



# PUGET SOUND ENERGY

Puget Sound Energy, Inc.  
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January 27, 2011

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

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

### **Environmental Report for the quarter ending December 31, 2010**

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 the 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 9/30/10         | \$784,929               |
| Add: Costs incurred in 4th Qtr      | \$0                     |
| Less: Amortization costs in 4th Qtr | \$0                     |
| Balance of actual costs 12/31/09    | \$784,929               |
| Estimate:                           | \$1,100,000 (No Change) |

**B. Thea Foss Waterway**

On November 16<sup>th</sup>, 2007 the Commencement Bay Natural Resource Trustees delivered the revised Natural Resource Damage (NRD) Settlement Proposal Report to the PRPs. Since then, PSE has continued to participate as part of the steering committee that was formed to represent the greater PRP group and was tasked to coordinate with the Trustees on the identification and development of a restoration project or projects that will satisfy the NRD demand. The PRP group submitted a settlement offer to the Trustees in the second quarter of 2010 and is actively engaged in negotiations with the Trustees.

PSE and PacifiCorp initiated a lawsuit against Washington Department of Transportation (WSDOT) to recover damages for the State's actions that we allege contributed to contamination in the Waterway. The judge rendered a decision in early February 2009 that was favorable to the Utilities. WSDOT filed a motion for reconsideration which was denied. In July, 2009, the Court entered a judgment against DOT and granted the Utilities a recovery of attorney's fees and costs. DOT has appealed the judge's rulings. Briefing in the appeal is completed and we are awaiting a hearing date.

In April, 2010 the Utilities completed site inspections and sediment sampling near the head of the waterway as part of the requirements of the EPA approved Operation and Monitoring Plan (OMMP). The collected data continue to show that the Utilities' remedy is functioning as intended and that the recontamination source remains storm water. EPA completed its mandated five year review of the Thea Foss remedy. This review addressed the storm-water recontamination issue, and did not require further remedial action by PSE. The next Utilities' remedy monitoring round is scheduled for May 2011, based on the current OMMP monitoring schedule.

|                                     |                          |
|-------------------------------------|--------------------------|
| Actual cost balance 9/30/10         | \$4,011,864              |
| Add: Costs incurred in 4th Qtr      | (\$28,293)               |
| Less: Amortization costs in 4th Qtr | \$0                      |
| Balance of actual costs 12/31/10    | \$3,983,571              |
| 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. Annual groundwater sampling performed continues to show the remedy is containing contaminated groundwater.

|                                     |                         |
|-------------------------------------|-------------------------|
| Actual cost balance 9/30/10         | \$1,383,403             |
| Add: Costs incurred in 4th Qtr      | \$4,831                 |
| Less: Amortization costs in 4th Qtr | \$0                     |
| Balance of actual costs 12/31/10    | \$1,388,234             |
| Estimate:                           | \$4,500,000 (No Change) |

#### D. Chehalis, Washington

PSE is conducting remedial actions under WDOE's Voluntary Cleanup Program and submitted a draft remedial investigation/feasibility study (RI/FS) report in 2009. WDOE issued an opinion letter in June 2009 stating that the proposed cleanup action, an asphalt cap, meets the substantive requirements of the Model Toxics Control Act (MTCA) and achieves the cleanup objectives. The opinion letter further states that no further action, other than groundwater monitoring, will likely be necessary upon completion of the remedial action.

Construction of the remedy was completed in October 2010. Next steps are to prepare a report documenting the construction activities and submit it to WDOE

|                                     |                         |
|-------------------------------------|-------------------------|
| Actual cost balance 9/30/10         | \$3,716,903             |
| Add: Costs incurred in 4th Qtr      | \$23,321                |
| Less: Amortization costs in 4th Qtr | \$0                     |
| Balance of actual costs 12/31/10    | \$3,740,224             |
| Estimate:                           | \$4,250,000 (No Change) |

#### E. Gas Works Park

The cleanup action, consisting of a soil cap, a groundwater remediation system, and monitored natural attenuation, was implemented in 2001. Operation, maintenance and monitoring activities, including groundwater monitoring, maintenance of the soil cap, mitigation of exposed tar, and the groundwater remediation system, are the responsibility of the City of Seattle, pursuant to an agreement with PSE. The groundwater remediation system was shutdown in late 2006 by the City of Seattle.

In response to comments from EPA, WDOE hired an independent consultant to compile Gas Works Park characterization data, prepare a remedial investigation report including a human health and ecological risk assessment and identify if data gaps exist. The draft RI is scheduled to be complete in December 2010.

The City of Seattle began investigating potential upland sources of sediment recontamination in 2009. Sampling initially focused on storm drains and catch basins and later surface soil. Results indicate elevated levels of contaminants in surface soils and solids entering storm drains in the northeast corner of GWP. The City of Seattle performed supplemental sampling and storm drain video surveys to evaluate storm water sources of sediment contamination; the results of these investigations are under review. Remedial actions for these soils are the responsibility of the City of Seattle pursuant their agreement with PSE. Upland remedial actions for the bank area adjacent to the shoreline will be evaluated in the RI/FS for Lake Union sediment.

|                                     |                         |
|-------------------------------------|-------------------------|
| Actual cost balance 9/30/10         | \$2,651,382             |
| Add: Costs incurred in 4th Qtr      | \$0                     |
| Less: Amortization costs in 4th Qtr | \$0                     |
| Balance of actual costs 12/31/10    | \$2,651,382             |
| Estimate:                           | \$4,000,000 (No Change) |

