



Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

2/25/09

Ms. Carole Washburn
Washington Utilities & Transportation Commission
PO Box 47250
Olympia, WA 98504

Dear Ms. Washburn:

**Subject: Docket UG-920781 (WNG)
Docket UE-911476 (PSP&L)
Docket UE-070724 (PSE)
Docket UE-072060 (PSE)
Docket UE-081016 (PSE)**

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WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

Annual Environmental Report for the year ending December 31, 2008

Pursuant to the WUTC Order entered on 10/8/08, PSE now operates both its electric and gas deferred environmental accounting programs with a blanket authorization that does not require additional deferred accounting petitions, provided the requisite criteria is met. This Order was issued under the following Docket Numbers: UE-070724, UE-072060, and UE- 081016. In short, the electric deferred system now operates much like the PSE gas deferred accounting order.

FORMER WNG SITES

A. Tacoma Gas Company Site (Upland Source Control)

PSE continues to work with Washington Department of Ecology (WDOE) on developing the Remedial Investigation/Feasibility Study (RI/FS) documents for addressing portions of the site under the I-705 overpass.

Actual cost balance 9/30/08	\$784,929
Add: Costs incurred in 4th Qtr	\$0
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$784,929
Estimate:	\$1,100,000 (No Change)

B. Thea Foss Waterway

On November 16th, 2007 the Commencement Bay Natural Resource Trustees delivered the revised Natural Resource Damage (NRD) Settlement Proposal Report to the PRPs. The new deadline to receive a settlement offer from the PRPs is set for the end of March, 2009. PSE continues to participate as part of the steering committee that was formed to represent the greater PRP group tasked to coordinate with the Trustees on the identification and development of a project or projects that will satisfy the NRD demand. In addition, the Steering committee is developing an approach for allocation of responsibility amongst the PRPs.

PSE and PacifiCorp initiated a lawsuit against Washington Department of Transportation to recover damages for the State's actions that we allege contributed to contamination in the Waterway..

Site data continues to indicate recontamination of the sediments has been caused by the City of Tacoma storm water system. A meeting between EPA, City of Tacoma, and the Utilities has been scheduled for early January 2009. The purpose of the meeting is to discuss responsibility and liability for the on-going storm water recontamination.

Actual cost balance 9/30/08	\$3,563,354
Add: Costs incurred in 4th Qtr	\$227,501
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$3,790,855
Estimate:	\$10,000,000 (No Change)

C. Everett, Washington

The remedy implemented was a containment wall with groundwater monitoring at both ends. PSE continues regular monitoring of the results of the remediation already performed.

Actual cost balance 9/30/08	\$1,323,207
Add: Costs incurred in 4th Qtr	\$1,982
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$1,325,189
Estimate:	\$4,500,000 (No Change)

D. Chehalis, Washington

PSE continues to monitor groundwater and maintain site conditions. Work continues on development of a remedial investigation/feasibility study (RI/FS) to address the discovery of elevated concentrations of contamination onsite.

Actual cost balance 9/30/08	\$2,571,491
Add: Costs incurred in 4th Qtr	\$79,314
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$2,650,805
Estimate:	\$4,250,000 (No Change)

E. Gas Works Park

Ongoing activities include groundwater monitoring and maintenance of the soil cap, and mitigation of exposed tar. The groundwater remediation system remains shutdown. All these activities are the responsibility of the City of Seattle, pursuant to an agreement with PSE. Upland bank remedial actions will be included in the RI/FSs for Lake Union sediment.

Actual cost balance 9/30/08	\$2,689,803
Add: Costs incurred in 4th Qtr	\$(112,116)
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$2,577,687
Estimate:	\$4,000,000 (No Change)

F. Quendall Terminals

EPA listed Quendall Terminals as an NPL (i.e., Superfund) Site on April 19, 2006. PSE continues to deny liability because WNG only sold tar to this facility and did not transport or dispose of a waste. Given these current plans by EPA and the lack of formal communications between PSE and EPA, PSE believes that a potential range of costs more accurately reflects the potential range of risks faced by PSE at this site.

