



PUGET
SOUND
ENERGY

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UTILITY AND TRANSPORTATION
COMMISSION

February 17, 2005

Ms. Carole Washburn, Secretary
Washington Utilities & Transportation Commission
PO Box 47520
Olympia, WA 98504

**Subject: Docket UG-920781 (WNG)
Docket UE-911476 (PSP&L)
Report on Environmental Issues for the period ending
December 31, 2004**

Dear Ms. Washburn:

FORMER WASHINGTON NATURAL GAS SITES

1. Tacoma Gas Company Site (Upland Source Control)

PSE is working with WDOE to develop an RI/FS and CAP/EDR documents for addressing portions of the site under the I-705 overpass. Periodic ground water monitoring continues.

Remedial costs incurred through 12/31/04 \$ 702,821.18

2. Thea Foss Waterway

EPA has approved the most recent utility construction report. Monitoring of the utilities' remedy began in April 2004, as required by the agency approved Operation Maintenance and Monitoring Plan (OMMP).

Remedial costs incurred through 12/31/04 \$ 2,716,635.21

3. Everett, Washington

PSE continues regular monitoring of the results of the remediation already performed. The remedy chosen for this site was a containment wall with monitoring wells at both ends.

Remedial costs incurred through 12/31/04 \$ 1,241,888.58

4. Chehalis, Washington - Gas Site

PSE is developing a remedial plan with the help of its consultant as a result of recent indications of elevated concentrations of contamination discovered on the site. Remediation is still planned for 2005.

Remedial costs incurred through 12/31/04 \$ 2,169,065.88

5. Gas Works Park

No change. The only ongoing activity is the monitoring of the remediation. This is the responsibility of the City of Seattle.

Remedial costs incurred through 12/31/04 \$ 2,573,828.37

6. 5th and Jackson

Union Station Associates and PSE settled the pending litigation in December 2002. We are still working with our insurance carriers to recover costs associated with the defense of this litigation.

Total investigative and settlement costs through 12/31/04 \$ 2,382,220.01¹

7. Quendall Terminals

There has been virtually no communication with PSE regarding this site for a few years. PSE has attempted to monitor activities, and we continue to deny liability. Given the current estimate of costs, allegations by other parties, and our ongoing investigation, it remains difficult to estimate project costs. Historically, we have simply referenced the \$1,000,000 demand tendered by the City of Renton. However, we now believe that a potential range of costs more accurately reflects the range of risks faced by PSE at this site.

8. Lake Union

WDOE recently reported to PSE and the City of Seattle that they intend to delay execution of the Agreed Order that was negotiated over the last several months in order to complete the development of a Public Participation Plan. To mitigate the detrimental impact on our progress at the site, WDOE proposed that we continue our remedial efforts under the independent cleanup statutes in MTCA while we await WDOE's signature on the Agreed Order. Sediment sampling was continued during the 4th quarter of 2004 and we expect that this effort will continue for the first part of 2005.

Remedial costs incurred through 12/31/04 \$ 2,658,910.50

9. Tacoma Tar Pits

The pump and treat system is operating and PSE continues to monitor system performance. Maintenance of site facilities (e.g., mowing of covered stabilized waste pile) and monitoring of ground water quality continues.

Remedial costs incurred through 12/31/04 \$ 36,813,477.91

10. Crossroads Business Office

The excavation of petroleum-contaminated soil, and earthwork was successfully undertaken during the 4th quarter of 2004.

Remedial costs incurred through 12/31/04 \$ 391,910.00

¹ \$1,090,684.42 net of insurance recoveries to date.

FORMER PUGET POWER SITES

11. Northwest Transformer, Mission Pole

PSE monitors this site, but it has very little additional activity following the completed remediation.

12. Puyallup Garage

PSE expects to perform remediation at this site in the future, but is presently monitoring the property only.

13. Buckley Headworks Site

Phase 1

Remediation of the first area of investigation was completed in 2002 in accordance with MTCA and WDOE has provided a No Further Action Letter. This phase of the project is completed and PSE has pursued insurance recovery for costs associated with the remediation of the wood treatment facility area.

Costs incurred thus far are substantially associated with our efforts to remediate this portion of the facility. As of 9/30/03, the total costs incurred were \$2,297,178.35. Future costs are currently expected to be associated with monitoring the work already completed.

