

**EXHIBIT NO. KWL-3
DOCKET NOS. UE-090704/UG-090705
2009 PSE GENERAL RATE CASE
WITNESS: KIM W. LANE**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-090704
Docket No. UG-090705**

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF
KIM W. LANE
ON BEHALF OF PUGET SOUND ENERGY, INC.**

DECEMBER 17, 2009

Table 1
Baker Project License O & M (\$4,740,511 Rate Year)

License Requirement	O&M (Rate Year)
<p>Article 101 (Fish Propagation). This article requires the Company to provide fish propagation and enhancement programs and facilities at the Baker Project. O & M expenditures during the rate year of \$214,054 are required to develop and implement license plans, operational protocols and support existing fish propagation programs.</p>	\$214,054
<p>Article 102 (Aquatics Reporting). This article requires annual reporting regarding plans and other measures for the restoration, management and enhancement of fish species in the Baker River basin. O & M expenditures during the rate year of \$247,931 are required to comply with these requirements.</p>	\$247,931
<p>Article 103 (Upstream Fish Passage). This article requires PSE to provide safe and effective upstream passage at the Baker River Project. O & M expenditures of \$197,088 will be required during the rate year to implement this article. This includes a fixed fee, in an amount determined by the License (\$22,300) and additional costs (\$174,788) associated with post-construction startup, testing and commissioning of new upstream passage facilities.</p>	\$197,088
<p>Article 104 (Connectivity between Lake Shannon and Baker Lake). This article requires the Company to provide a fishway between Lake Shannon and Baker Lake for native char and other native fish species that become isolated by the Project. O & M expenditures during the rate year of \$164,862 are required for consultation with agencies and tribes, preparation of an operation and maintenance plan, an emergency response plan, a quality assurance plan, and annual reporting.</p>	\$164,862
<p>Article 105 (Downstream Fish Passage Implementation Plan). This article requires the Company to provide safe and effective downstream passage at the Baker River Project by using attraction, guidance, trapping, sorting, holding and hauling facilities located on the Project reservoirs. O & M expenditures of \$356,054 will be required during the rate year to implement this article. This includes a fixed fee, in an amount determined by the License (\$22,300) and additional costs (\$333,754) associated with FERC mandated performance evaluations of the capture and trap facility and annual reporting.</p>	\$356,054

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<p>Article 106 (Flow Implementation). This article requires the Company to release flows and manage reservoirs at the Baker Project for the protection, restoration and/or enhancement of fish and wildlife resources, riparian vegetation, aesthetic resources, water quality, recreation resources, flood control and health and safety. These activities are governed by a FERC-approved flow implementation plan. O& M expenditures during the rate year of \$214,871 are required for flow monitoring, agency consultation and reporting.</p>	<p>\$214,871</p>
<p>Article 108 (Gravel). This article requires the Company to develop and implement a Gravel Management Plan for the purposes of evaluating sediment interruption by the Baker Project and identifying any gravel augmentation measures to be implemented by the licensee for the benefit of aquatic resources. O & M expenditures during the rate year of \$94,674 are required for the deposit of up to 12,500 tons of gravel in the river.</p>	<p>\$94,674</p>
<p>Article 109 (Large Woody Debris). This article requires the Company to develop and implement a Large Woody Debris Management Plan for the transport of large woody debris (wood over 12 inches in diameter and over 8 feet long) from Project reservoirs to mutually agreeable stockpile areas in the Baker basin for the benefit of aquatic resources. O & M expenditures during the rate year of \$79,831 are required to transport and collect wood debris and stockpile for use by resource agencies.</p>	<p>\$79,831</p>
<p>Article 110 (Shoreline Erosion). This article requires the Company to develop and implement a Reservoir Shoreline Erosion Control Management Plan to control shoreline erosion at the Upper Baker reservoir. O & M expenditures of \$170,463 will be required during the rate year to implement this article. This includes a fixed fee, in an amount determined by the License (\$108,250) and additional costs (\$62,213) required to develop and implement the plan.</p>	<p>\$170,463</p>
<p>Article 201 (Programmatic Agreement). This article requires the Company to implement a "Programmatic Agreement" between FERC and the Washington State Historic Preservation Officer to appropriately manage cultural resources affected by the project. O & M expenditures during the rate year of \$352,390 are required to implement program requirements for the protection of archaeological and cultural resources.</p>	<p>\$352,390</p>
<p>Article 301 (Recreation Management). This article requires the Company to develop and implement a Recreation Management Report regarding plans and other measures for protection, mitigation, and enhancement of recreation resources in the Project area. O & M expenditures during the rate year of</p>	<p>\$13,750</p>

