



PUGET
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ENERGY

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

February 22, 2005

Ms. Carole Washburn, Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, WA 98504

Dear Ms. Washburn:

**Subject: Docket UG-920781 (WNG)
Docket UE-911476 (PSP&L)
Report on Environmental Issues for the period ending December 31, 2005**

FORMER WNG SITES

A. Tacoma Gas Company Site (Upland Source Control)

PSE is working with WDOE to establish the scope and schedule for developing remedial investigation/feasibility study (RI/FS) documents for addressing portions of the site under the I-705 overpass.

Remedial costs incurred through 12/31/05 \$ 766,704

B. Thea Foss Waterway

Monitoring of the utilities' completed remedy began in April 2004, as required by the EPA. During the fall of 2004, recontamination of the Utilities' Work Area was discovered. The recontamination source was identified to be dredging completed by the City of Tacoma. The City has taken responsibility for remediating the recontamination and, with EPA approval, consistent with an addendum to the Memorandum of Understanding between the City and Utilities, completed the remediation in December 2005.

Remedial costs incurred through 12/31/05 \$ 2,952,842

C. 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 12/31/05 \$ 1,249,143

D. Chehalis, Washington - Gas Site

Work has continued on developing a remedial plan resulting from the discovery of elevated concentrations of contamination onsite. Completion of studies (RI/FS) and remedial design are planned for 2006.

Remedial costs incurred through 12/31/05 \$ 2,483,225

E. Gas Works Park

The City of Seattle is planning to develop a concert venue at Gas Works Park which will require minimal retrofitting of remediation system piping and trenching into the cap. The only ongoing activity is the monitoring of the remediation. All these activities are the responsibility of the City of Seattle.

Remedial costs incurred through 12/31/05 \$ 2,573,728

F. 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 and settlement of this litigation.

Completed (no further updates will be provided unless there is a re-opener or other unexpected development)

G. Quendall Terminals

There has been virtually no communication with PSE regarding this site for a few years. Recent newspaper articles indicate that EPA has taken over the site lead (from Ecology) and the site may be listed as a "Superfund" by the Federal Government. PSE monitors activities, and we continue to deny liability. However, given the current estimate of costs, allegations by other parties, and our ongoing investigation, it remains difficult to estimate project costs.

H. Lake Union

PSE is conducting a remedial investigation/feasibility study (RI/FS) under the Agreed Order (AO) between WDOE and PSE and the City of Seattle executed on March 18, 2005. The AO calls for PSE to complete work in the Eastern Study Area and the City to complete work in the Western Study Area offshore of Gas Works Park. Field investigations were completed in 2005. WDOE has approved a site-wide cleanup level and the cleanup boundary for the Eastern Study Area. The RI/FS report will be submitted to WDOE in March 2006.

Remedial costs incurred through 12/31/05 \$ 5,034,232

I. 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 12/31/05 \$ 37,015,837

FORMER PUGET POWER SITES

A. Northwest Transformer, Mission Pole

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

B. Puyallup Garage

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

C. 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).

The attached spreadsheet has been modified from the last quarterly report to reflect the addition of the White River Powerplant UST project. Additionally, the Tacoma Office property has been removed from the table. The UST was removed from the Tacoma property in July 05 and no contamination was found.

D. Buckley Headworks Site

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 continues to perform groundwater monitoring.

Completed (no further updates will be provided unless there is a re-opener or other unexpected development)

Phase 2

PSE is preparing a remedial action plan and obtaining permits for the cleanup of three other areas of contamination noted during our initial remediation work. An aggressive schedule has been established with the goal of beginning remedial activities during the first quarter of 2006. Groundwater monitoring will be required after the cleanup is completed.

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

Remedial costs incurred through 12/31/05

\$ 81,376

E. 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.

Ms. Carole Washburn

February 22, 2006

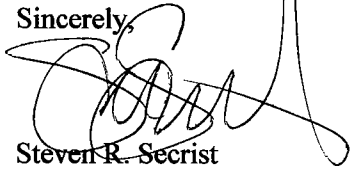
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E. Terminal 117 (Potential New Site)

On December 21, 2005 a notification letter was received indicating that PSE has been named as a potentially responsible party to a site adjacent to the Duwamish Waterway. This site is currently owned by the Port of Seattle and known as Terminal 117. An asphalt plant operated on this site from 1940 to 1993. PCBs are present in soil at the site. The letter contends that prior to 1978, used transformer oil possibly containing PCBs was obtained from PSE and Seattle City Light and burned onsite as a process fuel. PSE is investigating the merit of these claims.