**F. Quendall Terminals**

On December 23, 2010, PSE received a 104e Information Request from the EPA. EPA requested information regarding PSE’s past ownership and operation of the manufactured gas plant that was operated on the site now know as Gas Works Park. PSE sold tar from Gas Works to the Quendall facility and did not transport it or dispose of it as a waste. EPA listed Quendall Terminals as an NPL (i.e., Superfund) Site on April 19, 2006.

|                                     |                                       |
|-------------------------------------|---------------------------------------|
| Actual cost balance 9/30/10         | \$0                                   |
| Add: Costs incurred in 4th Qtr      | \$0                                   |
| Less: Amortization costs in 4th Qtr | \$0                                   |
| Balance of actual costs 12/31/10    | \$0                                   |
| Estimate:                           | \$1,000,000 – \$3,500,000 (No Change) |

**G. Lake Union Sediments**

PSE is conducting an RI/FS under the Agreed Order 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 regarding the RI/FS. EPA submitted additional comments on the RI/FS and uplands (Gas Works Park Site) in June 2009. PSE and the City of Seattle have resumed meeting with EPA and WDOE to refine the conceptual site model and address other EPA and stakeholder comments. As part of this effort, PSE and the City of Seattle completed a supplemental hydrogeologic investigation this fall. Results of this investigation will be used to refine the conceptual site model and support the development of a site-wide groundwater flow model. PSE and the city also reevaluated potential chemicals of concern and performed human health and ecological risk assessments. Results of these assessments have been submitted to WDOE.

PSE is continuing to work 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

|                                     |   |
|-------------------------------------|---|
| Actual cost balance 9/30/10         | \$10,323,857                            |
| Add: Costs incurred in 4th Qtr      | \$575,763                               |
| Less: Amortization costs in 4th Qtr | \$0                                     |
| Balance of actual costs 12/31/10    | \$10,899,620                            |
| Estimate:                           | \$35,000,000 - \$45,000,000 (No Change) |

## H. Tacoma Tar Pits

PSE submitted the results of a groundwater update to EPA in May 2009 using the groundwater optimization model requested by EPA. The updated results were consistent with PSE's evaluation of data collected as part of the long-term groundwater monitoring program. PSE continues to operate and monitor the groundwater pump and treat system. Maintenance of site facilities and monitoring of ground water quality continues.

EPA completed its Superfund mandated 5 year review. The overall purpose of the review is to assess whether the remedy implemented at the site is still protective of human health and the environment. The five year review concluded that the remedy is still protective.

|                                     |              |
|-------------------------------------|--------------|
| Actual cost balance 9/30/10         | \$37,908,839 |
| Add: Costs incurred in 4th Qtr      | \$110,889    |
| Less: Amortization costs in 4th Qtr | \$0          |
| Balance of actual costs 12/31/10    | \$38,019,728 |
| Estimate Future Cost                | \$3,250,000  |

## 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 and evaluate data to determine whether the arsenic plume requires active remediation or if it can be managed by the ongoing groundwater monitoring activities.

|                                     |                        |
|-------------------------------------|------------------------|
| Actual cost balance 9/30/10         | \$265,702              |
| Add: Costs incurred in 4th Qtr      | \$4,290                |
| Less: Amortization costs in 4th Qtr | \$0                    |
| Balance of actual costs 12/31/10    | \$269,992              |
| Estimate:                           | \$350,000 to \$500,000 |

## 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.

On June 23, 2010 PSE purchased the property and will be using the site as a material storage yard in support of PSE operations while PSE remediates the site. A preliminary site investigation was performed in August. The analytical results of soil samples have been received and confirmed the presence of contamination consistent with MGP releases. A report is being prepared documenting the results of this investigation.

|                                     |                             |
|-------------------------------------|-----------------------------|
| Actual cost balance 9/30/10         | \$202,478                   |
| Add: Costs incurred in 4th Qtr      | \$26,931                    |
| Less: Amortization costs in 4th Qtr | \$0                         |
| Balance of actual costs 12/31/10    | \$229,409                   |
| Estimate:                           | \$ 1,500,000 - \$ 4,000,000 |

## K. Olympia (Columbia Street)

From 1908 to approximately 1924, an MGP was located at this property in Olympia. In late 2006, PSE received a letter from a firm representing the owners at that time 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 property in 2008. The initial investigation identified impacts likely attributable to MGP operations in the upper soil profile. Some groundwater impacts exist beneath the property, including elevated arsenic concentrations. PSE has entered WDOE's Voluntary Cleanup Program and received agency comments on the initial investigation in February 2009.

PSE conducted further investigation on the property to satisfy comments by WDOE and the property owner, and to obtain remedial design information. The results of this investigation indicate that MGP-related impacts extend to, and possibly beyond, the property boundaries. PSE is currently performing off-site investigations in an attempt to delineate the lateral extent of contamination.

|                                     |                           |
|-------------------------------------|---------------------------|
| Actual cost balance 9/30/10         | \$382,247                 |
| Add: Costs incurred in 4th Qtr      | \$45,345                  |
| Less: Amortization costs in 4th Qtr | \$0                       |
| Balance of actual costs 12/31/10    | \$427,592                 |
| Estimate:                           | \$1,000,000 - \$2,500,000 |

## **L. Verbeek Autowrecking**

On January 16<sup>th</sup>, 2009 Verbeek Properties filed a lawsuit against PSE and the City of Seattle. Verbeek has asserted that contaminated soil from Gas Works Park (GWP) in Seattle was transported to its property. PSE 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 that was supplemented with additional testing in September 2009. The supplemental testing indicated a larger volume of GWP soils are present than the volume estimated using the preliminary characterization data.