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\$13,750 are required for compliance and reporting activities.	
Article 302 (Aesthetics Management). This article requires the Company to develop and implement an Aesthetics Management Plan. O & M expenditures of \$62,601 will be required during the rate year to implement this article. This includes a fixed fee, in an amount determined by the License (\$26,110) and additional costs (\$36,491) associated with plan development and implementation.	\$62,601
Article 304 (Baker Reservoir Recreation Water Safety Plan). This article requires the Company to file and implement a Baker Reservoir Recreation Water Safety Plan. O & M expenditures of \$103,328 will be required during the rate year to implement this article. This includes a fixed fee, in an amount determined by the License (\$100,803) and additional costs (\$2,525) associated with plan development and placement of log booms.	\$103,328
Article 305 (Lower Baker Developed Recreation). This article requires the Company to file and implement a Lower Baker Developed Recreation Plan. O & M expenditures of \$25,000 are required during the rate year to support efforts to acquire, develop and maintain a public access site on Lake Shannon.	\$25,000
Article 306 (Upper Baker Visitor Information Services Funding). This article requires the Company to make funds available to the United States Forest Service (USDA-FS) for contributing to visitor information services provided by the USDA-FS in the Baker River basin. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$2,814.	\$2,814
Article 307 (Upper Baker Visitor Interpretive Services Funding). This article requires the Company to make funds available to the USDA-FS for contributing to the planning, staffing, and production of materials to provide interpretive services in the Project area. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$29,722.	\$29,722
Article 308 (Dispersed Recreation Management Funding). This article requires the Company to make funds available to the USDA-FS for the purposes of contributing to the preparation and implementation of a Dispersed Recreation Management Plan. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$82,000.	\$82,000

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<p>Article 309 (Bayview Campground Rehabilitation Funding). This article requires the Company to make funds available to the USDA-FS for contributing to the rehabilitation and reconstruction of the 28-unit Bayview Campground. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$130,000.</p>	<p>\$130,000</p>
<p>Article 313 (Upper Baker Developed Recreation Maintenance Funding) This article requires the Company to make funds available to the USDA-FS for the operation and maintenance of recreation facilities in the Mt. Baker-Snoqualmie National Forest. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$58,283.</p>	<p>\$58,283</p>
<p>Article 314 (Upper Baker Trail and Trailhead Construction Funding O & M). This article requires the Company to make funds available to the USDA-FS for contributing to trail-based recreation in the Project vicinity. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$100,217.</p>	<p>\$100,217</p>
<p>Article 316 (USDA-FS Forest Road Maintenance Funding). This article requires the Company to make funds available to the USDA-FS for contributing to the routine maintenance of portions of up to 25 miles of existing Forest Roads directly providing access to the Project and Project-related facilities. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$18,941.</p>	<p>\$18,941</p>
<p>Article 318 (Law Enforcement). This article requires the Company to file and implement a Law Enforcement Plan to provide for the coordination of the activities of law enforcement personnel with jurisdiction in the Project area and the Baker Basin. O & M expenditures of \$201,681 will be required during the rate year to implement this article. This includes a fixed fee, in an amount determined by the License (\$135,073) and additional costs (\$66,608) associated with the development and implementation of a law enforcement plan with local law enforcement departments.</p>	<p>\$201,681</p>
<p>Article 401 (Water Quality). The License requires compliance with detailed requirements pertaining to water quality, derivative from the Water Quality Certification issued by the Washington State Department of Ecology, including compliance with the project's Water Quality Monitoring Plan and Water Quality Protection Plan. O & M expenditures during the rate year of \$217,969 are required to implement these plans and requirement.</p>	<p>\$217,969</p>

