoff from the flanks of Mount Baker and Mount Shuksan. Lower Baker Dam, completed in 1925, is a 285-foot-high concrete structure with 85 megawatts of power-generating capacity. The 312-foot-high Upper Baker Dam, completed in 1959, has a generating capacity of 105 megawatts. The project includes extensive salmon-propagation facilities and numerous amenities for public recreation. It also provides flood control for communities in the Skagit River Valley. A 50-year federal operating license granted to the Baker River Project in 1956 expired in April 2006. The project is operated under an annual license from the Federal Energy Regulatory Commission while PSE sought the new 50-year license granted in October 2008.

Source: Puget Sound Energy