



Puget Sound Energy, Inc.
P.O. Box 90868
Bellevue, WA 98009-0868

August 17, 2009

Mr. David W. Danner
Executive Director and Secretary
Washington Utilities & Transportation Commission
PO Box 47250
Olympia, WA 98504

RECEIVED
REGULATORY MANAGEMENT
2009 AUG 21 AM 9:56
STATE OF WASH.
UTIL. AND TRNSP.
COMMISSION

Dear Mr. Danner:

Subject: Environmental Report for the quarter ending June 30, 2009

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

Pursuant to the WUTC Order entered on October 8, 2008, PSE now operates both its electric and gas deferred environmental accounting programs with a blanket authorization, provided the requisite criteria is met. This Order was issued under the following Docket Numbers: UE-070724, UE-072060, and UE- 081016.

The attached spreadsheets represent a list of major sites PSE is currently investigating, monitoring and remediating. Actual costs at the close of the quarter, costs incurred & amortized costs for the quarter and estimate of project costs are shown on each of these sheets.

In addition, the follow site has been added during the last quarter:

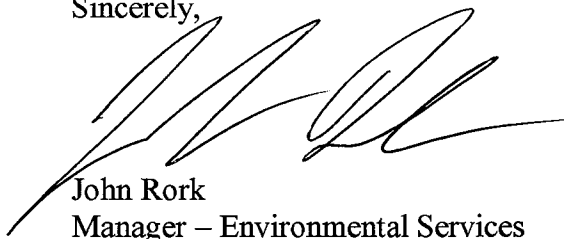
Verbeek Auto Wrecking

Verbeek Properties has filed a lawsuit against PSE and the City of Seattle. In the suit, Verbeek has asserted that contaminated soil from Gas Works Park (GWP) in Seattle was transported to its property. PSE has agreed to conduct an investigation to characterize the nature and extent of the contamination.

A preliminary investigation of soil and groundwater beneath a portion of the Verbeek site was completed in April 2009. The results indicate that a portion of the GWP soil was excavated and stockpiled by the site owner in 2008. In addition, some impacted soil remains buried on the site. PSE is working with the site owner, the City of Seattle and the Department of Ecology (in their Voluntary Cleanup Program) to develop a Cleanup Action Plan (CAP) for the GWP soils. As a result of this preliminary investigation, PSE believes the follow cost estimate range reflects the level of work needed to address contamination recently indentified at the site.

Estimate: \$ 750,000 - \$ 1,500,000

Sincerely,



John Rork
Manager – Environmental Services

cc: Jim Eldredge
Mike Main
Karl Karzmar
Eric Markell
Bert Valdman
Chuck Gordon
David Brenner
Mike Stranik
Jennifer O'Connor
Natalie Hayashi
Della Cheung
Lorna Luebbe
Steve Secrist