An interim remedial action plan (IRAP) was prepared by PSE's consultants to cleanup the GWP soil. The IRAP was reviewed and approved by the site owner's consultants and WDOE. In July, PSE began the field activities described in the IRAP. The remedial work was completed in October 2010 and a remedial construction report is being prepared for submittal to the property owner and WDOE. Remaining work includes preparation of the report and working with the owner and Ecology to obtain a property specific No Further Action designation for the property.

|                                     |                             |
|-------------------------------------|-----------------------------|
| Actual cost balance 9/30/10         | \$1,687,557                 |
| Add: Costs incurred in 4th Qtr      | \$314,716                   |
| Less: Amortization costs in 4th Qtr | \$0                         |
| Balance of actual costs 12/31/10    | \$2,002,273                 |
| Estimate:                           | \$ 2,200,000 - \$ 2,500,000 |

## **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. Litigation involving other parties has been resolved without PSE's involvement.

On January 29<sup>th</sup> 2009, PSE received a 104e Information Request from the EPA as part of the Lower Duwamish Waterway Superfund Site. EPA requested information regarding PSE's past ownership and operation of the Georgetown Steam Plant and nearby facilities. PSE has completed its responses to these requests and submitted them to EPA at the end of July, 2009. It is expected that EPA or other responsible parties will begin seeking the involvement at the site from other parties, potentially including PSE however, no further requests or notices have been received from EPA.

The range of costs shown below reflects the activities responding to the 104e request and the uncertainty pertaining to the exposure that PSE may receive in the Duwamish River.

|                                     |                         |
|-------------------------------------|-------------------------|
| Actual cost balance 9/30/10         | \$79,592                |
| Add: Costs incurred in 4th Qtr      | \$0                     |
| Less: Amortization costs in 4th Qtr | \$0                     |
| Balance of actual costs 12/31/10    | \$79,592                |
| Estimate:                           | \$200,000 - \$3,000,000 |

#### **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, however, the lateral extent of the plume does not appear to be currently expanding or approaching the White River.

|                                     |                                   |
|-------------------------------------|-----------------------------------|
| Actual cost balance 9/30/10         | \$2,004,708                       |
| Add: Costs incurred in 4th Qtr      | \$6,175                           |
| Less: Amortization costs in 4th Qtr | \$0                               |
| Balance of actual costs 12/31/10    | \$2,010,883                       |
| Future Estimated Cost:              | \$250,000 - 1,500,000 (No Change) |

#### **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 discovered in water discharging from a metal pipe extending from the concrete wall of the former powerhouse that remains in place. PSE evaluated the sheen and installed a water treatment system to eliminate the sheen. The specific source(s) and extent of contamination in the landslide area has not been identified.

|                                     |                                     |
|-------------------------------------|-------------------------------------|
| Actual cost balance 9/30/10         | \$265,745                           |
| Add: Costs incurred in 4th Qtr      | \$0                                 |
| Less: Amortization costs in 4th Qtr | \$0                                 |
| Balance of actual costs 12/31/10    | \$265,745                           |
| Estimate:                           | \$700,000 - \$7,000,000 (No Change) |



#### **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 9/30/10         | \$453,028                         |
| Less: Amortization costs in 4th Qtr | \$0                               |
| Balance of actual costs 12/31/10    | \$453,028                         |
| Estimate:                           | \$468,000 - \$600,000 (No Change) |

#### **E. Electron Flume**

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. Due to the complexity of gaining access to this material and the specialized equipment needed to transport this material,

|                                     |                       |
|-------------------------------------|-----------------------|
| Actual cost balance 9/30/10         | \$491,040             |
| Add: Costs incurred in 4th Qtr      | \$41,260              |
| Less: Amortization costs in 4th Qtr | \$0                   |
| Balance of actual costs 12/31/10    | \$532,300             |
| Estimate:                           | \$800,000 - 1,500,000 |

#### **F. Snoqualmie Hydro Generation (Power Plant)**

PSE has begun construction 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 substances exceeding state cleanup levels. Cleanup activities began in 2010 and are anticipated to continue through 2011.

|                                     |                             |
|-------------------------------------|-----------------------------|
| Actual cost balance 9/30/10         | \$666,066                   |
| Add: Costs incurred in 4th Qtr      | \$390,267                   |
| Less: Amortization costs in 4th Qtr | \$0                         |
| Balance of actual costs 12/31/10    | \$1,056,333                 |
| Estimate:                           | \$ 1,500,000 - \$ 2,000,000 |

**G. Bellingham South State Street MGP (formerly known as Boulevard Park)**

As early as the late 1800'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 part of Boulevard Park. PSE was notified by the City of Bellingham of potential liability for contamination at the site.

In 2009, the City of Bellingham and WDOE completed a focused environmental site assessment of sediments in Bellingham Bay off shore of Boulevard Park in support of a proposed over-water walkway. PSE has entered into a cost-sharing agreement with the City of Bellingham to complete a RI/FS for the former MGP site under an Agreed Order with the City and WDOE. The Agreed Order was issued on April 30, 2010 by WDOE.

