



BAKER RIVER PROJECT RELICENSE

Terrestrial Resources Implementation Group Elk Teamlet Meeting

May 15th, 2006 (9:00 a.m. - 12:00 p.m.)

**U.S. Forest Service Office
21905 64th Avenue West
Mountlake Terrace, WA 98043
425-744-3236 (office # 425-775-9702)
Conference Call Line: 1-866-297-7238, Conference ID: 225370
Conference Password: 2505
(Please tell Tony (425-462-3553) if you plan to call into meeting)**

AGENDA

- | |
|--|
| 1. Welcome, review notes, action items, agenda |
| 2. DEIS update <ul style="list-style-type: none">▪ Potential for enhancement within Project Boundary? Other FERC issues |
| 3. Land acquisition update <ul style="list-style-type: none">▪ Status of initial parcel▪ Tom's discussions with Sierra Pacific, DNR, others |
| 4. Identification of alternative initial acquisition properties <ul style="list-style-type: none">▪ Don's and Brock's comment letters since last meeting▪ West of Lake Shannon▪ Thunder Creek?▪ Steps for approaching land owners and making offers |
| 5. Land Acquisition Plan <ul style="list-style-type: none">▪ Pre-acquisition Studies |
| 6. Other? |
| 7. Evaluate meeting and set date and agenda for next meeting |

Baker River Project License Implementation

Terrestrial Resource Implementation Group Elk Teamlet Final Meeting Notes

May 15, 2006
9:00 am - 12:00 pm
**U.S. Forest Service Office
21905 64th Avenue West
Mountlake Terrace, WA 98043**

FINAL MEETING NOTES

Team Leader: Tony Fuchs (PSE), 425-462-3553, tony.fuchs@pse.com

PRESENT

Tony Fuchs (PSE); Marty Vaughn (Biota-Pacific); Bob Nelson & Tom Macy (RMEF); Brock Applegate (WDFW); Patrick Goldsworthy (NCCC); Jason Joseph (Sauk-Suiattle Indian Tribe); and Lyn Wiltse, facilitator / note-taker (PDSA Consulting, Inc).

NEXT MEETING DATES

June 21 and July 19 from 9:00am – 12:00pm at Mountlake Terrace

QUOTABLE QUOTE

“We’re not out of money until the money runs out.” –Tony Fuchs

AGENDA TOPICS

- DEIS Update
- Land Acquisition Update
- Identification of Alternative Properties
- Land Acquisition Plan

NEW ACTION ITEMS

- Tony and Marty – Talk with Terry Albright (PSE Real Estate) re: integrating PSE due diligence requirements into our pre-acquisition surveys. Tony will also ask how to expedite PSE’s internal process to support acquisition.
- Marty – Integrate TRIG member feedback into 2nd draft of Pre-Acquisition Habitat Assessment and send out with these meeting notes.

Lyn – Check with Jamie to see if she is available to facilitate next two meetings.

FERC/DEIS DEADLINES

The USFS' internal DEIS comment deadline for the DEIS is May 17.

4(e) is due June 13 (USFS) Note: Ann reported that the Forest Service intends to issue the 4(e)s as in the Settlement Agreement and will bolster justifications to address FERC's responses.

Section 18 prescriptions are due July 31 (USFWS and NMFS)

CZMA due June 2 (Dept. of Ecology)

401 is due Mar. 8, 2007 (Dept. of Ecology)

Biological Opinions are due Aug. 28 (USFWS and NMFS)

The Section 10(j) meeting will be June 1.

Our request for an extension of the DEIS comment deadline has been granted. The new deadline is June 16. At this point, FERC intends to issue the license along with the duration in September of 2006.

DEIS DISCUSSION

FERC removed the monetary boundaries. They strongly encourage land acquisition to occur within the project boundary. They recommended that PSE acquire the 300 acres. The monetary boundaries are not included. Phase 2 was omitted. It also appears that FERC misunderstood article 501 – the Terrestrial Resources Management Plan. *If they won't give us 501 they should distribute those funds throughout the other articles (this statement is misleading and should be removed, since there are no "funds" specific to 501. It is a delivered article with an estimated cost).* Tony said that PSE intends to go forward with the plan and will fund it on a "delivered" basis.

In our comments, we will point out in our comments areas where the FERC has misunderstood our goals and how we came to develop the article in the settlement agreement. We are looking at getting actual habitat value for the acquisition.