Actual cost balance 9/30/08	\$0
Add: Costs incurred in 4th Qtr	\$0
Less: Amortization costs in 4th Qtr	\$0

Balance of actual costs 12/31/08 \$0

Estimate: \$1,000,000 – 3,500,000 (No Change)

G. Lake Union Sediments

PSE is conducting a remedial investigation/feasibility study (RI/FS) under the Agreed Order (AO) between WDOE, PSE and the City of Seattle executed on March 18, 2005. PSE submitted a Draft RI/FS report for the Eastern Study Area offshore of Gas Works Park to WDOE on March 31, 2006. The City of Seattle is conducting an RI/FS in the adjacent Western Study Area and submitted their draft RI/FS report to WDOE in May 2007.

PSE and the City of Seattle are working with WDOE to address EPA and stakeholder concerns of the RI/FS's. PSE has also taken the lead in negotiating with the Washington Department of Natural Resources to gain access and obtain a long-term easement for remediation and monitoring of state-owned aquatic land.

WDOE is planning an investigation and interim action at the adjacent Northlake Shipyard that may include portions of the Western Study Area.

Actual cost balance 9/30/08 \$8,091,200

Add: Costs incurred in 4th Qtr \$162,424

Less: Amortization costs in 4th Qtr \$0

Balance of actual costs 12/31/08 \$8,253,623

Estimate: \$35,000,000 - 45,000,000 (No Change)

H. Tacoma Tar Pits

PSE met with EPA in May to discuss the agency's request for PSE to perform a groundwater optimization model. PSE is proceeding with this effort. PSE continues to operate and monitor the groundwater pump and treat system. Maintenance of site facilities and monitoring of ground water quality continues.

Actual cost balance 9/30/08 \$37,484,017

Add: Costs incurred in 4th Qtr \$39,278

Less: Amortization costs in 4th Qtr \$0

Balance of actual costs 12/31/08 \$37,523,294

Estimate Future Cost \$2,750,000 (No Change)

I. Swarr Station

Lead- and petroleum-contaminated soil was removed from the site in 2003. However, arsenic-contaminated groundwater remains beneath the site. PSE is continuing to collect data and evaluate to determine whether the arsenic plume requires active remediation or if it can be managed by the ongoing groundwater monitoring activities.

Actual cost balance 9/30/08	\$235,722
Add: Costs incurred in 4th Qtr	\$7,901
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$243,623
Estimate:	\$275,000 to 400,000 (No Change)

J. Bay Station

In the early 1900's, PSE's predecessors owned and operated an MGP in Seattle along the waterfront now known as Elliot Ave. PSE was contacted by the current property owners regarding possible contamination in the subsurface at this location. Initial subsurface sampling has detected the presence of contamination that appears to be associated with the former MGP. PSE has agreed to conduct a subsurface investigation and has submitted a draft Sampling and Analysis Plan (SAP) to the property owners for comment. Once approved by the property owners, PSE will conduct its work as part of the WDOE Voluntary Cleanup Program.

Actual cost balance 9/30/08	\$129,451
Add: Costs incurred in 4th Qtr	\$5252
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$134,703
Estimate:	\$250,000 - 1,500,000 (No Change)

K. Olympia (Columbia Street)

From 1908 to approximately 1924, an MGP was located at this site in Olympia. In late 2006, PSE received a letter from a firm representing the current owners stating that contamination found in soil and groundwater was attributable to PSE's predecessors' ownership and operation on this site. In response to the owners' request, PSE conducted an initial investigation of environmental conditions beneath the site. The initial investigation identified impacts likely attributable to MGP operations in the upper soil profile. Some groundwater impacts exist beneath the site. PSE has presented the investigation results to the current

property owners and WDOE for comments. The cost estimate has been adjusted to reflect the confirmed presence of contamination identified at the site.

Actual cost balance 9/30/08	\$45,466
Add: Costs incurred in 4th Qtr	\$119,896
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$165,363
Estimate:	\$400,000 - 1,000,000

L. South Seattle Gate Station

As part of a construction project, PSE investigated the potential presence of mercury on the gate station property and found limited mercury contamination to be present within the area of a planned facility upgrade project. All known mercury-contaminated soil has been removed from the site in conjunction with the facility upgrade activities and a summary cleanup action report has been submitted to WDOE.

An odorant tank formerly used at the site was identified using ground penetrating radar. In October 2008, the tank and nearby soil were removed from the site after treatment to deactivate mercaptan odors. No issues related to mercaptan, odorant tanks or hazardous substances are known to remain at the site. A cleanup action report is being prepared and will be submitted to WDOE.