The RI field work, including the collection of soil, surface water and sediment samples as well as the installation of groundwater monitoring wells was completed during August and September 2010. Groundwater sampling as well as evaluation of the results of the sampling effort will occur through the end of 2010. PSE and the City of Bellingham have agreed to prepare an interim Remedial Investigation Data Report to identify any gaps in the data collected and recommend additional sampling if needed. The remedial feasibility study is scheduled for 2011.

|                                     |                         |
|-------------------------------------|-------------------------|
| Actual cost balance 9/30/10         | \$313,869               |
| Add: Costs incurred in 4th Qtr      | \$349,346               |
| Less: Amortization costs in 4th Qtr | \$0                     |
| Balance of actual costs 12/31/10    | \$663,216               |
| Estimate:                           | \$1,500,000 - 8,000,000 |

#### H. Talbot Hill Substation and Switchyard

During the investigation and remediation of a minor mineral oil release discovered in June 2009, contamination related to historic spills from electrical equipment was encountered at the site. Subsurface explorations identified contamination exceeding state cleanup levels beneath a portion of the site, including structural foundations supporting towers and electrical equipment. PSE completed an interim cleanup action that removed accessible contaminated soil from the site. Some contaminated soil remains beneath facility structures

|                                     |                        |
|-------------------------------------|------------------------|
| Actual cost balance 9/30/10         | \$222,809              |
| Add: Costs incurred in 4th Qtr      | \$0                    |
| Less: Amortization costs in 4th Qtr | \$0                    |
| Balance of actual costs 12/31/10    | \$222,809              |
| Estimate:                           | \$350,000 - \$ 750,000 |

#### I. Tenino Service Center UST

The Tenino Service Center was in operation from 1959 to 1995. Soil and groundwater beneath the site were impacted by petroleum releases from historic fueling facilities. The fueling facilities and most of the contaminated soil were removed from the site in 1991, except for inaccessible contaminated soil located beneath an on-site building. The building and underlying contaminated soil were removed from the site during November and December of 2009. PSE expects that regulatory requirements for this site will be satisfied through groundwater monitoring.

|                                  |                       |
|----------------------------------|-----------------------|
| Actual cost balance 9/30/10      | \$165,235             |
| Costs incurred in 4th Qtr        | \$248                 |
| Balance of actual costs 12/31/10 | \$165,483             |
| Estimate:                        | \$250,000 - \$300,000 |

#### J. 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

Enclosures

cc: Mike Main  
Karl Karzmar  
Eric Markell  
Bert Valdman  
Steve Secrist  
Jeff Thomas  
David Brenner  
Mike Stranik  
Della Cheung  
John Story  
Susan Free  
Lorna Luebbe

