

March 29, 2010

VIA ELECTRONIC FILING

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 1st St NE
Washington, DC 20426

Re: Seattle City Light Boundary Hydroelectric Project No. 2144-038 and
Pend Oreille PUD Sullivan Creek Hydroelectric Project No. 2225-013:
Offer of Settlement; Motion to Consolidate

Dear Secretary Bose:

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.602, the City of Seattle d/b/a Seattle City Light (“SCL”) and Public Utility District No. 1 of Pend Oreille County, Washington (“PUD”) are pleased to file the enclosed Offer of Settlement and Motion to Consolidate.

The Offer of Settlement encompasses two settlement agreements – the Boundary Hydroelectric Project Relicensing Settlement Agreement (“Boundary Settlement”) for the relicensing of SCL’s Boundary Hydroelectric Project No. 2144; and the Sullivan Creek Hydroelectric Project Settlement Agreement (“Sullivan Creek Settlement”) for the surrender of the PUD’s license for the Sullivan Creek Hydroelectric Project No. 2225. These two settlement agreements are interdependent, and therefore a Motion to Consolidate these proceedings is also enclosed.

As described in the accompanying Joint Explanatory Statement, the Boundary Settlement and the accompanying Proposed License Articles, if approved by the Commission without modification, resolve among the settling parties all relicensing issues other than license duration associated with SCL’s pending License Application for continued operation of the Boundary Project. As further described in the Joint Explanatory Statement, the Sullivan Creek Settlement and the accompanying Proposed License Surrender Conditions resolve among the settling parties all issues related to surrender of the license. In addition, the Sullivan Creek Settlement addresses the proposed conditions for a Special Use Authorization for the continued use and occupancy of National Forest System lands by certain Sullivan Creek Project facilities.

These two interdependent settlement agreements represent the culmination of five years of consultation and negotiations with state and federal resource agencies, Native American tribes, local governments, non-governmental organizations, and members of the public under the Commission's Integrated Licensing Process ("ILP") and a two-year, coordinated mediation process involving many of the same parties relating to the license surrender. The process has been broad-based, collaborative and representative of a wide array of stakeholder interests. The settling parties have devoted their time and resources to develop a suite of protection, mitigation and enhancement measures that will result in improved resource conditions and ecological processes in the Pend Oreille River basin, and in particular the Sullivan Creek drainage. The Proposed License Articles include provisions for fish passage, fish and wildlife habitat enhancement and protection, water quality, fish supplementation, recreation, cultural properties, and other matters. The Proposed License Surrender Conditions include provisions for removal of Mill Pond Dam, related stream habitat restoration, and construction of a cold water release facility at Sullivan Lake Dam and Reservoir.

Attached to the Boundary and Sullivan Creek settlements are two off-license agreements included for FERC's information, but not approval. The Mill Pond Interlocal Agreement (Attachment 1 to the Boundary Settlement) provides for SCL to serve as a cooperating agency of the PUD under State law in connection with the proposed removal of Mill Pond Dam on Sullivan Creek. Under the Cold Water Release Memorandum of Agreement (Attachment 2 to the Boundary Settlement), SCL will provide funding to the PUD to help pay the costs associated with construction and operation of a cold water release facility at Sullivan Lake Dam and Reservoir to improve habitat in Sullivan Creek.

Attached to the Sullivan Creek Settlement is a third off-license agreement also included for FERC's information, but not approval. Under the Fisheries Management Memorandum of Agreement between the PUD and Washington Department of Fish and Wildlife ("WDFW") (Attachment 3 to the Sullivan Creek Settlement), the PUD will provide financial support for WDFW fisheries management activities in the Sullivan Creek basin.

These off-license agreements do not address SCL's or the PUD's obligations under the Federal Power Act and are not subject to FERC's jurisdiction under the Commission's Policy Statement on Hydropower Settlements.

SCL and the PUD, on behalf of themselves and the other settlement parties, respectfully request that the Commission expeditiously approve the Boundary Settlement and the Sullivan Creek Settlement without modification by issuing SCL a new license for the Boundary Project that includes as license articles the Proposed License Articles set forth in Exhibit 1 to the Boundary Settlement; and by issuing an order accepting the surrender of the PUD's license for the Sullivan Creek Project subject to the Proposed License Surrender Conditions set forth in Appendix B to the Sullivan Creek Settlement.

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The settlement parties recognize that many of the Proposed License Articles and Proposed License Surrender Conditions included in this filing and the issues surrounding the relationship between the Boundary relicensing and the Sullivan Creek license surrender are complex. Upon the request of the Commission, the settlement parties would be pleased to schedule a technical conference with the Commission, where the parties could present an overview of the settlement agreements and answer any questions prior to the Commission issuing its environmental analysis addressing issuance of a new license for Boundary and accepting surrender of the Sullivan Creek license.

Exhibit 5 to the Boundary Settlement is the Historic Properties Management Plan. Because this document contains highly sensitive cultural resource information, SCL, pursuant to Section 388.112 of the Commission's regulations, hereby requests that this document be accorded privileged and confidential treatment and placed in the Commission's non-public file. This cover letter and the remainder of the settlement package are public and can be posted to E-library.

In accordance with Rule 602(d)(2), SCL and the PUD hereby notify all participants that unless otherwise provided by the Commission, comments on the Offer of Settlement, including both the Boundary Settlement and the Sullivan Creek Settlement, must be filed on or before April 19, 2010, and that reply comments must be filed on or before April 28, 2010. If you need any additional information regarding this filing, please do not hesitate to contact the undersigned at (206) 370-7631.

Very truly yours,

K&L GATES LLP



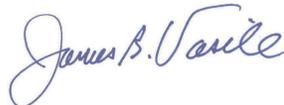
By

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ET:lm

Enclosure

cc: Service List (attached)

Service List for P-2144-000 Seattle City Light

Contacts marked ** must be postal served

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Service List for P-2225-000 Public Utility District No. 1 of Pend Oreille County, Washington

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