Phase 2

PSE continues to investigate three other areas noted during our initial remediation work that will require remediation. The ground water monitoring program was recently expanded to assess the full extent of impacts.

The full nature and cause of issues identified in these areas is not yet fully known.

Remedial costs through 12/31/04 \$ 52,913.25

14. Duwamish Waterway (Potential New Site)

While PSE has not been formally designated as a PLP for this site in south Seattle, allegations have been made by other parties that PSE may have contributed to contamination in this Waterway as a result of the operations of a steam plant in the Georgetown area. It remains premature to determine either the merit of these claims or the amount of any formal claim that may be brought against PSE.

Remedial costs through 12/31/04 \$ 56,800.68

15. Olympia Capacitor Site

PSE used arbitration to reach an agreement with the property owner allowing for the cleanup of the known PCB contamination at the site. PCB-contaminated materials have been removed from the site to meet Ecology and EPA cleanup criteria. Field activities were completed on August 30, 2004. We are currently hoping to receive a "No Further Action" letter from WDOE.

Remedial costs incurred through 12/31/04 \$ 422,286.40

16. Underground Storage Tanks Status

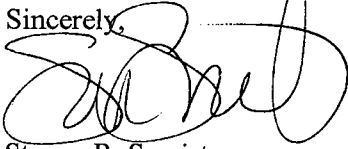
Please see the attached spreadsheet. Note that the former WNG Crossroads Business Office UST-related cleanup and our estimate of related costs are described in item 10 above. The estimate of future expenditures in this category has been adjusted accordingly.

Remedial costs incurred through 12/31/04

\$ 109,901.74

This list represents current major sites PSE is investigating, monitoring, or remediating. With respect to insurance litigation, the trial date was continued and is now tentatively scheduled for late summer 2005. Presently, the insurance carriers are conducting extensive depositions and discovery.

Sincerely,



Steven R. Secrist
Director – Environmental Services

cc: Mike Main
Karl Karzmar
Jeff Tilden
David Brenner
Mike Stranik
Jennifer O'Connor
Jim Hackbarth