**PUGET SOUND ENERGY, INC.**  
**DEFERRED ENVIRONMENTAL COST SUMMARY GAS**  
**December 31, 2010**

| September 1998<br>SAP ORDER                       | forward<br>SAP ACCOUNT | Site Description                    | 9/30/2010            |                      | Activity           | 12/31/2010    |               | Env Services<br>Project<br>Cost Estimates<br>12/31/2010 | Cost Estimates<br>Remaining<br>1860922<br>1829622<br>2284002 | Amortization<br>Through<br>12/31/2010<br>Dr. 4070002 | Balance              |  |
|---|------------------------|-------------------------------------|----------------------|----------------------|--------------------|---------------|---------------|---|--|--|----------------------|--|
|   |                        |                                     | Account Balance      | Account Balance      |                    | 12/31/2010    | 12/31/2010    |   |  |  | Closing              |  |
| <b>FORMER MANUFACTURED GAS SITES:</b>             |                        |                                     |                      |                      |                    |               |               |   |  |  |                      |  |
| <b>TACOMA GAS COMPANY (UPLAND SOURCE CONTROL)</b> |                        |                                     |                      |                      |                    |               |               |   |  |  |                      |  |
| 18608102  | 18609812               | Remediation costs                   | 769,040.33           | 769,040.33           | -                  | 1,100,000.00  | 1,100,000.00  | 330,959.67  |  |  | 769,040.33           |  |
| 18608203  | 18608642               | Legal Costs                         | 15,889.20            | 15,889.20            | -                  |               |               |   |  |  | 15,889.20            |  |
|   |                        | <b>SUBTOTAL</b>                     | <b>784,929.53</b>    | <b>784,929.53</b>    |                    |               |               | <b>330,959.67</b>                                       |  |  | <b>784,929.53</b>    |  |
| <b>THEA FOSS WATERWAY</b>                         |                        |                                     |                      |                      |                    |               |               |   |  |  |                      |  |
| 18607102  | 18609712 (g)           | Remediation costs                   | 4,011,864.45         | 3,989,571.18         | (28,293.29)        | 10,000,000.00 | 10,000,000.00 | 6,016,428.84  |  |  | 3,989,571.18         |  |
| 18607203  | 18608142               | Legal Costs                         | 4,475,572.59         | 4,475,572.59         | -                  |               |               |   |  |  | 4,475,572.59         |  |
|   |                        | <b>SUBTOTAL</b>                     | <b>8,487,437.04</b>  | <b>8,465,143.75</b>  | <b>(28,293.29)</b> |               |               | <b>6,016,428.84</b>                                     |  |  | <b>8,465,143.75</b>  |  |
| <b>EVERETT, WASHINGTON</b>                        |                        |                                     |                      |                      |                    |               |               |   |  |  |                      |  |
| 18602102  | 18609212               | Remediation Costs                   | 1,366,403.06         | 1,368,254.40         | 4,831.34           | 4,500,000.00  | 4,500,000.00  | 3,111,765.60  |  |  | 1,366,234.40         |  |
| 18602203  | 18609242               | Legal Costs                         | 6,717.50             | 6,717.50             | -                  |               |               |   |  |  | 6,717.50             |  |
|   |                        | <b>SUBTOTAL Everett</b>             | <b>1,392,120.56</b>  | <b>1,395,951.90</b>  | <b>4,831.34</b>    |               |               | <b>3,111,765.60</b>                                     |  |  | <b>1,396,951.90</b>  |  |
| <b>QUEHALIS, WASHINGTON</b>                       |                        |                                     |                      |                      |                    |               |               |   |  |  |                      |  |
| 18603102  | 18608312               | Remediation Costs                   | 3,716,903.24         | 3,740,224.26         | 23,321.02          | 4,250,000.00  | 4,250,000.00  | 508,775.74  |  |  | 3,740,224.26         |  |
| <b>GAS WORKS PARK</b>                             |                        |                                     |                      |                      |                    |               |               |   |  |  |                      |  |
| 18604102  | 18608412               | Remediation Costs                   | 2,651,381.74         | 2,651,381.74         | -                  | 4,000,000.00  | 4,000,000.00  | 1,346,616.26  |  |  | 2,651,381.74         |  |
| 18604203  | 18609442               | Legal Costs                         | 656,121.11           | 656,121.11           | -                  |               |               |   |  |  | 656,121.11           |  |
|   | 18609452               | Internal Costs - pre-1997           | 368.95               | 368.95               | -                  |               |               |   |  |  | 368.95               |  |
|   |                        | <b>SUBTOTAL Gas Works - Seattle</b> | <b>3,507,869.80</b>  | <b>3,507,869.80</b>  |                    |               |               | <b>1,346,616.26</b>                                     |  |  | <b>3,507,869.80</b>  |  |
| <b>QUENDALL TERMINALS</b>                         |                        |                                     |                      |                      |                    |               |               |   |  |  |                      |  |
| 18612102  | 18609512               | Remediation costs                   | 59,043.75            | 59,043.75            | -                  | 1,000,000.00  | 1,000,000.00  | 1,000,000.00  |  |  | 59,043.75            |  |
| 18603302  | 18609522               | Legal Costs                         | 59,043.75            | 59,043.75            | -                  |               |               |   |  |  | 59,043.75            |  |
|   |                        | <b>SUBTOTAL</b>                     | <b>59,043.75</b>     | <b>59,043.75</b>     |                    |               |               | <b>1,000,000.00</b>                                     |  |  | <b>59,043.75</b>     |  |
| <b>LAKE UNION SEDIMENTS</b>                       |                        |                                     |                      |                      |                    |               |               |   |  |  |                      |  |
| 18614102  | 18609312               | Remediation costs                   | 10,323,857.47        | 10,899,820.41        | 576,762.94         | 35,000,000.00 | 35,000,000.00 | 24,100,379.59   |  |  | 10,899,820.41        |  |
| 18614202  | 18600082               | Legal Costs                         | 665,123.59           | 665,123.59           | -                  |               |               |   |  |  | 665,123.59           |  |
|   |                        | <b>SUBTOTAL</b>                     | <b>10,988,981.06</b> | <b>11,564,744.00</b> | <b>576,762.94</b>  |               |               | <b>24,100,379.59</b>                                    |  |  | <b>11,564,744.00</b> |  |
| <b>TACOMA TIDE FLATS</b>                          |                        |                                     |                      |                      |                    |               |               |   |  |  |                      |  |
| 18608112  | 18609112               | Remediation Costs through June 1989 | 34,826,945.69        | 34,826,945.69        | -                  | 3,250,000.00  | 3,250,000.00  | 57,216.72   |  |  | 34,826,945.69        |  |
| 18608112  | 18608112               | Remediation Costs post-June 1989    | 3,192,781.28         | 3,192,781.28         | -                  |               |               |   |  |  | 3,192,781.28         |  |
| 18608142  | 18608142               | Legal Costs                         | 9,351,936.58         | 9,351,936.58         | -                  |               |               |   |  |  | 9,351,936.58         |  |
| 18608152  | 18608152               | Internal Costs pre-1997             | 209,796.52           | 209,796.52           | -                  |               |               |   |  |  | 209,796.52           |  |
|   |                        | <b>SUBTOTAL Tacoma Tide Flats</b>   | <b>47,475,571.44</b> | <b>47,581,460.07</b> |                    |               |               | <b>57,216.72</b>  |  |  | <b>47,581,460.07</b> |  |
| <b>BAY STATION</b>                                |                        |                                     |                      |                      |                    |               |               |   |  |  |                      |  |
| 18603202  | 18609532               | Remediation costs                   | 202,478.02           | 229,405.41           | 26,931.39          | 1,500,000.00  | 1,500,000.00  | 1,270,590.59  |  |  | 229,405.41           |  |
| 18603203  | 18609552               | Legal Costs                         | 29,544.00            | 29,544.00            | -                  |               |               |   |  |  | 29,544.00            |  |
|   |                        | <b>SUBTOTAL</b>                     | <b>232,022.02</b>    | <b>258,953.41</b>    | <b>26,931.39</b>   |               |               | <b>1,270,590.59</b>                                     |  |  | <b>258,953.41</b>    |  |