This list represents current major sites PSE is investigating, monitoring, or remediating. PSE has also completed the settlement of its insurance litigation in 2005. This case involved multiple gas sites and multiple defendants and was litigated over approximately twelve years.

Sincerely,



Steven R. Secrist

Director -- Environmental Services

Attachments

cc: Jim Eldredge
Mike Main
Karl Karzmar
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Mike Stranik
Jennifer O'Connor
Mark Raker

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
December 31, 2005

September 1998 - Forward SAP ORDER SAP ACCOUNT	Site Description	9/30/2005 Account Balance	12/31/2005 Account Balance	Activity	12/31/2005 Account Balance	Env Services Project Cost Estimates 12/31/2005	Remediation Cost Estimates 18808022 18238022 22840002	Amortization Through 12/31/2005 Dr. 40700002	Balance 12/31/2005 Closing
FORMER MANUFACTURED GAS SITES:									
	TACOMA TIDE FLATS (TACOMA TAR PTS, THOGS, RIVER STREET)								
18601203	Legal Costs	9,351,936.58	9,351,936.58	-	9,351,936.58				9,351,936.58
18601102	Remediation Costs through June 1999	34,826,945.69	34,826,945.69	(c)	34,826,945.69				34,826,945.69
18601102	Remediation Costs post-June 1999	2,122,946.74	2,189,892.23	65,945.49	2,189,892.23	2,450,000.00	261,107.77		2,189,892.23
	Internal Costs pre-1997	209,796.52	209,796.52		209,796.52				209,796.52
	SUBTOTAL Tacoma Tide Flats	46,571,625.53	46,571,625.53	65,945.49	46,571,625.53	2,450,000.00	261,107.77		46,571,625.53
	EVERETT								
18602102	Remediation Costs	1,249,193.33	1,249,193.07	923.74	1,249,193.07	2,700,000.00	1,450,806.93		1,249,193.07
18602203	Legal Costs	8,717.50	8,717.50		8,717.50				8,717.50
	SUBTOTAL Everett	1,257,910.83	1,257,910.57	923.74	1,257,910.57	2,700,000.00	1,450,806.93		1,257,910.57
	CHEHALIS								
18603102	Remediation Costs	2,483,178.79	2,483,225.49	15,046.70	2,483,225.49	3,300,000.00	816,774.51		2,483,225.49
	GAS WORKS - SEATTLE								
18604203	Legal Costs	896,121.11	896,121.11	-	896,121.11	3,200,000.00	626,271.46		896,121.11
18604102	Remediation Costs	2,573,728.54	2,573,728.54	-	2,573,728.54				2,573,728.54
	Internal Costs - pre-1997	366.95	366.95	-	366.95				366.95
	SUBTOTAL Gas Works - Seattle	3,430,216.60	3,430,216.60	-	3,430,216.60	3,200,000.00	626,271.46		3,430,216.60
	WSDOT FEDERAL/STATE								
18605203	Legal Costs	379,591.40	379,591.40	-	379,591.40	-			379,591.40
18605102	Remediation Costs	379,591.40	379,591.40	-	379,591.40	-			379,591.40
	SUB TOTAL	-	-	-	-	-	-	-	-
	WSDOT UPLAND (Ave 22nd & A Street, Tacoma Gas Company Site)								
18606102	Remediation Costs	753,891.84	766,704.32	12,822.88	766,704.32	1,100,000.00	333,295.68		766,704.32
18606203	Legal Costs	15,898.20	15,898.20	-	15,898.20				15,898.20
	SUBTOTAL	769,790.04	782,592.52	12,822.88	782,592.52	1,100,000.00	333,295.68		782,592.52
	WSDOT THEA FOSS								
18607102	Remediation Costs	2,917,880.71	2,952,842.21	34,961.50	2,952,842.21	6,500,000.00	3,547,157.79		2,952,842.21
18607203	Legal Costs	2,902,020.17	2,946,440.37	44,420.20	2,946,440.37	-			2,946,440.37
	SUBTOTAL	5,819,900.88	5,899,282.58	79,381.70	5,899,282.58	6,500,000.00	3,547,157.79		5,899,282.58
	TULLALUP								
18608102	Remediation Costs	995.00	995.00	-	995.00	-			995.00
	OMNIBUS INSURANCE LITIGATION (9 MFG. GAS SITES)								
18609202	Legal Costs	2,971,625.19	3,042,393.82	70,768.63	3,042,393.82				3,042,393.82
	STH & JACKSON								
18610102	Remediation Costs	2,001,000.00	2,001,000.00	-	2,001,000.00				2,001,000.00
18610104	Legal Costs	1,578,098.24	1,578,098.24	-	1,578,098.24				1,578,098.24
18610103	Legal cost recoveries	(1,413,413.82)	(1,413,413.82)	-	(1,413,413.82)				(1,413,413.82)
18610105	Indemnity Insurance Proceeds	(1,075,000.00)	(1,075,000.00)	-	(1,075,000.00)				(1,075,000.00)
	SUBTOTAL	1,090,684.42	1,090,684.42	-	1,090,684.42	-	-	-	1,090,684.42