Actual cost balance 9/30/08	\$ 53,232
Add: Costs incurred in 4th Qtr	\$111,741
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$164,973
Estimate:	\$175,000 - 200,000

M. North Tacoma Gate Station

Site characterization activities conducted prior to a planned construction project identified the presence of mercury at elevated concentrations in soil. The mercury-contaminated soil has been removed from the site and a cleanup action report is being prepared and will be submitted to WDOE.

Actual cost balance 9/30/08	\$121,182
Add: Costs incurred in 4th Qtr	\$10,174

Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$131,356
Estimate:	\$185,000

N. North Seattle Gate Station

Site characterization activities conducted prior to a planned construction project identified the presence of mercury at elevated concentrations in soil. The mercury-contaminated soil has been removed from the site, and a cleanup action report has been submitted to WDOE. No additional remedial actions are planned for the site.

Actual cost balance 9/30/08	\$42,539
Add: Costs incurred in 4th Qtr	\$921
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$43,460
Estimate:	\$100,000 (No Change)

O. Covington Gate Station

Site characterization activities conducted prior to a planned construction project identified the presence of mercury at elevated concentrations in soil. The mercury-contaminated soil has been removed from the site, and a cleanup action report was submitted to WDOE. No additional remedial actions are planned for the site.

Actual cost balance 9/30/08	\$66,053
Add: Costs incurred in 4th Qtr	\$1,935
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$67,987
Estimate:	\$150,000 (No Change)

FORMER PUGET POWER SITES

A. Duwamish Waterway (Terminal 117 & Georgetown Steam Plant)

On December 21, 2005, PSE received a demand letter regarding the Malarkey Asphalt plant at Terminal 117 on the Duwamish waterway. Used transformer oil, containing PCBs, was burned by the operators as a boiler fuel. PSE has denied involvement at the site, and to date, no evidence linking PSE to the site has been discovered. During the past year, litigation at the site involving other parties has been ongoing. PSE has also received a Information Request from EPA for information on the Georgetown Steam Plant formally owned and operated by PSE along the shores of the Duwamish Waterway. PSE is compiling the requested information for submittal to EPA.

Actual cost balance 9/30/08	\$56,801
Add: Costs incurred in 4th Qtr	\$(15,447)
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$41,353
Estimate:	\$150,000

B. White River/Buckley Phase II Burn Pile and Wood Debris

Groundwater and restored vegetation are continuing to be monitored to evaluate the effectiveness of the cleanup and site rehabilitation activities. Arsenic concentrations in groundwater do not appear to be substantially declining, and PSE is developing plans to install a few additional monitoring wells. Given the results of the monitoring performed to date, PSE believes that a potential range of costs more accurately reflects the potential range of risks faced by PSE at this site

Actual cost balance 9/30/08	\$654,349
Add: Costs incurred in 4th Qtr	\$1,241,778
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$1,896,127
Future Estimated Cost:	\$250,000 - 1,500,000

C. Lower Baker Power Plant

In 1965 a landslide destroyed PSE's Lower Baker powerhouse facility. It is believed that a number of oil-containing devices remain buried beneath the slide. A petroleum-like sheen was recently discovered in water discharging from a metal pipe extending from the concrete wall of

the former powerhouse that remains in place. PSE has evaluated the sheen and installed a water treatment system to eliminate the sheen while more permanent plans are considered to address the source of the sheen. The specific source(s) and extent of contamination in the landslide area has not been identified. The range of costs reflects the uncertainty pertaining to the extent of contamination.

Actual cost balance 9/30/08	\$0
Add: Costs incurred in 4th Qtr	\$16,635
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$16,635
Estimate:	\$700,000 - \$7,000,000

D. Puyallup Garage

PSE expects to perform remediation at this site in the future, but is presently only monitoring the property. Contaminated soil remains beneath the former garage building.

Actual cost balance 9/30/08	\$453,028
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$458,028
Estimate:	\$468,000 - \$600,000

E. Electron Flume (New Site)

A wooden flume is used to convey water from the diversion dam to the Electron Powerhouse. The flume is approximately 10 miles long and is located on the southwest slope of the Puyallup River valley. PSE historically replaced portions of the flume during routine maintenance and repair activities. The removed wood was typically placed on the ground surface at the location of the repair. This produced piles of wood debris that remain along the flume alignment today. Based on historical information, some of this wood was treated with chemical preservatives.