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
June 30, 2009

September 1998 - forward		Site Description		Account Balance		Activity	Account Balance		Env Services Project Cost Estimates	Cost Estimates	Amortization	Balance
SAP ORDER	SAP ACCOUNT			6/30/2009	6/30/2009		6/30/2009	6/30/2009	6/30/2009	Dr. 40700002	6/30/2009	
								(c)			Closing	
FORMER MANUFACTURED GAS SITES:												
TACOMA TIDE FLATS (TACOMA TAR PITS, THOGS, RIVER ST.)												
18601203	18608142	Legal Costs	9,351,936.58	-	9,351,936.58	-	9,351,936.58	-	1,823,902.22	228,400.02	8,351,936.58	
18601102	18608112	Remediation Costs through June 1999	34,826,945.69	-	34,826,945.69	-	34,826,945.69	-	18909022		34,826,945.69	
18601102	18608112	Remediation Costs post-June 1999	2,735,941.81	46,526.47	2,780,468.28	-	2,780,468.28	-	18239022		2,780,468.28	
	18608152	Internal Costs pre-1997	209,796.52	-	209,796.52	-	209,796.52	-			209,796.52	
		SUBTOTAL Tacoma Tide Flats	47,122,620.60	46,526.47	47,169,147.07	-	47,169,147.07	-			47,169,147.07	
EVERETT												
18602102	18608212	Remediation Costs	1,326,161.72	14,580.08	1,340,741.81	-	1,340,741.81	-			1,340,741.81	
18602203	18608242	Legal Costs	8,717.50	-	8,717.50	-	8,717.50	-			8,717.50	
		SUBTOTAL Everett	1,334,879.22	14,580.08	1,349,459.31	-	1,349,459.31	-			1,349,459.31	
CHEHALIS												
18603102	18608312	Remediation Costs	2,694,693.07	72,497.32	2,767,190.39	-	2,767,190.39	-			2,767,190.39	
GASWORKS - SEATTLE												
18604203	18608442	Legal Costs	866,121.11	-	866,121.11	-	866,121.11	-			866,121.11	
18604102	18608412	Remediation Costs	2,577,686.93	-	2,577,686.93	-	2,577,686.93	-			2,577,686.93	
	18608452	Internal Costs - pre-1997	366.95	-	366.95	-	366.95	-			366.95	
		SUBTOTAL Gas Works - Seattle	3,434,174.99	-	3,434,174.99	-	3,434,174.99	-			3,434,174.99	
WSDOT FEDERAL/STATE												
18605203	18608542	Legal costs	379,591.40	-	379,591.40	-	379,591.40	-			379,591.40	
18605102	18608512	Remediation Costs	-	-	-	-	-	-			-	
		SUB TOTAL	379,591.40	-	379,591.40	-	379,591.40	-			379,591.40	
WSDOT UPLAND (aka 22nd & A Street, Tacoma Gas Company Site)												
18606102	18608612	Remediation costs	769,040.33	-	769,040.33	-	769,040.33	-			769,040.33	
18606203	18608642	Legal Costs	15,888.20	-	15,888.20	-	15,888.20	-			15,888.20	
		SUBTOTAL	784,928.53	-	784,928.53	-	784,928.53	-			784,928.53	
WSDOT THEAFOSS												
18607102	18608712	Remediation costs	3,810,699.91	9,679.10	3,820,379.01	-	3,820,379.01	-			3,820,379.01	
18607203	18608742	Legal costs	4,332,108.88	37,117.66	4,369,226.54	-	4,369,226.54	-			4,369,226.54	
		SUBTOTAL	8,142,808.79	46,796.76	8,189,605.55	-	8,189,605.55	-			8,189,605.55	
TULALIP												
18608102	18608812	Remediation costs	995.00	-	995.00	-	995.00	-			995.00	
OMNIBUS INSURANCE LITIGATION (9 MFG. GAS SITES)												
18609202	18608942	Legal costs	3,090,184.42	36.00	3,090,220.42	-	3,090,220.42	-			3,090,220.42	
MERCER STREET												
18611102	18609212	Remediation costs	66,942.15	-	66,942.15	-	66,942.15	-			66,942.15	
QUENDALL TERMINALS												
18609512	18609512	Remediation costs	-	-	-	-	-	-			-	
18609302	18609522	Legal Costs	59,043.75	-	59,043.75	-	59,043.75	-			59,043.75	
		SUBTOTAL	59,043.75	-	59,043.75	-	59,043.75	-			59,043.75	