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
December 31, 2005

September 1998 - forward SAP ORDER SAP ACCOUNT		Site Description	9/30/2005 Account Balance	Activity	12/31/2005 Account Balance	Env Services Project Cost Estimates 12/31/2005	Remaining 18608022 18238022 22840002	Amortization Through 12/31/2005 Dr: 40700002	Balance 12/31/2005 Closing
1861102	18609212	MERCER STREET Remediation costs	66,942.15	-	66,942.15	100,000.00	33,057.85		66,942.15
18612102	18609512	QUENDALL TERMINALS Remediation costs	-	-	-	1,000,000.00	1,000,000.00		-
18609302	18609522	Legal Costs	216.00	36,829.21	37,045.21	1,000,000.00	1,000,000.00		37,045.21
		SUBTOTAL	216.00	36,829.21	37,045.21	1,000,000.00	1,000,000.00		37,045.21
18614102	18609312	LAKE UNION Remediation costs	4,388,071.90	646,160.60	5,034,232.50	25,000,000.00	19,965,767.50		5,034,232.50
18614202	18600082	Legal Costs	113,076.31	41,940.41	155,016.72				155,016.72
		SUBTOTAL	4,501,148.21	688,101.01	5,189,249.22	25,000,000.00	19,965,767.50		5,189,249.22
18608022		Estimated Future Costs	28,777,042.35	(742,802.85)	28,034,239.49				28,034,239.49 (a)
18608062		Insurance and Third Party Inception-to-Date Recoveries	(60,235,124.15)	(6,531,652.30)	(66,766,686.45)				(66,766,686.45)
		TOTAL - FORMER MANUFACTURED GAS SITES	\$ 37,809,789.04	\$ (6,304,246.00)	\$ 31,505,283.04	\$ 45,380,000.00	\$ 28,034,239.49	\$ -	\$ 31,505,283.04
18230206	18236612	GAS UNDERGROUND STORAGE TANKS AND OTHER SITES							
18230210	18236912	CROSSROADS OPERATING BASE	440,447.06	(440,447.06) (e)	-	50,000.00	50,000.00		-
18230212	18237112	NORTH OPERATING BASE	136,915.54	8,655.57	145,571.11		50,000.00		145,571.11
		SWARR STATION					50,000.00		50,000.00
		ESTIMATED FUTURE COSTS				50,000.00			50,000.00
		ESTIMATED FUTURE INSURANCE RECOVERIES							
		TOTAL - GAS UNDERGROUND STORAGE TANKS	\$ 577,382.80	\$ (431,791.49)	\$ 145,571.11	\$ 50,000.00	\$ 60,000.00	\$ -	\$ 186,571.11
		TOTAL - GAS STORAGE TANKS AND MANUFACTURED GAS SITES	\$ 38,387,181.84	\$ (6,736,337.49)	\$ 31,650,824.15	\$ 45,400,000.00	\$ 28,094,239.49	\$ -	\$ 31,700,824.15

(a) Represents balance in account 18608022 after quarterly true-up
(b) Represents balance in account 22840002 after quarterly true-up
(c) Balance \$446,897 from the 1997-1998 period, plus 1998-1999 for acct. 18609112
(d) Represents the low end of the probable future cost estimate range
(e) Sale of Crossroads Operating Base on November 1, 2005

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY ELECTRIC
DECEMBER 31, 2005