Tony assured the group that PSE plans to implement the terms and conditions according to the settlement agreement. If the settlement language doesn't make it into the license, PSE hopes that others will join them in adhering to what is in the settlement.

Attempts to Persuade FERC to Support the Settlement

1. Make oral comments
2. Make written comments
3. 10 (j) meetings

We also want to make use of an expanded network of contacts we have to encourage FERC to withdraw its recommendations that differ from our settlement agreement. We want to emphasize our PME approach and bolster our justification statements.

If these tactics fail, we can use more rigorous methods including 4(e), 401, and Section 18. These are mandatory conditioning and FERC cannot challenge these.

If we can't get FERC to change their minds and add the things back in that they removed and PSE decides to voluntarily put those things back in, they would be in the difficult position of having to defend that as a prudent decision to the WUTC.

For now we will stay the course and continue with pre-license land acquisition activities.

The project Boundary needs to be around land and facilities that are required for the operation of the project. This will include islands of *property ownership* and where we have easements. If FERC requires the land acquisition and we acquire lands, they would become part of the project boundary. If FERC doesn't require it and we do it anyway, the lands *might not be* in the boundary. Marty pointed out that this would give us greater freedom in how these lands would be handled than if they were part of the boundary and therefore managed by FERC.

LAND ACQUISITION UPDATE

Status of Initial Parcel:

Tom reported that Mike Mueller is in the process of handling the initial property talks over to Tom. Mike isn't very optimistic that we will be able to acquire this parcel. Tom hopes to meet with the landowner to continue discussions in the very near future. Next steps would include doing an evaluation of the property.

Discussions with the large private landowner:

A large private landowner has a lot of property on the *west* side of Lake Shannon. They have a lot of good elk habitat and Tom feels they are good people to deal with. They were specific about Tom coming to talk with them later this week (Thursday) because they will have folks there they want Tom to deal with. They seem to be more open to purchases and exchanges than they are to conservation easements. They could retain the timber rights for a period of time (likely less than five years). We could work with them to manage that for a more even supply. This would be good for management of elk.

Discussions with other large landowner:

Tom reported that the other large landowner is also open to sales and trades. They can sell some lands, can't sell others, and can trade almost anything. This would mean PSE could buy something of equal value that they would be interested in and trade them for lands that would be easily managed for elk. The Thunder Creek Drainage area might be an option. Todd had mentioned this as a potential for expanding the elk herd in an area where there is less development. There is a question about how many elk are there. Tony has seen elk tracks there. Jason reported WDFW and the Upper Skagit tribe had requested that some elk be moved there from the Acme area.

East vs. West:

The property in the Thunder Creek area would likely be less expensive (management costs and future value) as there isn't the interest there compared to the west side. Tom feels we might be able to pick up twice as much property on the east side as the west. Tony remarked that there is a fairly large transmission line corridor there that would provide excellent forage and that there is no public access North of Thunder Creek. Another consideration would be where the elk would go during the winter. It was also pointed out that steeper ground is generally less desirable for elk than flatter ground. Development potential on the west side might make it a priority for acquisition. Marty expressed concern that it might be ripe for becoming a subdivision. Don suggested we do a comparison of what

we could purchase on the west side vs. the east. On the west side we'll look at areas below the hillside on the flats, near the "initial acquisition" property.

We want to make a decision fairly quickly around the desirability of Thunder Creek so we aren't distracted going forward. The large private landowner will want to move on whatever decision as soon as possible. Herbicide application is also something we will take into consideration. Tom will check to see if the other large landowner is interested in picking up property in the Thunder Creek area. We might be able to use existing PSE lands there or purchase land there from one owner and then make a trade with the other.

Conservation Easement:

Tom reminded us that since we would likely have to pay 40-90% of property value for a conservation easement, it might make more sense to just make a purchase. We agreed to review the cost-effectiveness of a CE on a case-by-case basis.

Managing Other Resources:

It would also make sense for us to look at acquiring areas with wetlands. We may look at buying blocks of land some with higher and some with lower values. We could then be in a position to trade with a landowner. We are looking also at other objectives that these lands might also address such as snag management. This would open up a source of additional funding.