**PUGET SOUND ENERGY, INC.**  
**DEFERRED ENVIRONMENTAL COST SUMMARY GAS**  
**December 31, 2010**

| September 1998 - forward<br>SAP ORDER | SAP ACCOUNT  | Site Description                             | 9/30/2010<br>Account Balance | Activity      | 12/31/2010<br>Account Balance | Env Services<br>Project<br>Cost Estimates<br>12/31/2010 | Remaining<br>18609022<br>22640002 | Amortization<br>Through<br>12/31/2010<br>Dr. 40700002 | Balance<br>12/31/2010<br>Closing |
|---------------------------------------|--------------|--|------------------------------|---------------|-------------------------------|---|-----------------------------------|---|----------------------------------|
| 18614402                              | 18609542     | OLYMPIA COLUMBIA STREET MGP                  | 382,247.25                   | 45,345.09     | 427,592.34                    | 1,000,000.00  | 572,407.86                        |   | 427,592.34                       |
| 18614403                              | 18609582     | Remediation costs<br>Legal Costs<br>SUBTOTAL | 382,247.25                   | 45,345.09     | 427,592.34                    | 1,000,000.00  | 572,407.86                        |   | 427,592.34                       |
| 18608302                              | 18609752     | VERBEEK ALIQUOT RECKING                      | 1,867,557.06                 | 314,715.70    | 2,002,272.76                  | 2,200,000.00  | 197,727.24                        |   | 2,002,272.76                     |
| 18608304                              | 18609752 (f) | 3rd party                                    | (173,107.62)                 |               | (173,107.62)                  |   | 173,107.62                        |   | (173,107.62)                     |
| 18608303                              | 18608762     | Legal Costs                                  | 9,760.00                     |               | 9,760.00                      |   |                                   |   | 9,760.00                         |
|                                       |              | SUBTOTAL                                     | 1,524,209.44                 | 314,715.70    | 1,838,925.14                  | 2,200,000.00  | 370,834.86                        |   | 1,838,925.14                     |
| 18609022                              |              | Estimated Future Costs                       | 99,312,462.35                | (623,503.00)  | 38,688,959.35                 |   |                                   |   | \$ 38,688,959.35                 |
| 18608062                              |              | Recoveries                                   | (64,473,021.57)              | (6,653.18)    | (64,479,674.75)               |   |                                   |   | (64,479,674.75)                  |
|                                       |              | SITES  | \$ 53,385,794.91             | \$ 443,146.64 | \$ 53,828,941.55              | \$ 67,600,000.00  | \$ 38,688,979.53                  | (b)   | \$ 53,828,941.55                 |
|                                       |              |  |                              |               |                               |   |                                   |   | 0.18                             |

| GAS UNDERGROUND STORAGE TANKS AND OTHER SITES |          |               |                    |               |                 |                |           |                 |  |
|---|----------|---------------|--------------------|---------------|-----------------|----------------|-----------|-----------------|--|
|   |          | Total Costs   | Curr Cost Activity | Total Costs   | Estimated Costs | Remaining Est. | Accm Depr | Ending Acct Bal |  |
| 18230712                                      | 18236912 | 285,702.12    | 4,289.85           | 269,997.97    | 350,000.00      | 80,008.03      |           | 269,997.97      |  |
| 18230710                                      | 18236912 |               |                    |               | 50,000.00       | 50,000.00      |           |                 |  |
|   |          | 189,602.13    |                    | 189,602.13    |                 |                |           | 189,602.13      |  |
|   |          | 133,750.43    |                    | 133,750.43    |                 |                |           | 133,750.43      |  |
|   |          | 53,995.63     |                    | 53,995.63     |                 |                |           | 53,995.63       |  |
|   |          | 67,987.45     |                    | 67,987.45     |                 |                |           | 67,987.45       |  |
|   |          | 134,297.88    | (4,289.85)         | 130,008.03    |                 |                |           | 130,008.03      |  |
| 18236022                                      |          |               |                    |               |                 |                |           |                 |  |
| 18236032                                      |          | 825,335.64    |                    | 825,335.64    | 400,000.00      | 130,008.03     |           | 825,335.64      |  |
|   |          | 54,211,130.55 | 443,146.64         | 54,654,277.19 | 68,200,000.00   | 38,688,979.56  |           | 54,654,277.19   |  |
|   |          |               |                    |               |                 |                |           |                 |  |

NOTES:  
(e) Represents the low end of the probable future cost estimate range  
(f) Represents balance in Account 18609022 after quarterly true-up  
(g) Represents balance in Account 18236022 after quarterly true-up  
(h) Represents balance in Account 18236022 after quarterly true-up  
(i) Represents balance in Account 18236022 after quarterly true-up  
(j) Order 18608304 was processed 06/20/10 for reimbursement for remediation costs from the 3rd party. This order settles to Account # 18609752.  
(k) Order 18607203 was re-processed in the 3rd Qtr of 2010 for posting legal cost related to THEA FOSS WATERWAY.