SAP ORDER	SAP ACCOUNT	SITE DESCRIPTION	Quarterly Account Roll-Forward			Actual Costs Through 12/31/05 (d)	Future Cost Estimates (e)	Total Cost Estimates (f) = (d) + (e)	Insurance Proceeds Through 12/31/05 (g)	Accrued Liabilities for Future Cost Estimates 12/31/05 (h)	Accum Amort Through 12/31/2005 Dr. 4070001 (i) = (f)+(g)-(h)+(m)	12/31/2005 Remediation Site Balance (j) = (f)+(g)+(h)+(i)
			9/30/2005 Account Balance (a)	Quarterly Activity (b)	Account Balance (c) = (a) + (b)							
18230007	18232241	Buckley Phase 1-Wood Treatment Area Env Remed Cost (Amortization began 1/1/04)	701,008.73	(73,347.36) (F)	627,662.37	2,310,379.59	2,310,379.59	(1,264,275.57) (D)		(418,441.85) (E)	627,662.37	
18230009	18232251	Env Rem - Buckley-White River Phase II (Future Cost Est) Buckley White River Phase II Def Site	1,416,788.07 (1,416,788.07)	(81,376.12) 81,376.12	1,335,411.95 (1,335,411.95)	164,588.05	1,500,000.00	0.00	(1,335,411.95)	0.00	0.00	
		Buckley Phase II -Bum Pile & Wood Debris Env Rem Cost	83,211.93	81,376.12	164,588.05	164,588.05	1,500,000.00		(1,335,411.95)		164,588.05	
		SUBTOTAL BUCKLEY HEADWORKS SITE										
18230021	18232271	Env Rem - Duwamish River Site (former Georgetown)	56,800.68		56,800.68 (A)	56,800.68 (A)	56,800.68				56,800.68	
18230022	18232281	Env Rem - Olympia SVC Capactor Site (Amort began 11/1/04)	348,614.38	(21,343.74) (C)	327,270.64	426,874.76	426,874.76			(99,604.12)	327,270.64	
18230011	18233051	Env Rem - UG Tank - Baker Lodge (Amortization began 8/1/03)	7,169.24	(672.12) (C)	6,497.12	13,442.34	13,442.34			(6,945.22)	6,497.12	
22840111	18233061	Env Rem - UG Tank - Poulsbo Service Center (Future Cost Est) Poulsbo Service Center	10,000.00 (10,000.00)	0.00	10,000.00 (10,000.00)	0.00	10,000.00	0.00	(10,000.00)	0.00	10,000.00 (10,000.00)	
		SUBTOTAL POULSBO SERVICE CENTER										
18230031	18233071	Env Rem - UG Tank - Kent Fleet (Amortization began 5/1/01)	10,263.67	(4,398.72) (C)	5,864.95	87,974.39	87,974.39			(82,109.44)	5,864.95	
22840011	22840011	NWT - Mission Pole Def Site	(75,000.00)		(75,000.00)	75,000.00	75,000.00 (B)	(75,000.00) (B)			75,000.00	
22840031	22840031	Olympia UST Def Site	(129,471.05)		(129,471.05)	20,528.95	129,471.05	(150,000.00) (B)	(129,471.05)		(129,471.05)	
22840041	22840041	Bremerton UST Def Site	(2,648.55)		(2,648.55)	47,351.45	50,000.00 (B)	(50,000.00) (B)	(2,648.55)		(2,648.55)	
22840051	22840051	Whidbey Island UST Def Site	(15,000.00)		(15,000.00)	15,000.00	15,000.00 (B)	(15,000.00) (B)	(15,000.00)		(15,000.00)	
22840061	22840061	Tehno UST Def Site	(52,471.63)		(52,471.63)	22,528.37	75,000.00 (B)	(75,000.00) (B)	(52,471.63)		(52,471.63)	
		White River UST	0.00	(275,000.00) (G)	(275,000.00)	275,000.00	275,000.00 (B)	(275,000.00) (B)			275,000.00	
22840081	22840081	Puyallup Garage expensed Site	(337,416.92)		(337,416.92)	12,589.08	337,416.92	(350,000.00) (B)	(337,416.92)		(337,416.92)	
		AETNA II Lawsuit unallocated proceeds	(1,581,763.38)	275,000.00 (G)	(1,306,763.38)			(1,306,763.38)			(1,306,763.38)	
		Totals	(986,701.90)	(18,385.82)	(1,005,087.72)	3,163,051.66	2,232,420.10	5,395,471.76	(3,561,038.95)	(2,232,420.10)	(607,100.43)	(1,005,087.72)

(A) On December 21, 2005 a notification letter was received indicating that PSE has been named as a potentially responsible party to a site adjacent to the Duwamish Waterway.
(B) All future cost estimate for this site has been received in the form of insurance proceeds.
(C) Amount is equal to the quarterly amortization.
(D) Includes insurance payment in the PSE v London Market Insurers Lawsuit ("AETNA III") in the amount of \$32,372.49 dated 12/28/2005.
(E) Amortization adjusted resulting from insurance proceeds discussed at (D).
(F) Amount is equal to quarterly amortization and insurance payments discussed at (D).
(G) Formerly closed UST's have been recently discovered beneath a building. Building will be removed and tanks/contaminated soil excavated.

File Ln 1/11/08

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