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<p>Article 501 (Terrestrial Resource Management Plan). This article requires the Company to file and implement a Terrestrial Resource Management Plan. O & M expenditures during the rate year of \$93,428 are required to develop and implement the plan in consultation with resource agencies.</p>	<p>\$93,428</p>
<p>Article 502 (Forest Habitat). This article requires the Company to acquire and manage deciduous forest bird habitat, such as: deciduous forest land, mixed forest land, and riparian forest land, for the purpose of increasing, protecting, and/or enhancing habitat for deciduous forest dwelling species in the Project area. O & M expenditures during the rate year of \$9,324 are required for reporting activities associated with habitat acquisition.</p>	<p>\$9,324</p>
<p>Article 503 (Elk Habitat). This article requires the Company to acquire elk foraging habitat land for the purpose of providing significant and reliable foraging resources for the Nooksack Elk Herd. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$66,401.</p>	<p>\$66,401</p>
<p>Article 504 (Wetland Habitat). This article requires the Company to acquire wetland habitat lands for conservation of wetlands and wetland-dependent species. O & M expenditures of \$13,612 will be required during the rate year for consultation and reposting activities associated with habitat acquisition.</p>	<p>\$13,612</p>
<p>Article 505 (Aquatic Riparian Habitat Protection, Restoration and Enhancement). This article requires the Company to file and implement an Aquatic Riparian Habitat Protection, Restoration and Enhancement Plan. O & M expenditures of \$154,448 will be required during the rate year to implement this article. This includes a fixed fee, in an amount determined by the License (\$127,073) and additional costs (\$27,375) associated with the plan development, habitat enhancements consultation with agencies and site assessments.</p>	<p>\$154,448</p>
<p>Article 506 (Osprey Nest Structures). This article requires the Company to provide and maintain a minimum of artificial osprey nest structures at Lake Shannon. O & M expenditures during the rate year of \$11,633 are required for installation and maintenance of nest structures.</p>	<p>\$11,633</p>
<p>Article 507 (Loon Floating Nest Platforms). This article requires the Company to install and maintain three common loon floating nest platforms at suitable locations within the Project area. O & M expenditures during the rate year of \$20,485 are required for this activity.</p>	<p>\$20,485</p>

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<p>Article 508 (Noxious Weeds). This article requires the Company to manage noxious weeds on Project lands pursuant to applicable federal and state regulations. O & M expenditures of \$90,667 will be required during the rate year to implement this article. This includes a fixed fee, in an amount determined by the License (\$27,000) and additional costs necessary to provide restoration materials such as plants, mulch, and weed control supplies.</p>	<p>\$90,667</p>
<p>Article 509 (Plants of Special Status). This article requires the Company to file and implement a plan for the management of plants of special status. O & M expenditures during the rate year of \$46,455 are required to prepare and implement this plan.</p>	<p>\$46,455</p>
<p>Article 510 (Carex flava). This article requires the Company to manage yellow sedge (<i>Carex flava</i>) at Baker Lake for its protection. O & M expenditures during the rate year of \$59,286 are required for resource protection and reporting activities.</p>	<p>\$59,286</p>
<p>Article 511 (Decaying and Legacy Wood). This article requires the Company to manage snags, logs and residual live trees on Project lands for the purpose of enhancing its habitat value for dependent species. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$37,558.</p>	<p>\$37,558</p>
<p>Article 512 (Bald Eagle Night Roost Surveys). This article requires the Company to design and conduct surveys to identify bald eagle communal winter night roosts in the vicinity of the Baker Project. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$11,325.</p>	<p>\$11,325</p>
<p>Article 513 (Bald Eagle Management Plans). This article requires the Company to develop and implement a management plan for each bald eagle nest site and communal winter night roost known to exist on lands within the Project boundary. O & M expenditures during the rate year of \$469 are required for reporting.</p>	<p>\$469</p>
<p>Article 514 (Habitat Evaluation Procedures). This article requires the Company to develop a monitoring plan to determine the effectiveness of terrestrial habitat enhancements required by the License. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$36,500.</p>	<p>\$36,500</p>