**PUGET SOUND ENERGY, INC.**  
**Deferred Environmental Cost Summary Electric**  
**December 31, 2010**

| September 2000 - forward Order | Account  | Site Description   | SAP Account Balance 9/30/2010 (a) | 4th Quarter Activity (b) | Account Balance 12/31/2010 (c) = (a) + (b) | Actual Costs Through 12/31/2010 (d) | Future Cost Estimates (e) | Total Cost Estimates (f) = (d) + (e) | Recoveries Through 12/31/2010 (g) |
|--------------------------------|----------|--|-----------------------------------|--------------------------|--|-------------------------------------|---------------------------|--------------------------------------|-----------------------------------|
| 18232221                       | 18230009 | Env Rem - White River/Buckley Phase II Burn Pile and Wood Debris (Future Cost Est.)    | 250,000.00                        | 0.00                     | 250,000.00                                 | 0.00                                | 250,000.00                | 250,000.00                           | 0.00                              |
| 18232251                       |          | Env Rem - White River/Buckley Phase II Burn Pile and Wood Debris                       | 2,004,708.02                      | 6,175.10                 | 2,010,883.12                               | 2,010,883.12                        | 0.00                      | 2,010,883.12                         | 0.00                              |
|                                |          | Subtotal White River/Buckley Phase II Burn Pile and Wood Debris Site                   | 2,254,708.02                      | 6,175.10                 | 2,260,883.12                               | 2,010,883.12                        | 0.00                      | 2,260,883.12                         | 0.00                              |
| 18232261                       | 18230021 | Env Rem - Lower Duwamish Waterway (Future Cost Est.)                                   | 120,156.13                        | 0.00                     | 120,156.13                                 | 0.00                                | 120,156.13                | 120,156.13                           | 0.00                              |
| 18232271                       |          | Env Rem - Lower Duwamish Waterway  | 79,843.87                         | 0.00                     | 79,843.87                                  | 79,843.87                           | 0.00                      | 79,843.87                            | 0.00                              |
|                                |          | Subtotal Lower Duwamish Waterway Site  | 200,000.00                        | 0.00                     | 200,000.00                                 | 79,843.87                           | 120,156.13                | 200,000.00                           | 0.00                              |
| 18608011                       | 18608001 | Env Rem - Lower Baker Power Plant (Future Cost Est.)                                   | 434,254.57                        | 0.00                     | 434,254.57                                 | 0.00                                | 434,254.57                | 434,254.57                           | 0.00                              |
| 18608021                       |          | Env Rem - Lower Baker Power Plant  | 265,745.43                        | 0.00                     | 265,745.43                                 | 265,745.43                          | 0.00                      | 265,745.43                           | 0.00                              |
|                                |          | Subtotal Lower Baker Power Plant Site  | 700,000.00                        | 0.00                     | 700,000.00                                 | 265,745.43                          | 434,254.57                | 700,000.00                           | 0.00                              |
| 18608031                       | 18608021 | Env Rem - Snoqualmie Hydro Generation (Power Plant) (Future Cost Est.)                 | 33,933.66                         | 409,733.00               | 443,666.66                                 | 0.00                                | 443,666.66                | 443,666.66                           | 0.00                              |
| 18608041                       |          | Env Rem - Snoqualmie Hydro Generation (Power Plant)                                    | 666,066.34                        | 390,267.00               | 1,056,333.34                               | 1,056,333.34                        | 0.00                      | 1,056,333.34                         | 0.00                              |
|                                |          | Subtotal Snoqualmie Hydro Generation Site  | 700,000.00                        | 800,000.00               | 1,500,000.00                               | 1,056,333.34                        | 443,666.66                | 1,500,000.00                         | 0.00                              |
| 18608051                       | 18608041 | Env Rem - Bellingham South State Street MGP (former Boulevard Park) (Future Cost Est.) | 186,130.73                        | 650,663.71               | 836,794.44                                 | 0.00                                | 836,794.44                | 836,794.44                           | 0.00                              |
| 18608061                       |          | Env Rem - Bellingham South State Street MGP (former Boulevard Park)                    | 312,869.27                        | 349,346.29               | 662,215.56                                 | 662,215.56                          | 0.00                      | 662,215.56                           | 0.00                              |
|                                |          | Subtotal Bellingham South State Street MGP (former Boulevard Park) Site                | 500,000.00                        | 1,000,000.00             | 1,500,000.00                               | 662,215.56                          | 836,794.44                | 1,500,000.00                         | 0.00                              |
| 18608111                       | 18608081 | Env Rem - Electron Flume (Future Cost Est.)  | 308,959.51                        | (41,259.63)              | 267,699.88                                 | 0.00                                | 267,699.88                | 267,699.88                           | 0.00                              |
| 18608121                       |          | Env Rem - Electron Flume   | 491,040.49                        | 41,259.63                | 532,300.12                                 | 532,300.12                          | 0.00                      | 532,300.12                           | 0.00                              |
|                                |          | Subtotal Electron Flume Site   | 800,000.00                        | 0.00                     | 800,000.00                                 | 532,300.12                          | 267,699.88                | 800,000.00                           | 0.00                              |
| 18608151                       | 18608141 | Env Rem - Talbot Hill Substation and Switchyard (Future Cost Est.)                     | 127,191.24                        | 0.00                     | 127,191.24                                 | 0.00                                | 127,191.24                | 127,191.24                           | 0.00                              |
| 18608161                       |          | Env Rem - Talbot Hill Substation and Switchyard  | 222,808.76                        | 0.00                     | 222,808.76                                 | 222,808.76                          | 0.00                      | 222,808.76                           | 0.00                              |
|                                |          | Subtotal Talbot Hill Substation & Switchyard Site                                      | 350,000.00                        | 0.00                     | 350,000.00                                 | 222,808.76                          | 127,191.24                | 350,000.00                           | 0.00                              |
| 18230311                       |          | Env Rem - Whidbey Service Center UST (Future Cost Est.)                                | 15,000.00                         | 0.00                     | 15,000.00                                  | 0.00                                | 15,000.00                 | 15,000.00                            | 0.00                              |
| 18230321                       | 18233091 | Env Rem - Tenino Service Center UST (Future Cost Est.)                                 | 84,764.70                         | (248.00)                 | 84,516.70                                  | 0.00                                | 84,516.70                 | 84,516.70                            | 0.00                              |
| 18230341                       |          | Env Rem - Tenino Service Center UST  | 165,235.30                        | 248.00                   | 165,483.30                                 | 165,483.30                          | 0.00                      | 165,483.30                           | 0.00                              |
|                                |          | Subtotal Tenino Service Center UST   | 250,000.00                        | 0.00                     | 250,000.00                                 | 165,483.30                          | 84,516.70                 | 250,000.00                           | 0.00                              |
| 18233061                       |          | Env Rem - Poulsbo Service Center UST (Future Cost Est.)                                | 10,000.00                         | 0.00                     | 10,000.00                                  | 0.00                                | 10,000.00                 | 10,000.00                            | 0.00                              |
|                                |          | Total assets   | 5,775,708.02                      | 1,906,175.10             | 7,585,883.12                               | 4,996,613.50                        | 2,589,269.62              | 7,585,883.12                         | 0.00                              |
| 22840081                       |          | Env Rem - Puyallup Garage Site   | (453,028.42)                      | 0.00                     | (453,028.42)                               | 0.00                                | 468,000.00                | 468,000.00                           | (350,000.00)                      |
| 22840131                       |          | Env Rem - Crystal Mountain Generator Station Site                                      | (500,000.00)                      | 0.00                     | (500,000.00)                               | 14,563,472.68                       | 500,000.00                | 15,063,472.68 (A)                    | (11,938,563.00)                   |
| 22840031                       |          | Env Rem - Olympia Service Center UST   | (129,471.05)                      | 0.00                     | (129,471.05)                               | 20,528.95                           | 129,471.05                | 150,000.00                           | (150,000.00)                      |
| 22841001                       |          | Accum Misc Oper Provi - Unallocated Def Elec Env Rem Recoveries                        | (4,503,302.15)                    | (9,888.62) (B)           | (4,513,190.77)                             | 0.00                                | 0.00                      | 0.00                                 | (4,513,190.77)                    |
|                                |          | Total Liabilities  | (5,585,801.62)                    | (9,888.62)               | (5,595,690.24)                             | 14,604,001.63                       | 1,097,471.05              | 15,701,472.68                        | (16,951,753.77)                   |
|                                |          | Grand Total  | 193,906.40                        | 1,796,286.48             | 1,990,192.88                               | 19,600,615.13                       | 3,686,740.67              | 23,287,355.80                        | (16,951,753.77)                   |