In late 2006, PSE sent a letter in response to WDOE inquiries to begin a project to remove the debris immediately adjacent to the flume. Characterization has shown this debris to be a mix of both treated and untreated wood of similar properties to the debris piles formerly located at the Buckley Headworks and qualifies for the arsenical-treated wood exclusion.

Actual cost balance 9/30/08	\$0
Add: Costs incurred in 4th Qtr	\$9,936

Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$9,936
Estimate:	\$150,000 - 1,000,000

F. Snoqualmie Hydro Generation (Power Plant)

PSE is developing construction plans to upgrade electrical generation facilities associated with both power plants located at the Snoqualmie Generation facility. These construction activities will involve the excavation of a significant quantity of soil and rock. In preparation of this activity PSE performed a site characterization to assist in identifying if any hazardous substances are present in the area where soil is expected to be excavated.

Subsurface explorations have identified that soil and groundwater beneath a portion of the Power Plant I site contain hazardous materials exceeding state cleanup levels. A plan is being developed to cleanup this area concurrent with plant upgrade activities. The schedule for this work is dependent on FERC approval of project-related documents.

Given the uncertainty related to the extent of contamination that is likely below some of the existing structures scheduled to be removed, PSE believes that a potential range of costs more accurately reflects the potential range of risks faced by PSE at this site

Actual cost balance 9/30/08	\$0
Add: Costs incurred in 4th Qtr	\$241,740
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$241,740
Estimate:	\$700,000 - 1,000,000 (No Change)

G. Bellingham (Boulevard Park) Manufactured Gas Site

In the early 1900's, PSE's predecessors owned and operated an MGP on Bellingham Bay. PSE sold the property to Cascade Natural Gas which dismantled the MGP and later sold it to the City of Bellingham who developed the site as Boulevard Park. PSE was notified by the City of Bellingham of potential liability for contamination at the site. PSE has met with Cascade Natural Gas and the City of Bellingham to discuss future investigation to assess potential contamination at the site. PSE has entered into a cost-sharing agreement with the City of Bellingham. PSE is also in the process of entering into an Agreed Order with the City and WDOE for completion of an RI/FS for the former MGP at Boulevard Park.

The City of Bellingham and WDOE recently sampled sediments in Bellingham Bay off shore of Boulevard Park in support of a redevelopment project. Chemical analysis of these samples is in progress.

Though the City of Bellingham has estimated \$8,000,000 to fully investigate and remediate the site, PSE's uncertainty of the nature and extent of the contamination both at the site and the adjacent Bellingham Bay and its past experience with costs associated at similar sites, PSE believes that a potential range of costs more accurately reflects the potential range of risks faced by PSE at this site

Actual cost balance 9/30/08	\$0
Add: Costs incurred in 4th Qtr	\$9,883
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/08	\$9,883
Estimate:	\$500,000 - 8,000,000 (No Change)

H. Underground Storage Tanks Status

Please see the attached spreadsheet. This provides a summary of our ongoing efforts associated with the investigation, remediation, and/or removal of underground storage tanks (UST).

This list represents current major sites PSE is investigating, monitoring, or remediating.

Sincerely,



John Rork
Manager – Environmental Services

cc: Mike Main
Karl Karzmar
Eric Markell
Bert Valdman
Chuck Gordon
David Brenner
Mike Stranik
Jennifer O'Connor
Della Cheung
John Story
Susan Free

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY ELECTRIC
December 31, 2008

