



PUGET
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ENERGY

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

August 19, 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 June 30, 2005**

FORMER WNG SITES

A. 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 groundwater monitoring continues.

Remedial costs incurred through 6/30/05 \$ 720,154

B. Thea Foss Waterway

Remedy construction is complete. Monitoring of the utilities' remedy began in April 2004, as required by the agency approved Operation Maintenance and Monitoring Plan (OMMP). 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 Utilities are working with EPA, WDOE and the City of Tacoma to address the "dredging" recontamination issue. Any necessary remedial work would be conducted during the upcoming construction season (August 2005 to February 2006). Sampling of the sediment was performed in early Summer 2005 in accordance with the OMMP.

Remedial costs incurred through 6/30/05 \$ 2,880,597

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 6/30/05 \$ 1,244,045

D. Chehalis, Washington - Gas Site

Work has continued on developing a remedial plan (RI/FS) resulting from the discovery of elevated concentrations of contamination onsite. Due to this discovery we now believe that the potential range of costs shown below more accurately reflects the range of risks faced by PSE at this site.

Remedial costs incurred through 6/30/05 \$ 2,415,105

E. 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 6/30/05 \$ 2,573,828

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.

Total investigative and settlement costs through 6/30/05 \$ 2,001,000

G. 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. However, 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 risks faced by PSE at this site.

H. Lake Union

PSE is conducting a remedial investigation/feasibility study under the Agreed Order (AO) between WDOE and PSE and the City of Seattle executed on March 18, 2005. The AO calls for PSE and the City to complete work in separate eastern and western study areas offshore of Gas Works Park. PSE has completed the majority of the field investigation, including supplemental sampling to establish the cleanup boundary and cleanup level. A decision from WDOE regarding the cleanup boundary and level is anticipated by the end of July. Remedial investigation/feasibility studies will continue throughout the remainder of 2005.

Remedial costs incurred through 6/30/05 \$ 3,880,113

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 6/30/05 \$ 36,892,567

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. Please note that the Crossroads Business Office UST-related cleanup and our estimate of related costs are described in item J above. The estimate of future expenditures in this category has been adjusted accordingly.

D. 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 6/30/04, the total costs incurred are \$2,304,499.59. However, costs incurred after 6/30/03 are 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 groundwater 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.

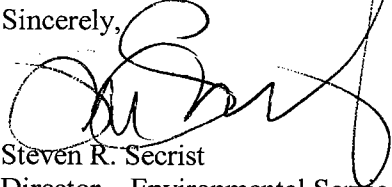
Remedial costs incurred through 6/30/05 \$79,240

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.

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

Sincerely,



Steven R. Secrist
Director – Environmental Services

Attachments

cc: Jim Eldredge
Mike Main
Karl Karzmar
Bert Valdman
Chuck Gordon
David Brenner
Mike Stranik
Jennifer O'Connor
Mark Raker