**PUGET SOUND ENERGY
SUMMARY OF (ELECTRIC) ENVIRONMENTAL DEFERRED REMEDIATION COSTS
DECEMBER 31, 2004**

SAP ORDER	SAP ACCOUNT	SITE DESCRIPTION	ALL		AMORT START DATE	MONTHLY AMORT	YTD AMORT MONTHS	INCEPTION TO-DATE COSTS	INC-TO-DATE		ESTIMATED FUTURE COSTS	PROBABLE FUTURE INS PROCEEDS	SUBTOTAL AS OF 12/31/04 (e)=(a)+(b)+(c)+(d)	AMORT THROUGH 12/31/04 (f)	BALANCE AS OF 12/31/04 (e)+(f)
			REMEDICATION COSTS INCURRED?	INSURANCE PROCEEDS RECEIVED?					INS PROCEEDS	INS PROCEEDS					
18230009	18232251	Env Rem- Buckley-White River Phase II Future Est Cost Buckley Phase II -Burn Pile & Wood Debris Env Rem Cost SUBTOTAL BUCKLEY HEADWORKS MTCA SITE	N	N		0.00		52,913.25 52,913.25	0.00	1,447,086.75 1,447,086.75	0.00	0.00	1,447,086.75 52,913.25 1,500,000.00	0.00	1,447,086.75 52,913.25 1,500,000.00
18230022	18232281	Env Rem - Olympia SVC Capacitor Site Future Est Cost Env Rem - Olympia SVC Capacitor Site SUBTOTAL OLYMPIA SVC CAPACITOR SITE	N	N		0.00		422,286.40 422,286.40	0.00	27,713.60 27,713.60	0.00	0.00	422,286.40 422,286.40 450,000.00	0.00	27,713.60 422,286.40 450,000.00
18230007	18232241	Buckley Phase 1-Wood Treatment Area Env Remed Cost	Y	Y	1/1/2004	19,395.38	12	2,304,499.59	(1,140,777.03)	1,163,722.56			1,163,722.56	232,744.56	930,978.00
18230024	18232271	Env Rem - Duwamish River Site (former Georgetown)	N	N				56,800.68 (A)		56,800.68			56,800.68		56,800.68
18230011	18232291	Env Rem - UG Tank - Bellevue G.O.	N	Y						50,000.00			50,000.00		50,000.00
18230011	18233051	Env Rem - UG Tank - Baker Lodge	Y	Y	6/1/2003	224.04	19	13,442.34		10,000.00			10,000.00	4,256.74	9,185.60
18230061	18233061	Env Rem - UG Tank - Poulsbo Service Center	N	Y						10,000.00			10,000.00		10,000.00
18230031	18233071	Env Rem - UG Tank - Kent Fleet	Y	Y	5/1/2001	1,466.24	44	87,974.39		87,974.39			87,974.39	64,514.56	23,459.83
SUBTOTAL REMEDIATION SITE						21,085.65		2,462,717.00	(1,140,777.03)	60,000.00	0.00	1,381,939.97	301,515.86	1,080,424.11	
TOTAL ACCRUED ASSETS						21,085.65		2,937,916.65	(1,140,777.03)	1,534,800.35	0.00	3,331,939.97	301,515.86	3,030,424.11	
22840011	22840011	NWT - Mission Pole Def Site	N	Y					(75,000.00) (B)	(75,000.00)			(75,000.00)		(75,000.00)
22840021	22840021	Buckley White River Phase II Def Site	N	N						(1,447,086.75)			(1,447,086.75)		(1,447,086.75)
22840031	22840031	Olympia UST Def Site	N	Y				20,528.95	(150,000.00) (B)	(129,471.05)			(129,471.05)		(129,471.05)
22840041	22840041	Bremerton UST Def Site	N	Y				46,726.19	(50,000.00) (B)	(3,273.81)			(3,273.81)		(3,273.81)
22840051	22840051	Whidbey Island UST Def Site	N	Y					(15,000.00) (B)	(15,000.00)			(15,000.00)		(15,000.00)
22840061	22840061	Tenino UST Def Site	N	Y				21,934.71	(75,000.00) (B)	(53,065.29)			(53,065.29)		(53,065.29)
22840081	22840081	Puyallup Garage expensed Site	N	Y				12,346.08	(350,000.00) (B)	(337,653.92)			(337,653.92)		(337,653.92)
22840091	22840091	Bellevue GO UST Site	N	Y				8,365.81	(100,000.00) (C)	(90,000.00)			(90,000.00)		(90,000.00)
22840101	22840101	Env Rem - Centralia Plant	N	N						(140,000.00) (D)			(140,000.00)		(140,000.00)
22840111	22840111	Poulsbo Service Center	N	Y						(10,000.00)			(10,000.00)		(10,000.00)
22840121	22840121	Olympia SVC Capacitor Def Site	N	Y						(27,713.60)			(27,713.60)		(27,713.60)
22841001	22841001	AETNA II Lawsuit unallocated proceeds	N/A	Y					(1,481,763.38)	(1,481,763.38)			(1,481,763.38)		(1,481,763.38)
TOTAL ACCRUED LIABILITY						0.00		109,901.74	(2,296,763.38)	(1,674,800.35)	0.00	(3,861,661.99)	0.00	(3,861,661.99)	
TOTAL ACCRUED ASSETS & LIABILITIES								3,047,818.39	(3,437,540.41)	(140,000.00)	0.00	(629,722.02)	301,515.86	(831,237.88)	