ALTERNATIVE LAND OPTIONS

Brock emphasized that if we buy properties in the lower part of the drainage above the Skagit River west of Concrete; the state would need to look at some fencing options there. They are also concerned about possible agricultural damage and other issues with the highway, etc. We had talked about this as one of the areas where the elk are today and an area that is in danger of commercial development. Andy Hatfield (former Team Leader of the Recreation Working Group) drives by that area daily and reported seeing 40-50 head of elk in Hurns Field this morning. This is an area that is in danger of being lost. Acquiring land in this area would require a lot of coordination with the state. Tony's impression is that Mike Davison would rather that we not pursue this area. If it is developable property, Tom estimates we might be looking at as much as \$20K plus per acre. We agreed that it might be possible to enter into some kind of cost-share with the State there.

We are currently concentrating our efforts in spending this initial acquisition money. There is no reason why we shouldn't use all the money in the Bear Creek area if land is available there.

When wetland money (\$340K) becomes available within 4 years after license issuance, we could look at transferring some of our purchased property to fulfill that value and then have more funding to purchase additional elk habitat.

Acquisition Process:

Tony explained that last year we developed a draft TRMP with chapters for each license article. One of the steps outlined in the plan is a pre-acquisition habitat assessment. We have given Tom a general idea of properties we deem to be acceptable to purchase. Tom is currently approaching the land owners to see if these lands are available for purchase. If so, we would need to get permission from the land owners to do an evaluation of the land to see if it meets our criteria for elk (sufficient habitat value/score). We believe

that if we can't acquire the initial property, we might need to purchase double the 300 acres in order to get sufficient habitat value.

We want to be in a position to be able to move quickly on what the large private owner might have available in the event the initial land parcel we identified is not available. The PSE Real Estate Folks (Terry Albright) would need to become involved at the point where we do pre-acquisition surveys. They would have to do their own due diligence. Tony and Marty will check with Terry to see if some of their requirements can be integrated in to our pre-acquisition survey.

Marty reviewed the following steps for evaluating lands and making offers:

1. Tom Identifies parcels
2. TRIG approves pre-acquisition surveys
3. Kathy/Marty (?) conduct pre-acquisition surveys
4. Initiate Due Diligence (PSE)
5. TRIG decides to go ahead
6. PSE Forester does appraisal
7. Tony activates PSE Real Estate
8. PSE Real Estate closed the deal!

Tony explained that before PSE Real Estate buys a property, they run a proposal by various internal groups to see if anyone objects to it and to ensure there isn't a conflict if interest with other planned activities. He will talk with Terry about what can be done to fast-track that process.

LAND ACQUISITION PLAN

Marty distributed a copy of Ch. 4 of the TRMP. He used this to draft a Pre-Acquisition Habitat Assessment protocol for us to review. He drafted a form to collect the information that is described in the pre-habitat acquisition assessment. He walked us through the form outlining how it meets two primary objectives: 1. provide enough information for comparison purposes; 2. Provide opportunities for people to take a field trip to see the parcels for themselves.

Tom would provide an assessors map (approved by the seller) for any parcels we review. We would add aerial photo and a topography maps. Tom would also do a preliminary analysis of road easements.

Marty will add a place on the form to capture Comp Plan zoning as suggested by Patrick. He will also integrate other suggestions made by TRIG members into the next version of the form. Tony will attach it to the notes when he sends them out.

Marty suggests that Kathy Smayda would be the most qualified to complete this form. Perhaps he, Tom, and Kathy will go out together to do the initial assessment and see how well the form captures pertinent data.

HANDOUTS

Agenda for this meeting
March 7 Final Teamlet Notes
Chapter 4 of TRMP
Draft form for Initial Habitat Assessment

MEETING EVALUATION

What Went Well

Got out early
Good participation/conversation
Tom's participation (outside as well as inside meetings)
Food ☺ (thanks Marty!)
We are well positioned to go forth and spend money!

What to Do Differently Next Time

Review other options
Hope to have Todd, Chris, and Cary with us

AGENDA FOR NEXT ELK TEAMLET MEETING

Date: June 21, 2006 from 9:00 – 12:00 at Mountlake Terrace

1. Welcome, Review Notes, Action Items, Agenda
2. Land Acquisition Update
 - a. Status of initial parcel vs. other alternatives
3. Discuss Adequacy of Pre-Acquisition Survey Protocol and schedule
4. Evaluate Meeting, Set Agenda for July 19 Meeting