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY ELECTRIC
JUNE 30, 2005

September 2000 - forward SAP ORDER	SAP ACCOUNT	SITE DESCRIPTION	3/31/2005 Account Balance (a)	Quarterly Activity (b)	6/30/2005 Account Balance (c)=(a)+(b)	Env Services Project Cost Estimates (d)	Remediation Cost Estimates Remaining (e)	Inception To-Date Ins Proceeds (f)	Accum Amort Through 1st Qtr 6/30/2005 Dr. 40700001 (g)	Balance 6/30/2005 Closing (h)=(a)+(b)
18230007	18232241	Buckley Phase 1-Wood Treatment Area Env Remed Cost (Amortization began 1/1/04)	872,791.86	(58,186.14) (E)	814,605.72			(1,140,777.03)	(349,116.84)	814,605.72
18230009	18232221	Env Rem - Buckley-White River Phase II Future Est Cost	1,437,738.91	(16,979.31)	1,420,759.60					1,420,759.60
	18232251	Buckley Phase II-Burn Pile & Wood Debris Env Rem Cost	62,261.09	16,979.31	79,240.40	1,500,000.00	1,420,759.60			79,240.40
		SUBTOTAL BUCKLEY HEADWORKS SITE	1,500,000.00	0.00	1,500,000.00	1,500,000.00	1,420,759.60	0.00		1,500,000.00
18230022	18233081	Env Rem - Olympia SVC Capacitor Site Future Est Cost	23,125.24	(23,125.24)	0.00					0.00
	18232281	Env Rem - Olympia SVC Capacitor Site (Amort began 11/1/04)	426,874.76	(56,916.64) (D)	369,958.12				56,916.64	369,958.12
		SUBTOTAL OLYMPIA SVC CAPACITOR SITE	450,000.00	(80,041.88)	369,958.12	0.00	0.00	0.00	56,916.64	369,958.12
18230021	18232271	Env Rem - Duwamish River Site (former Georgetown)	56,800.68		56,800.68 (A)					56,800.68
22840091	18232291	Env Rem - UG Tank - Bellevue G.O. Future costs	50,000.00	(50,000.00)	0.00					0.00
	22840091	UG Tank - Bellevue G.O. (future costs, ins., net of expenditures)	(141,634.19)	141,634.19 (F)	0.00					0.00
			(91,634.19)	91,634.19	0.00	0.00	0.00	0.00	0.00	0.00
18230011	18233051	Env Rem - UG Tank - Baker Lodge (Amortization began 6/1/03)	8,513.48	(672.12) (E)	7,841.36				(5,600.98)	7,841.36
18230031	18233061	Env Rem - UG Tank - Poulsbo Service Center (future costs)	10,000.00		10,000.00	10,000.00	10,000.00			10,000.00
22840011	18233071	Env Rem - UG Tank - Kent Fleet (Amortization began 5/1/01)	19,081.11	(4,398.72) (E)	14,682.39				(73,312.00)	14,682.39
22840031	22840011	NWT - Mission Pole Def Site	(75,000.00)		(75,000.00) (B)	75,000.00	75,000.00	(75,000.00) (B)		(75,000.00)
22840041	22840021	Buckley White River Phase II Def Site	(1,437,738.91)	16,979.31	(1,420,759.60)					(1,420,759.60)
22840042	22840031	Olympia UST Def Site	(129,471.05)		(129,471.05) (B)	150,000.00	129,471.05	(150,000.00) (B)		(129,471.05)
22840051	22840041	Bremerton UST Def Site	(3,273.81)		(3,273.81) (B)	50,000.00	3,273.81	(50,000.00) (B)		(3,273.81)
22840061	22840051	Whidbey Island UST Def Site	(15,000.00)		(15,000.00) (B)	15,000.00	15,000.00	(15,000.00) (B)		(15,000.00)
22840081	22840061	Tenino UST Def Site	(52,471.63)		(52,471.63) (B)	75,000.00	52,471.63	(75,000.00) (B)		(52,471.63)
22840111	22840081	Puyallup Garage expensed Site	(337,416.92)		(337,416.92) (B)	350,000.00	337,416.92	(350,000.00) (B)		(337,416.92)
22840121	22840111	Poulsbo Service Center	(10,000.00)		(10,000.00) (B)					(10,000.00)
22841001	22840121	Olympia SVC Capacitor Def Site	(23,125.24)	23,125.24	0.00					0.00
		AETNA II Lawsuit unallocated proceeds	(1,481,763.38)	(100,000.00) (C)	(1,581,763.38)			(1,581,763.38)		(1,581,763.38)
		Totals	(739,728.00)	(111,560.12)	(851,288.12)	2,225,000.00	2,043,393.01	(3,437,540.41)	(371,113.17)	(851,288.12)

(A) Per Eldredge discussion with Steve Secretst on July 7, 2005, remediation of the Dumamish site is taking place at this time. PSE's obligations, if any, with regard to this site are uncertain at this time.
(B) All future cost estimate for this site has been received in the form of insurance proceeds.
(C) Allocate back Aetra II lawsuit of insurance proceeds due to sale of Bellevue General Office facility.
(D) Catch up amortization adjustment began November 1, 2004.
(E) Amount is equal to the quarterly amortization.
(F) Property was sold and new owners will be responsible for future remediation of this site.