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY
GAS
Dec 31, 2004

September 1998 - forward SAP ORDRR SAP ACCOUNT		Site Description	Account Balance	Activity	Account Balance	Env Services Project Cost Estimates	Remediation Cost Estimates Remaining	Amortization Through	Balance	
			9/30/2004		12/31/2004	12/31/2004	22940002	12/31/04	12/31/04	
		FORMER MANUFACTURED GAS SITES:				(d)		Dr: 40700002	Closing	
TACOMA TIDE FLATS (TACOMA TAR PITS, THOGS, RIVER STREET)										
18601203	18608142	Legal Costs	9,351,936.58	-	9,351,936.58	-	-	-	9,351,936.58	
18601102	18608112	Remediation Costs through June 1999	34,911,395.68	79,548.02	34,911,395.68	2,450,000.00	547,917.77	34,911,395.68	34,911,395.68	
18601102	18608112	Remediation Costs post-June 1999	1,902,082.23	-	1,902,082.23	-	-	1,902,082.23	1,902,082.23	
	18608152	Internal Costs pre-1997	209,796.52	-	209,796.52	-	-	209,796.52	209,796.52	
		SUBTOTAL Tacoma Tide Flats	46,295,662.99	79,548.02	46,375,211.01	2,450,000.00	547,917.77	46,375,211.01	46,375,211.01	
EVERETT										
18602102	18608212	Remediation Costs	1,230,946.08	1,942.50	1,241,888.58	2,700,000.00	1,458,111.42	1,241,888.58	1,241,888.58	
18602203	18608242	Legal Costs	8,717.50	-	8,717.50	-	-	8,717.50	8,717.50	
		SUBTOTAL Everett	1,248,663.58	1,942.50	1,250,606.08	2,700,000.00	1,458,111.42	1,250,606.08	1,250,606.08	
CHEHALIS										
18603102	18608312	Remediation Costs	2,083,174.83	85,891.05	2,169,065.88	2,500,000.00	330,934.12	2,169,065.88	2,169,065.88	
GAS WORKS - SEATTLE										
18604203	18608442	Legal Costs	829,413.36	52,021.39	881,434.75	3,200,000.00	626,171.63	881,434.75	881,434.75	
18604102	18608412	Remediation Costs	2,573,828.37	-	2,573,828.37	-	-	2,573,828.37	2,573,828.37	
	18608452	Internal Costs - pre-1997	366.95	-	366.95	-	-	366.95	366.95	
		SUBTOTAL Gas Works - Seattle	3,403,608.68	52,021.39	3,455,630.07	3,200,000.00	626,171.63	3,455,630.07	3,455,630.07	
WSDOT FEDERAL/STATE										
18605203	18608542	Legal costs	379,591.40	-	379,591.40	-	-	379,591.40	379,591.40	
18605102	18608512	Remediation Costs	-	-	-	-	-	0.00	0.00	
		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	699,738.56	3,082.82	702,821.38	1,100,000.00	397,178.82	702,821.38	702,821.38	
18606203	18608642	Legal Costs	15,888.20	-	15,888.20	-	-	15,888.20	15,888.20	
		SUBTOTAL	715,626.76	3,082.82	718,709.58	1,100,000.00	397,178.82	718,709.58	718,709.58	
WSDOT THEA FOSS										
18607102	18608712	Remediation costs	2,667,148.34	49,486.87	2,716,635.21	6,500,000.00	3,783,364.79	2,716,635.21	2,716,635.21	
18607203	18608742	Legal costs	2,633,686.80	104,521.12	2,738,208.02	-	-	2,738,208.02	2,738,208.02	
		SUBTOTAL	5,300,835.24	154,007.99	5,454,843.23	6,500,000.00	3,783,364.79	5,454,843.23	5,454,843.23	
TULLALUP										
18608102	18608812	Remediation costs	995.00	-	995.00	-	-	995.00	995.00	
OMNIBUS INSURANCE LITIGATION (9 MFG. GAS SITES)										
18609202	18608942	Legal costs	2,478,099.19	207,112.14	2,685,211.33	-	-	2,685,211.33	2,685,211.33	
ETH & JACKSON										
18610102	18609112	Remediation costs	2,382,220.01	14.25	2,382,234.26	-	-	2,382,234.26	2,382,234.26	
18610104	18609132	Legal costs	1,196,863.98	-	1,196,863.98	-	-	1,196,863.98	1,196,863.98	
18610103	18608122	Legal cost recoveries	(1,413,413.82)	-	(1,413,413.82)	-	-	(1,413,413.82)	(1,413,413.82)	
18610105	18609142	Indemnity Insurance Proceeds	(1,075,000.00)	-	(1,075,000.00)	-	-	(1,075,000.00)	(1,075,000.00)	
		SUBTOTAL	1,090,670.17	14.25	1,090,684.42	-	-	1,090,684.42	1,090,684.42	