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
June 30, 2009

SAP ORDER	SAP ACCOUNT	Site Description	3/31/2009		Activity	6/30/2009		Env Services Project Cost Estimates 6/30/2009	Remaining 18808022 18236022 22840002	Amortization Through 6/30/2009 Dr. 40700002	Balance 6/30/2009 Closing
			Account Balance	Account Balance		Account Balance	Account Balance				
18614102	18609312	LAKE UNION Remediation costs	8,353,252.47		234,417.79	8,587,670.26	35,000,000.00	26,412,329.74		8,587,670.26	
18614202	18600082	(e) Legal Costs SUBTOTAL	637,567.55		5,654.02	643,221.57		26,412,329.74		643,221.57	
			8,990,820.02		240,071.81	9,230,891.83	35,000,000.00			9,230,891.83	
18603202	18609632	BAY STATION Remediation costs	138,091.80		6,028.89	144,720.29	1,500,000.00	1,355,279.71		144,720.29	
	18609582	Legal Costs SUBTOTAL	8,816.89		14,846.49	23,663.38				23,663.38	
			146,908.49		21,475.18	168,383.67	1,500,000.00			168,383.67	
18614402	18609542	OLYMPIA - COLUMBIA ST. Remediation costs	20,293.82		-	20,293.82	1,000,000.00	979,706.18		20,293.82	
	18609582	Legal Costs SUBTOTAL	150,661.17		8,817.90	159,479.07				159,479.07	
			170,954.99		8,817.90	179,772.89	1,000,000.00	979,706.18		179,772.89	
18608302	18608752	VERBEEK AUTOWRECKING Remediation costs	22,523.67		21,656.07	44,179.64	750,000.00	705,820.36		44,179.64	
	18608303	Legal Costs SUBTOTAL	9,760.00		71,408.09	81,168.09				81,168.09	
			32,283.67		93,064.06	125,347.73	750,000.00	705,820.36		125,347.73	
18608022	18608022	Estimated Future Costs	42,403,614.67		\$1,084,014.57	43,487,629.24				\$ 43,487,629.24	
		Insurance and Third Party Inception-to-Date Recoveries	(67,704,614.45)		(300,000.00)	(68,004,614.45)					(68,004,614.45)
		TOTAL - FORMER MANUFACTURED GAS SITES	\$ 51,150,829.31		\$ 1,337,890.16	\$ 52,488,709.47	\$ 60,350,000.00	\$ 43,487,629.24	(a)	\$ -	\$ 52,488,709.47
GAS UNDERGROUND STORAGE TANKS AND OTHER SITES											
18237122	18237122	SOUTH SEATTLE GATE STATION	166,429.91		3,172.22	169,602.13	175,000.00	5,397.87		169,602.13	
	18236912	NORTH OPERATING BASE	-		5,802.85	249,978.82	275,000.00	26,021.18		249,978.82	
	18237112	SWARR STATION	244,575.67		-	133,750.43	150,000.00	16,249.57		133,750.43	
	18237132	NORTH TACOMA GATE STATION	133,750.43		-	53,995.63	100,000.00	46,004.37		53,995.63	
	18237142	NORTH SEATTLE GATE STATION	53,995.63		-	67,987.45	150,000.00	82,012.55		67,987.45	
	18237152	COVINGTON GATE STATION	67,987.45		119,241.85	224,685.54		224,685.54		224,685.54	
	18236022	ESTIMATED FUTURE INSURANCE RECOVERIES	106,443.09		-	-		-		-	
18236032	18236032	TOTAL - GAS UNDERGROUND STORAGE TANKS	771,883.08		128,016.92	900,000.00	900,000.00	224,685.54	(d)	\$ -	\$ 900,000.00
		TOTAL - GAS STORAGE TANKS AND MANUFACTURED GAS SITES	\$ 51,922,812.39		\$ 1,465,907.08	\$ 53,388,709.47	\$ 67,250,000.00	\$ 43,722,314.78	(b)	\$ -	\$ 53,388,709.47

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 balance on account 18236022 as of 3/31/2009 is 233,460.81 which does not reflect a late entry of (128,016.92) to remove 2 completed sites (North Seattle and Covington Gate Station). Based on the Q2 2008 Environmental Remediation Report from John Rork, the estimates for these two sites were added back to the report in Q2 2009.