September 2000 - forward ORDER	ACCOUNT	SITE DESCRIPTION	SAP Account Balance 9/30/2008 (a)	4TH Quarterly Activity (b)	SAP Account Balance 12/31/2008 (c) = (a) + (b)	Actual Costs Through 12/31/2008 (d)	Future Cost Estimates (e)	Total Cost Estimates (f) = (d) + (e)	Recoveries Through 12/31/2008 (g)
18230009	18232221	Env Rem- Buckley-White River Phase II (Future Cost Est)	250,000.00	0.00	250,000.00		250,000.00	250,000.00	
	18232251	Buckley Phase II -Burn Pile & Wood Debris Env Rem Cost	654,348.80	1,241,778.50	(F) 1,896,127.30	1,896,127.30		1,896,127.30	
		Subtotal Buckley-White River Ph II-Burn Pile/Wood Debris Site	<u>904,348.80</u>	<u>1,241,778.50</u>	<u>2,146,127.30</u>	<u>1,896,127.30</u>	<u>250,000.00</u>	<u>2,146,127.30</u>	<u>0.00</u>
18230021	18232271	Env Rem - Duwamish River Site (former Georgetown)	56,800.68	(15,447.33)	41,353.35	41,353.35		41,353.35	
	18233061	Env Rem - UG Tank - Poulsbo Service Center (Future Cost Est)	10,000.00		10,000.00		10,000.00	10,000.00	
	18230311	Env Rem - UG Tank - Whidbey Is. (Future Cost Est.)	15,000.00		15,000.00		15,000.00	15,000.00	
	18230321	Env Rem - UG Tank - Tenino (Future Cost Est.)	52,471.63		52,471.63		52,471.63	52,471.63	
18230041	18233091	Env Rem - UG Tank - Tenino Service Center	22,528.37		22,528.37	22,528.37		22,528.37	
		Subtotal Tenino Service Center	<u>75,000.00</u>	<u>0.00</u>	<u>75,000.00</u>	<u>22,528.37</u>	<u>52,471.63</u>	<u>75,000.00</u>	<u>0.00</u>
	18233141	Env Rem - UG Tank - Factoria (Future Cost Est.)	9,774.05	(9,774.05)	0.00		0.00	0.00	
18230061	18233131	Env Rem - Factoria UST Def Site	120,225.95	(120,225.95)	(G) 0.00	0.00		0.00	
		Subtotal Factoria UST Def Site	<u>130,000.00</u>	<u>(130,000.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	18233151	Blocked-Env Rem - Lower Baker Powerhouse (Future Cost Est.)	492,153.52	(492,153.52)	(C) 0.00		0.00	0.00	
18230070	18233181	Blocked-Env Rem - Lower Baker Powerhouse	7,846.48	(7,846.48)	(C) 0.00	0.00		0.00	
		Subtotal Lower Baker Powerhouse Def Site	<u>500,000.00</u>	<u>(500,000.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	18233161	Blocked-Env Rem - Snoqualmie Power Plant (Future Cost Est.)	693,797.87	(693,797.87)	(D) 0.00		0.00	0.00	
18230075	18233191	Blocked-Env Rem - Snoqualmie Power Plant	6,202.13	(6,202.13)	(D) 0.00	0.00		0.00	
		Subtotal Snoqualmie Power Plant Def Site	<u>700,000.00</u>	<u>(700,000.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	18233171	Blocked-Env Rem - Bellingham Boulevard Park (Future Cost Est.)	499,147.40	(499,147.40)	(E) 0.00		0.00	0.00	
18230080	18233201	Blocked-Env Rem - Bellingham Boulevard Park	852.60	(852.60)	(E) 0.00	0.00		0.00	
		Subtotal Bellingham Boulevard Park Def Site	<u>500,000.00</u>	<u>(500,000.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
		Total 182.3	<u>2,891,149.48</u>	<u>(603,668.83)</u>	<u>2,287,480.65</u>	<u>1,960,009.02</u>	<u>327,471.63</u>	<u>2,287,480.65</u>	<u>0.00</u>
18601120	18608011	Env Rem - Lower Baker Power Plant Site (Future Cost Est.)		683,365.16	(C) 683,365.16		683,365.16	683,365.16	
	18608001	Env Rem - Lower Baker Power Plant Site		16,634.84	(C) 16,634.84	16,634.84		16,634.84	
		Subtotal Lower Baker Power Plant Site	<u>0.00</u>	<u>700,000.00</u>	<u>700,000.00</u>	<u>16,634.84</u>	<u>683,365.16</u>	<u>700,000.00</u>	<u>0.00</u>
18601121	18608031	Env Rem - Snoqualmie Hydro Generation (Future Cost Est.)		458,260.45	(D) 458,260.45		458,260.45	458,260.45	
	18608021	Env Rem - Snoqualmie Hydro Generation		241,739.55	(D) 241,739.55	241,739.55		241,739.55	
		Subtotal Snoqualmie Hydro Generation	<u>0.00</u>	<u>700,000.00</u>	<u>700,000.00</u>	<u>241,739.55</u>	<u>458,260.45</u>	<u>700,000.00</u>	<u>0.00</u>
18601122	18608051	Env Rem - Bellingham Manufactured Gas Site (Future Cost Est.)		490,117.43	(E) 490,117.43		490,117.43	490,117.43	
	18608041	Env Rem - Bellingham Manufactured Gas Site		9,882.57	(E) 9,882.57	9,882.57		9,882.57	
		Subtotal Bellingham Manufactured Gas Site	<u>0.00</u>	<u>500,000.00</u>	<u>500,000.00</u>	<u>9,882.57</u>	<u>490,117.43</u>	<u>500,000.00</u>	<u>0.00</u>