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY
GAS

Dec 31, 2004

September 1998 - forward SAP ORDER SAP ACCOUNT	Site Description	Account Balance 9/30/2004	Activity	Account Balance 12/31/2004	Env Services Project Cost Estimates 12/31/2004	Remaining 18608022 18236022 22940002	Amortization Through 12/31/04 Dr. 40700002	Balance 12/31/04 Closing
1861102	MERCER STREET Remediation costs	66,942.15	-	66,942.15	-	-	-	66,942.15
1861202	QUENDALL TERMINALS	-	-	-	1,000,000.00	1,000,000.00	-	0.00
1861402	LAKE UNION Remediation costs	2,294,046.99	374,863.61	2,668,910.50	26,000,000.00	22,341,086.50	-	2,668,910.50
18614202	Legal Costs	4,940.63	22,287.61	27,228.24	-	-	-	27,228.24
	SUBTOTAL	2,288,987.62	397,161.12	2,686,148.74	26,000,000.00	22,341,086.50	-	2,686,148.74
18608022	Estimated Future Costs	31,000,034.60	(615,286.55)	30,484,788.05	-	-	-	30,484,788.05
18608082	Insurance and Third Party Inception-to-Date Recoveries	(68,177,768.28)	-	(68,177,768.28)	-	-	-	(68,177,768.28)
TOTAL - FORMER MANUFACTURED GAS SITES		\$ 38,235,123.93	485,514.53	\$ 38,700,638.46	\$ 44,450,000.00	\$ 30,484,788.05	(?)	\$ 38,700,638.46

	GAS UNDERGROUND STORAGE TANKS AND OTHER SITES	Est'd Bal. Total Costs	Cur Cost Activity	Total Costs	Estimated Costs	Remaining Bal	Accrued Debt	Ending Accr. Bal
18230204	MERCER BUILDING (60 month amort began 2/98)	41,748.85	-	41,748.85	-	-	41,748.85	(0.00)
18230203	KENT OPERATING BASE (60 month amort began 5/1/98)	40,379.09	-	40,379.09	-	-	40,379.09	(0.00)
18230202	GROGGETOWN OPERATING BASE (60 month amort began 8/1/98)	35,587.80	-	35,587.80	-	-	35,587.80	0.00
18230206	CROSSROADS OPERATING BASE	113,670.76	278,239.24	391,910.00	425,000.00	33,090.00	22,430.30	391,910.00
18230207	TOTEM LAKE OPERATING BASE (60 month amort began 12/1/98)	22,430.30	-	22,430.30	-	-	22,430.30	0.00
18230209	UW TACOMA PIPELINE PROJECT (60 month amort began 1/1/00)	65,737.77	-	65,737.77	-	-	65,737.77	0.00
18230210	NORTH OPERATING BASE	-	-	-	-	-	-	-
18236812	SWARR STATION	91,546.07	10,085.76	101,631.83	50,000.00	50,000.00	-	101,631.83
18237112	TACOMA OFFICE	-	-	-	-	-	-	-
New	ESTIMATED FUTURE COSTS	-	-	-	5,000.00	5,000.00	-	-
18236022	ESTIMATED FUTURE INSURANCE RECOVERIES	-	-	-	-	-	-	-
18236032	TOTAL - GAS UNDERGROUND STORAGE TANKS	\$ 411,110.64	\$ 288,325.00	\$ 699,435.64	\$ 480,000.00	\$ 33,996.60	\$ 205,883.82	\$ 576,631.82
TOTAL - GAS STORAGE TANKS AND MANUFACTURED GAS SITES		\$ 38,646,234.57	\$ 753,839.53	\$ 39,400,074.10	\$ 44,930,000.00	\$ 30,587,898.95	(?)	\$ 39,277,270.28

1) Represents costs accrued through May 31, 2004.
2) Represents month of May 2004 costs.
3) Represents costs accrued through Aug 31, 2005 as preliminary clearing and reforestation is the period of the probable future cost estimate range.
4) Represents expenditures not capitalized.
5) Represents balance in account 98999999 after quarterly clean-up.
6) Represents balance in account 27040002 after quarterly clean-up.
7) Represents costs accrued for Project Start-up period as of the end of the line.
8) Represents costs accrued from Jan 1, 2004 through Dec 31, 2004. See also 18608112.