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
June 30, 2005

September 1988 - forward SAP ORDER SAP ACCOUNT	Site Description	3/31/2005		Activity	8/30/2005		Env Services Project Cost Estimates 8/30/2005	Remediation Cost Estimates		Amortization Through 8/30/05 Dr. 4070002	Balance 8/30/05 Closing
		Account Balance			Account Balance	(d)		Remaining 18608022	22840002		
FORMER MANUFACTURED GAS SITES:											
TACOMA TIDE FLATS (TACOMA TAR PITS, THOQS, RIVER STREET)											
18601203	18608142	9,351,936.58			9,351,936.58						9,351,936.58
18601102	18608112	34,826,945.89	(1)		34,826,945.89						34,826,945.89
18601102	18608112	2,070,225.88	(1)	46,395.93	2,065,821.81	2,450,000.00	384,378.19				2,065,821.81
	18608152	209,796.52		46,395.93	209,796.52						209,796.52
		46,408,904.87		46,395.93	46,454,300.80	2,450,000.00	384,378.19				46,454,300.80
18602102	18608212	1,243,820.58		225.00	1,244,045.58	2,700,000.00	1,455,954.42				1,244,045.58
18602203	18608242	8,717.50		225.00	8,717.50	2,700,000.00	1,455,954.42				8,717.50
		1,252,638.08			1,252,763.08						1,252,763.08
18603102	18608312	2,329,348.81		85,756.43	2,415,105.24	3,300,000.00	884,894.76				2,415,105.24
18604203	18608442	881,434.75		(25,313.64)	856,121.11	3,200,000.00	626,271.46				856,121.11
18604102	18608412	2,573,828.37		(89.83)	2,573,728.54	3,200,000.00	626,271.46				2,573,728.54
	18608452	366.95			366.95						366.95
		3,455,630.07		(25,413.47)	3,430,216.60	3,200,000.00	626,271.46				3,430,216.60
18605203	18608542	379,591.40			379,591.40						379,591.40
18605102	18608512	379,591.40			379,591.40						379,591.40
18606102	18608612	713,043.36		7,111.63	720,154.99	1,100,000.00	379,845.01				720,154.99
18606203	18608642	15,888.20			15,888.20						15,888.20
		728,931.56		7,111.63	736,043.19	1,100,000.00	379,845.01				736,043.19
18607102	18608712	2,803,223.07		77,374.43	2,880,597.50	6,500,000.00	3,619,402.50				2,880,597.50
18607203	18608742	2,827,842.31		33,000.51	2,860,842.82						2,860,842.82
		5,631,065.38		110,374.94	5,741,440.32	6,500,000.00	3,619,402.50				5,741,440.32
18608102	18608812	895.00			895.00						895.00
18609202	18608942	3,024,304.29		(602,355.83)	2,421,948.46						2,421,948.46
18610102	18609112	2,382,234.26		(381,234.26)	2,001,000.00						2,001,000.00
18610104	18609132	1,196,863.98		381,234.26	1,578,098.24						1,578,098.24
18610103	18609122	(1,413,413.82)			(1,413,413.82)						(1,413,413.82)
18610105	18609142	(1,075,000.00)			(1,075,000.00)						(1,075,000.00)
		1,090,684.42		0.00	1,090,684.42						1,090,684.42

**PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
June 30, 2005**

September 1998 - forward SAP ORDER SAP ACCOUNT	Site Description	3/31/2005 Account Balance	Activity	6/30/2005 Account Balance	Env Services Project Cost Estimates 6/30/2005	Remaining 18608022 18236022 22840002	Amortization Through 6/30/05 Dr. 40700002	Balance 6/30/05 Closing
18611102	MERCER STREET Remediation costs	66,942.15	-	66,942.15	-	-	-	66,942.15
18612102	QUENDALL TERMINALS Remediation costs	-	216.00	-	1,000,000.00	-	-	-
18609302	Legal Costs	-	216.00	216.00	-	1,000,000.00	-	216.00
	SUBTOTAL	-	216.00	216.00	1,000,000.00	-	-	216.00
18614102	LAKE UNION Remediation costs	3,251,263.83	628,960.00	3,880,113.83	25,000,000.00	21,119,886.17	-	3,880,113.83
18614202	Legal Costs	50,934.81	42,582.08	93,516.89	-	-	-	93,516.89
	SUBTOTAL	3,302,198.64	671,532.08	3,973,730.72	25,000,000.00	21,119,886.17	-	3,973,730.72
18608022	Estimated Future Costs	28,470,832.51	(44,613.59)	28,426,218.92	-	-	-	28,426,218.92
18608062	Insurance and Third Party Inception-to-Date Recoveries	(58,177,768.28)	-	(58,177,768.28)	-	-	-	(58,177,768.28)
	TOTAL - FORMER MANUFACTURED GAS SITES	\$ 39,008,612.29	\$ 248,228.12	\$ 39,256,841.41	\$ 45,250,000.00	\$ 29,470,632.97	(f) \$ -	\$ 39,256,841.41

	Gas Under Ground Storage Tanks and Other Sites	Bag Bal Total Costs	Curr Cost Activity	Total Costs	Estimated Costs	Remaining Est	Accm Depr	Ending Acct Bal
18236412	MERCER BUILDING (60 month amort began 2/98)	41,748.85	-	41,748.85	-	-	41,748.85	-
18236312	KENT OPERATING BASE (60 month amort began 5/1/98)	40,379.09	-	40,379.09	-	-	40,379.09	-
18236212	GEORGETOWN OPERATING BASE (60 month amort began 8/1/98)	35,597.80	-	35,597.80	-	-	35,597.80	-
18236012	CROSSROADS OPERATING BASE	434,946.60	1,020.50	435,967.10	450,000.00	14,032.90	-	435,967.10
18236207	TOTEM LAKE OPERATING BASE (60 month amort began 12/1/98)	22,430.30	0.00	22,430.30	-	-	22,430.30	-
18236209	UW TACOMA PIPELINE PROJECT (60 month amort began 1/1/00)	65,737.77	-	65,737.77	-	-	65,737.77	-
18236912	NORTH OPERATING BASE	107,682.96	18,021.93	125,704.89	50,000.00	50,000.00	-	126,704.89
18237112	SWARR STATION	-	-	-	-	-	-	-
18236022	TACOMA OFFICE	-	-	-	5,000.00	5,000.00	-	-
	ESTIMATED FUTURE COSTS	-	-	-	5,000.00	5,000.00	-	-
	ESTIMATED FUTURE INSURANCE RECOVERIES	-	-	-	-	-	-	-
18236032	TOTAL - GAS UNDERGROUND STORAGE TANKS	\$ 748,522.37	\$ 20,042.43	\$ 768,564.80	\$ 505,000.00	\$ 84,033.90	\$ 205,893.81	\$ 826,704.89
	TOTAL - GAS STORAGE TANKS AND MANUFACTURED GAS SITES	\$ 39,757,134.66	\$ 268,271.55	\$ 40,025,406.21	\$ 45,755,000.00	\$ 28,534,666.41	(g) \$ 205,893.81	\$ 39,831,546.30

(f) Represents costs estimated through May 31, 2004.
 (g) Represents costs estimated through May 31, 2004.
 (h) Represents costs accumulated through May 31, 2004 at preliminary closing.
 (i) Represents the amount of the unamortized future cost estimate range.
 (j) Represents the amount of the unamortized future cost estimate range.
 (k) Represents the amount of the unamortized future cost estimate range.
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