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY ELECTRIC
December 31, 2008

September 2000 - forward ORDER	ACCOUNT	SITE DESCRIPTION	SAP Account Balance 9/30/2008	4TH Quarterly Activity	SAP Account Balance 12/31/2008	Actual Costs Through 12/31/2008	Future Cost Estimates	Total Cost Estimates	Recoveries Through 12/31/2008
18601125	18608111	Env Rem - Electron Flume Site (Future Cost Est.)	0.00	140,063.73	140,063.73		140,063.73	140,063.73	
	18608081	Env Rem - Electron Flume Site	0.00	9,936.27	9,936.27	9,936.27		9,936.27	
		Subtotal Electron Flume Site Def Site	0.00	150,000.00	150,000.00	9,936.27	140,063.73	150,000.00	0.00
		Total 186	0.00	2,050,000.00	2,050,000.00	278,193.23	1,771,806.77	2,050,000.00	0.00
		Total Electric Environmental Costs 182.3 & 186	2,891,149.48	1,446,331.17	4,337,480.65	2,238,202.25	2,099,278.40	4,337,480.65	0.00
22840031	22840031	Olympia UST Def Site	(129,471.05)		(129,471.05)	20,528.95	129,471.05	150,000.00	(150,000.00) (A)
22840081	22840081	Puyallup Garage Expensed Site	(453,028.42)		(453,028.42)	14,971.58	453,028.42	468,000.00	(350,000.00) (A)
	22840131	Crystal Mountain Expensed Site	(521,847.97)		(521,847.97)	14,478,152.03 (B)	521,847.97 (B)	15,000,000.00 (B)	(10,713,600.00) (B)
	22841001	Accu Misc Oper Prov- Unallo Def Elec Env Reme Recoveries	(4,716,092.20)	146,191.83 (G)	(4,569,900.37)				(4,569,900.37)
		Total 228.4	(5,820,439.64)	146,191.83	(5,674,247.81)	14,513,652.56	1,104,347.44	15,618,000.00	(15,783,500.37)
		Grand total	(2,929,290.16)	1,592,523.00	(1,336,767.16)	16,751,854.81	3,203,625.84	19,955,480.65	(17,259,524.07)

(A) Represents allocated proceeds from the insurance recoveries.

(B) Crystal Mountain is being expensed in orders 55450078 - 80, 54850007 and 59362020. Insurance Receivable is being credited out of order 55450079 to account 14300211 in the amount of \$5,713,600. PSE has received insurance payment of \$5,000,000.

(C) Per DOCKET UE-070724, transfer the deferred costs from Account 182.3 Other Regulatory Assets to Account 186 Other Misc Deferred Debits. Oct. JE#100036250.

(D) Per DOCKET UE-072060, transfer the deferred costs from Account 182.3 Other Regulatory Assets to Account 186 Other Misc Deferred Debits. Oct. JE#100036250.

(E) Per DOCKET UE-081016, transfer the deferred costs from Account 182.3 Other Regulatory Assets to Account 186 Other Misc Deferred Debits. Oct. JE#100036250.

(F) Charges in the amount of \$1,223,710.82 were posted to the wrong order 18230335 during the previous period. They should have gone to 18230009., per Nov. JE#100039042.

(G) To close out Factoria Service Center Underground Fuel Tank Environmental Site Account balance against Account 22841001.

The two unregistered USTs referenced in the previous Quarterly Report have been removed from the site and related environmental issues have been fully addressed. PSE expects no future charges related to these particular USTs.