**Footnotes:**

(A) The total estimated costs for the Crystal Mountain Site of \$15,063,472.68 include PSE Insurance Recoveries of \$11,938,563. Future Cost Estimates of \$500,000 and Expensed amount of \$2,644,909.68 through report date.

(B) Represents the check received from US Bank for the final disbursement of unused funds from the old Northwest Transformer Mission Pole Participating PRP Compensation fund.

**PUGET SOUND ENERGY UST REMEDIAL COST ESTIMATES (Page 1 of 2)**  
(Updated December 2010)

| PSE Facility/Location   |  | Proposed Remedial Action  | Estimated Cost of Proposed Remedial Action (\$) |
|---|--|---|---|
| Whidbey Service Center<br>Oak Harbor, WA                                | USTs and majority of contaminated soil removed in 1999. Small volume of contaminated soil remains beneath building   | A. VCP Program and GW Monitoring (New Wells)<br>B. Soil excavation when building(s) is removed              | A. 30,000<br>B. 15,000                          |
| Tenino Service Center<br>Tenino, WA                                     | USTs and majority of contaminated soil removed in 1991. Remaining small volume of contaminated soil removed Q4 2009. | A. GW Monitoring (Existing Wells) and well abandonment.<br>B. Remedial excavation completed in Q4 2009.     | A. 30,000<br>B. 0                               |
| Poulsbo Service Center<br>Poulsbo, WA                                   | 6,000 gal. Gas & Diesel USTs   | A. Natural Attenuation<br>B. Soil excavation when building is removed.                                      | A. 0<br>B. 10,000                               |
| Olympia Service Center<br>(Fuel Island)<br>Olympia, WA                  | 10,000 gal. Gas & Diesel USTs<br>Gas spill Nov. '99  | A. Natural Attenuation and GW Monitoring (Existing Wells)<br>B. Soil excavation when Fuel Island is removed | A. 15,000<br>B. 50,000                          |
| Olympia Service Center<br>(Post-EPRI Diesel Remediation)<br>Olympia, WA | Diesel UST removed. Contaminated soil and ground water remains after EPRI air sparging program.                      | A. Natural Attenuation and GW Monitoring (Existing Wells)<br>B. Soil excavation when building(s) is removed | A. 15,000<br>B. 100,000                         |
| North Operating Base<br>Seattle, WA                                     | USTs removed in 1999. Diesel-contaminated soil remains beneath fuel island.  | A. Site Characterization and GW Monitoring (New Wells)<br>B. Soil excavation when fuel island is removed    | A. 20,000<br>B. 50,000                          |



PUGET SOUND ENERGY UST REMEDIAL COST ESTIMATES (Page 2 of 2)

| PSE Facility/Location                             | Site Status                     | Proposed Remedial Action | Estimated Cost of Proposed Remedial Action (\$) |
|---|---------------------------------|--------------------------|---|
| Port Townsend Service Center<br>Port Townsend, WA | 6,000 gal. Gas & Diesel USTs    | None                     | 0   |
| Green Mtn. Micro Wave<br>Bremerton, WA            | One UST                         | None                     | 0   |
| Rattlesnake Mtn. Micro Wave<br>Issaquah, WA       | One UST                         | None                     | 0   |
| Baker River Lower<br>Concrete, WA                 | 2,500 gal. Gas and Diesel USTs  | None                     | 0   |
| Baker River Upper<br>Concrete, WA                 | 1,000 gal. Gas and Diesel USTs  | None                     | 0   |
| Bellingham Service Center<br>Bellingham, WA       | 10,000 gal. Gas and Diesel USTs | None                     | 0   |
| Electron Forebay<br>Orting, WA                    | 550 gal. Gas and Diesel USTs    | None                     | 0   |
| Factoria Service Center<br>Bellevue, WA           | 10,000 gal. Gas and Diesel USTs | None                     | 0   |
| Kittitas Service Center<br>Thorp, WA              | 5,000 gal. Gas and Diesel USTs  | None                     | 0   |

**Cost Estimate Totals:**  
 A. Groundwater Monitoring, Site Characterization, Natural Attenuation Only (No Remediation) **\$110,000**  
 B. Remediation Only (No Monitoring) **\$225,000**  
 A. & B. Groundwater Monitoring Followed by Remediation **\$335,000**

| Notes   |
|---|
| <sup>1</sup> Unless noted, remedial costs do not include demolition of facilities and buildings to access contaminated soil.<br><sup>2</sup> Ground water monitoring estimate assumes three years of monitoring/sampling.<br><sup>3</sup> All estimated costs should be considered conceptual. They are not based on a detailed scope of service or design. |