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<p>Native Plant Propagation. The Company must maintain and cultivate native plant resources to fulfill License obligations to restore and revegetate Forest Service lands disturbed by Project development activities. O& M expenditures during the rate year for this activity will be \$42,575.</p>	<p>\$42,575</p>
<p>Article 601 (Baker River Coordinating Committee). This article provides for ongoing collaborative oversight of License implementation by and among the 4 parties to the Settlement Agreement. The Company's participation is required by the License. O& M expenditures during the rate year of \$110,555 are required to fund these activities.</p>	<p>\$110,555</p>
<p>Article 602 (Baker River Coordinating Committee). This article establishes the Baker River Project Funds to support the protection, mitigation, and enhancement of various resources. The funds include the Terrestrial Enhancement and Research Fund, the Recreation Adaptive Management Fund, the Habitat Enhancement, Restoration and Conservation Fund, and the Cultural Resources Enhancement Fund. O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License of \$65,250.</p>	<p>\$65,250</p>
<p>Collateral Agreements. License implementation also requires the Company to perform certain obligations under three separate tribal Cultural Resource Enhancement agreements (which relate to the Company's responsibilities under Article 201) and an agreement with the town of Concrete (that mitigates Project impacts). O & M expenditures during the rate year will require payment of a fixed fee, in an amount determined by the License, of \$614,250.</p>	<p>\$614,250</p>
<p>Endangered Species Plan. License Article 410 requires the Company to develop and implement a plan to protect threatened and endangered species. O& M expenditures during the rate year of \$1,023 are required to support this activity.</p>	<p>\$1,023</p>
<p>Gauging Plan. License Article 406 requires the Company to develop and implement a plan to provide for operation and maintenance of streamflow gauging. O& M expenditures during the rate year of \$8,469 are required for this plan.</p>	<p>\$8,469</p>
<p>Project Boundary. The License requires the Company to update drawings depicting the project boundary (Exhibit G to the License) to comply with FERC requirements. O& M expenditures during the rate year of \$20,000 are required for this activity.</p>	<p>\$20,000</p>

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License Management O&M. Managing the above-described tasks and other activities that will be required to implement the License during the rate year will require O& M expenditures of \$88,273.	\$88,273
Total	\$4,740,511

Table 2
Snoqualmie Project License O & M (\$1,012,745 Rate Year)

License Requirement	O&M (Rate Year)
<p>Articles 417, 418 and 420 (Recreation & Aesthetics). The License requires development and implementation of a recreational resource management plan and an aesthetic resource management plan. The Company must satisfy requirements associated with construction activities, including the replacement of signage, public park opening, and FERC annual reporting requirements and associated surveys. These activities will require O& M expenditures during the rate year of \$144, 347.</p>	<p align="right">\$144, 347</p>
<p>Articles 419 (Cultural Resources). The License requires development and implementation of a historic resources mitigation and management plan and a cultural resources mitigation and management plan. The Company will need to satisfy requirements associated with construction activities, including the removal and relocation of historic buildings. These activities will require O& M expenditures during the rate year of \$156,215.</p>	<p align="right">\$156,215</p>
<p>Articles 416 (Terrestrial Resources). The License requires development and implementation of a terrestrial resource management plan. The Company will need to satisfy requirements associated with construction activities to conduct amphibian surveys, bald eagle surveys, osprey surveys and associated FERC reporting. These activities will require O& M expenditures during the rate year of \$51,548.</p>	<p align="right">\$51,548</p>
<p>Articles 413 (Game fish). The License requires development and implementation of a game fish enhancement plan. The Company is required to spend \$186,059 to implement this plan during the rate year.</p>	<p align="right">\$186,059</p>
<p>Articles 401, 402 and 405 (Water Quality). The License contains detailed requirements, derivative from the Water Quality Certification issued by the Washington State Department of Ecology and various implementing plans, to preserve and protect the water quality of the Snoqualmie River and unique aspects (aesthetic flows) over Snoqualmie Falls. During the rate year, the Company will need to undertake temperature monitoring to assess compliance with the License, prepare and submit water quality reports, prepare and submit flow-monitoring reports and conduct additional water quality and flow related activities. These activities will require O& M expenditures during the rate year of \$197,227.</p>	<p align="right">\$197,227</p>
<p>Articles 416 (Noxious Weed Control). The terrestrial resource management plan requires the Company to control noxious weeds. Weed control associated with construction and redevelopment activities will require O& M expenditures of \$60,303 during the rate year.</p>	<p align="right">\$60,303</p>

Table 2
Snoqualmie Project License O & M (\$1,012,745 Rate Year)

<p>License Administration. License implementation requires administrative support, such as staff time, studies, construction plans, pre-construction FERC filings and correspondence with other agencies and stakeholders. These efforts will increase with the start of construction. These activities will require O& M expenditures during the rate year of \$188,606.</p>	<p>\$188,606</p>
<p>FERC Reporting. License implementation requires staff time associated with FERC reporting requirements and plan development updates on an ongoing basis. These activities will require O& M expenditures during the rate year of \$28,440.</p>	<p>\$28,440</p>
<p>Total</p>	<p>\$1,012,745</p>