

Puget Sound Energy
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Kimberly J. Harris
President and Chief Executive Officer

Chal
Scott

May 5, 2011

✓ The Honorable Ed Brunz
Mayor, City of Burlington
833 South Spruce Street
Burlington, WA 98233

The Honorable Ramon Hayes
Mayor, Town of La Conner
PO Box 400
La Conner 98257

The Honorable Bud Norris
Mayor, City of Mount Vernon
PO Box 809
Mount Vernon, WA 98273

The Honorable Mike Anderson
Mayor, City of Sedro-Woolley
325 Metcalf Street
Sedro-Woolley, WA 98284

Re: Baker River Hydroelectric Project;
Reservoir Operations

Gentlemen:

Thank you for your April 14, 2011 letter concerning reservoir operations at the Baker River Hydroelectric Project. As a corporate citizen of Skagit County for over 80 years, we very much appreciate your input. I have also reviewed your letter with PSE's hydroelectric resources team and forwarded a copy to the Baker River Aquatics Resource Group ("ARG"), Skagit County and the U.S. Army Corps of Engineers ("Corps") for their consideration.

The specific issues raised in your letter relate to studies underway related to work required under Article 107(c) of our operating license that will be submitted to the Federal Energy Regulatory Commission ("FERC") later this year. To this end, PSE is proceeding in consultation with the ARG, Skagit County and the Corps. These parties represent a broad range of interests, and their status as consulted parties was established by the FERC license.

It is also worth noting that the FERC license was issued after years of collaboration among many interested stakeholders and resulted in a comprehensive settlement agreement to FERC. The FERC license also provides for a collaborative process through which parties to the 2004 Settlement Agreement continue to assist PSE in accomplishing the many complex tasks required to implement the license.

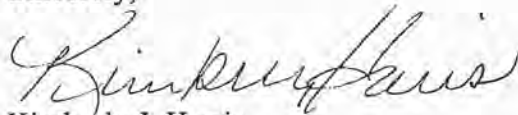
The Hon. Messrs. Anderson, Brunz, Hayes and Norris
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I am informed that the ARG will discuss the status of work necessary to complete the tasks required by Article 107(c) at its next regularly scheduled meeting. PSE will work with the ARG, Skagit County and the Corps to keep you informed as these efforts move forward.

Your letter also expressed concern about the consistency of PSE's ongoing efforts to fulfill the requirements of Article 107(c) with our obligations arising under Section 4.1.1 and Section 4.1.2 of the 2004 Settlement Agreement. However, we see no inconsistency among these efforts and believe that the benefits to your communities associated with our water management activities in furtherance of the 2004 Settlement Agreement have been substantial. We have also been careful to ensure that our efforts remain consistent with the License, PSE's commitments to the Corps, and responsive to the circumstances that we encounter during high water events. We have and will continue to work diligently with Skagit County to encourage the Corps to adopt appropriate proposed amendments to the Water Control Manual. However, the Corps, to date, has declined to adopt the proposed amendments for reasons, to our understanding, that relate to scope of the Corps' authority to make these changes.

Ongoing communication is essential to the collaborative approach, and I remain appreciative of your comments. PSE remains committed to this process; if you wish to discuss this in more detail, please contact Paul Wetherbee, PSE's Director, Hydroelectric Resources. Mr. Wetherbee can be reached at 425-462-3746.

Sincerely,



Kimberly J. Harris

cc: Skagit County Board of Commissioners
Colonel Anthony Wright, U.S. Army Corps of Engineers
Baker River Aquatics Resource Group