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
December 31, 2008

September 1998 - forward		Site Description	9/30/2008	Activity	12/31/2008	Env Services	Cost Estimates	Amortization	Balance
SAP ORDER	SAP ACCOUNT		Account Balance		Account Balance	Project	Remaining	Through	12/31/2008
						18236022	18608022	Dr. 40700002	12/31/2008
						12/31/2008	22840002		Closing
						(c)			
FORMER MANUFACTURED GAS SITES:									
<u>TACOMA TIDE FLATS (TACOMA TAR PITS, THCGS, RIVER ST.)</u>									
18601203	18608142	Legal Costs	9,351,936.58	-	9,351,936.58				9,351,936.58
18601102	18608112	Remediation Costs through June 1999	34,826,945.69	-	34,826,945.69				34,826,945.69
18601102	18608112	Remediation Costs post-June 1999	2,657,071.26	39,277.53	2,696,348.79	2,750,000.00	53,651.21		2,696,348.79
	18608152	Internal Costs pre-1997	209,796.52	-	209,796.52				209,796.52
		SUBTOTAL Tacoma Tide Flats	47,045,750.05	39,277.53	47,085,027.58	2,750,000.00	53,651.21		47,085,027.58
<u>EVERETT</u>									
18602102	18608212	Remediation Costs	1,323,207.55	1,982.38	1,325,189.93	4,500,000.00	3,174,810.07		1,325,189.93
18602203	18608242	Legal Costs	8,717.50	-	8,717.50				8,717.50
		SUBTOTAL Everett	1,331,925.05	1,982.38	1,333,907.43	4,500,000.00	3,174,810.07		1,333,907.43
<u>CHEHALIS</u>									
18603102	18608312	Remediation Costs	2,571,490.75	79,314.51	2,650,805.26	4,250,000.00	1,599,194.74		2,650,805.26
<u>GAS WORKS - SEATTLE</u>									
18604203	18608442	Legal Costs	856,121.11	-	856,121.11				856,121.11
18604102	18608412	Remediation Costs	2,689,802.82 (f)	(112,115.89)	2,577,686.93	4,000,000.00	1,422,313.07		2,577,686.93
	18608452	Internal Costs - pre-1997	366.95	-	366.95				366.95
		SUBTOTAL Gas Works - Seattle	3,546,290.88	(112,115.89)	3,434,174.99	4,000,000.00	1,422,313.07		3,434,174.99
<u>WSDOT FEDERAL/STATE</u>									
18605203	18608542	Legal costs	379,591.40	-	379,591.40				379,591.40
18605102	18608512	Remediation Costs	-	-	-				-
		SUB TOTAL	379,591.40	-	379,591.40				379,591.40
<u>WSDOT UPLAND (Aka 22nd & A Street, Tacoma Gas Company Site)</u>									
18606102	18608612	Remediation costs	769,040.33	-	769,040.33	1,100,000.00	330,959.67		769,040.33
18606203	18608642	Legal Costs	15,888.20	-	15,888.20				15,888.20
		SUBTOTAL	784,928.53	-	784,928.53	1,100,000.00	330,959.67		784,928.53
<u>WSDOT THEA FOSS</u>									
18607102	18608712	Remediation costs	3,563,354.12	227,500.68	3,790,854.80	10,000,000.00	6,209,145.20		3,790,854.80
18607203	18608742	Legal costs	3,896,961.41	368,989.06	4,265,950.47				4,265,950.47
		SUBTOTAL	7,460,315.53	596,489.74	8,056,805.27	10,000,000.00	6,209,145.20		8,056,805.27
<u>TULALIP</u>									
18608102	18608812	Remediation costs	995.00	-	995.00				995.00
<u>OMNIBUS INSURANCE LITIGATION (9 MFG. GAS SITES)</u>									
18609202	18608942	Legal costs	3,089,784.32	(516.00)	3,089,268.32				3,089,268.32
<u>MERCER STREET</u>									
18611102	18609212	Remediation costs	66,942.15	-	66,942.15				66,942.15
<u>QUENDALL TERMINALS</u>									
18612102	18609512	Remediation costs	-	-	-	1,000,000.00	1,000,000.00		-
18609302	18609522	Legal Costs	59,043.75	-	59,043.75				59,043.75