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY ELECTRIC
June 30, 2009

September 2000 - forward ORDER	ACCOUNT	SITE DESCRIPTION	SAP Account Balance 3/31/2009	2nd Quarterly Activity	SAP Account Balance 6/30/2009	Actual Costs Through 6/30/2009	Future Cost Estimates	Total Cost Estimates	Recoveries Through 6/30/2009
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (d) + (e)	(g)
18230009	18232221 18232251	Env Rem- Buckley-White River Phase II (Future Cost Est) Buckley Phase II - Burn Pile & Wood Debris Env Rem Cost Subtotal Buckley-White River Ph II-Burn Pile/Wood Debris Site	250,000.00 1,917,778.95 2,167,778.95	0.00 17,206.00 17,206.00	250,000.00 1,934,984.95 2,184,984.95	- 1,934,984.95 1,934,984.95	250,000.00 -	250,000.00 1,934,984.95 2,184,984.95	- -
18230021	18232271	Env Rem - Duwamish River Site (former Georgetown)	47,933.21	15.26	47,948.47	47,948.47	-	47,948.47 (C)	-
	18233061	Env Rem - UG Tank - Poulsbo Service Center (Future Cost Est)	10,000.00	0.00	10,000.00	-	10,000.00	10,000.00	-
	18230311	Env Rem - UG Tank - Whidbey Is. (Future Cost Est)	15,000.00	0.00	15,000.00	-	15,000.00	15,000.00	-
18230041	18230321 18233091	Env Rem - UG Tank - Tenino (Future Cost Est) Env Rem - UG Tank - Tenino Service Center Subtotal Tenino Service Center	52,471.63 22,528.37 75,000.00	(5,849.45) 5,849.45 0.00	46,622.18 28,377.82 75,000.00	- 28,377.82 28,377.82	46,622.18 -	46,622.18 28,377.82 75,000.00	- -
	Total 182.3		2,315,712.16	17,221.26	2,332,933.42	2,011,311.24	321,622.18	2,332,933.42	0.00
18601120	18608011 18608001	Env Rem - Lower Baker Power Plant Site (Future Cost Est.) Env Rem - Lower Baker Power Plant Site Subtotal Lower Baker Power Plant Site	668,771.35 31,228.65 700,000.00	(38,066.07) 38,066.07 0.00	630,705.28 69,294.72 700,000.00	- 69,294.72 69,294.72	630,705.28 -	630,705.28 69,294.72 700,000.00	- -
18601121	18608031 18608021	Env Rem - Snoqualmie Hydro Generation (Future Cost Est.) Env Rem - Snoqualmie Hydro Generation Subtotal Snoqualmie Hydro Generation	454,247.55 245,752.45 700,000.00	(1,718.25) 1,718.25 0.00	452,529.30 247,470.70 700,000.00	- 247,470.70 247,470.70	452,529.30 -	452,529.30 247,470.70 700,000.00	- -
18601122	18608051 18608041	Env Rem - Bellingham Manufactured Gas Site (Future Cost Est.) Env Rem - Bellingham Manufactured Gas Site Subtotal Bellingham Manufactured Gas Site	455,525.18 44,474.82 500,000.00	(13,885.62) 13,885.62 0.00	441,639.56 58,360.44 500,000.00	- 58,360.44 58,360.44	441,639.56 -	441,639.56 58,360.44 500,000.00	- -
18601125	18608111 18608081	Env Rem - Electron Flume Site (Future Cost Est.) Env Rem - Electron Flume Site Subtotal Electron Flume Site Def Site	123,642.66 26,357.34 150,000.00	166,359.25 33,640.75 200,000.00	290,001.91 59,998.09 350,000.00	- 59,998.09 59,998.09	290,001.91 -	290,001.91 59,998.09 350,000.00	- -
	Total 186		2,050,000.00	200,000.00	2,250,000.00	435,123.95	1,814,876.05	2,250,000.00	0.00
	Total Electric Environmental Costs 182.3 and 186		4,365,712.16	217,221.26	4,582,933.42	2,446,435.19	2,136,498.23	4,582,933.42	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	22840131	Crystal Mountain Expensed Site	(439,615.69)	(60,384.31)	(500,000.00)	14,568,472.68	500,000.00	15,083,472.68	11,938,563.00 (B)
	22841001	Accu Misc Oper Prov-- Unallo Def Elec Env Reme Recoveries	(4,569,592.62)	(8,495.74)	(4,578,088.36)	-	-	-	(4,575,394.62)
	Total 228.4		(5,591,707.78)	(68,880.05)	(5,660,587.83)	14,618,973.21	1,082,499.47	15,701,472.68	6,863,168.38
	Total Electric Environmental Costs 182.3, 186, and 228.4		(1,225,995.62)	148,341.21	(1,077,654.41)	17,065,408.40	3,218,997.70	20,284,406.10	6,863,168.38

Footnotes:

- (A) Represents allocated proceeds from the insurance recoveries.
- (B) PSE and its first layer general liability insurer negotiated a final settlement of PSE's Crystal Mountain insurance claim on March 24, 2009 that resulted in PSE receiving a final payment at the end of April 2009 in the amount of \$3,334,000. During the second quarter of 2009, PSE recovered \$3,334,000 from its insurer, bringing total recoveries through June 30, 2009 on the claim at \$1,938,563.
- (C) No evidence linking PSE to the Duwamish River site has been discovered and the litigation at the site involving other parties has been ongoing.
- (D) The Everett Trolley site isn't covered by Washington Commission order, therefore the site is not listed on the report. It deals with a legacy non-utility order group 417 business, is not related to the electric or gas business.