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
December 31, 2008

September 1998 - forward		Site Description	9/30/2008		12/31/2008		Env Services	Remaining	Amortization	Balance
SAP ORDER	SAP ACCOUNT		Account Balance	Activity	Account Balance	Cost Estimates	18608022	Through	12/31/2008	12/31/2008
						12/31/2008	22840002	Dr. 40700002		Closing
		SUBTOTAL	59,043.75	-	59,043.75		1,000,000.00		1,000,000.00	59,043.75
		<u>LAKE UNION</u>								
18614102	18609312	Remediation costs	8,091,199.83	162,423.64	8,253,623.47	35,000,000.00	26,746,376.53			8,253,623.47
18614202	18600082	(e) Legal Costs	544,577.96	47,557.05	592,135.01					592,135.01
		SUBTOTAL	8,619,391.46	209,980.69	8,845,758.48	35,000,000.00	26,746,376.53			8,845,758.48
		<u>BAY STATION</u>								
18603202	18609532	Remediation costs	129,451.33	5,251.53	134,702.86	250,000.00	115,297.14			134,702.86
	18609552	Legal Costs	2,392.50	39.25	2,431.75					2,431.75
		SUBTOTAL	131,843.83	5,290.78	137,134.61					137,134.61
		<u>OLYMPIA - COLUMBIA ST.</u>								
18614402	18609542	Remediation costs	20,193.82	-	20,193.82	150,000.00	129,806.18			20,193.82
	18609562	Legal Costs	25,272.50	119,895.72	145,168.22					145,168.22
		SUBTOTAL	45,466.32	119,895.72	165,362.04					165,362.04
	18608022	Estimated Future Costs	41,185,188.19	(\$403,634.38)	40,781,553.81					\$ 40,781,553.81
	18608062	Insurance and Third Party Inception-to-Date Recoveries	(67,607,036.30)	-	(67,607,036.30)					(67,607,036.30)
TOTAL - FORMER MANUFACTURED GAS SITES			\$ 48,278,397.24	\$ 535,965.08	\$ 49,264,262.32	\$ 63,000,000.00	\$ 40,781,553.81	(a) \$ -	\$ 49,264,262.32	

		GAS UNDERGROUND STORAGE TANKS AND OTHER SITES	Total Costs	Curr Cost Activity	Total Costs	Estimated Costs	Remaining Est	Accm Depr	Ending Acct Bal
	18237122	SOUTH SEATTLE GATE STATION	53,231.52	111,741.15	164,972.67	175,000.00	10,027.33		164,972.67
18230210	18236912	NORTH OPERATING BASE		-		50,000.00	50,000.00		-
18230212	18237112	SWARR STATION	235,722.22	7,901.00	243,623.22	275,000.00	31,376.78		243,623.22
	18237132	NORTH TACOMA GATE STATION	121,182.18	10,174.03	131,356.21	150,000.00	18,643.79		131,356.21
	18237142	NORTH SEATTLE GATE STATION	42,539.17	921.02	43,460.19	100,000.00	56,539.81		43,460.19
	18237152	COVINGTON GATE STATION	66,052.90	1,934.55	67,987.45	150,000.00	82,012.55		67,987.45
	18236032	ESTIMATED FUTURE INSURANCE RECOVERIES							
TOTAL - GAS UNDERGROUND STORAGE TANKS			\$ 825,000.00	\$ 132,671.75	\$ 651,399.74	\$ 900,000.00	\$ 248,600.26	(d) \$ -	\$ 651,399.74
TOTAL - GAS STORAGE TANKS AND MANUFACTURED GAS SITES			\$ 49,536,910.91	\$ 668,636.83	\$ 49,915,662.06	\$ 63,900,000.00	\$ 41,030,154.07	(b) \$ -	\$ 49,915,662.06

NOTES:

- (a) Represents balance in Account 18608022 after quarterly true-up
- (b) Represents balance in Account 22840002 after quarterly true-up
- (c) Represents the low end of the probable future cost estimate range
- (d) Represents balance in Account 18236032 after quarterly true-up
- (e) the 9/30/2008 balance for account should have been 544,577.96 but did not include a settlement of 16,386.33 from 10/9/2008 - after the Q3 gas environmental was prepared.
- (f) There was a posting error in Q3. Invoice 45356217 was applied to Gas Works - Seattle but should have been posted to Lake Union. Doc #100037694 corrects this error.