



PUGET
SOUND
ENERGY

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STATE OF WASH.
UTIL. AND TRANSP.
DEPARTMENT

April 28, 2006

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)
Environmental Report for the quarter ending March 31, 2006**

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.

Remediation costs incurred as of 3/31/06 \$767,120

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. The next round of monitoring is scheduled for the spring (likely May) of 2006.

Remediation costs incurred as of 3/31/06 \$2,964,500

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.

Remediation costs incurred as of 3/31/06 \$1,250,158

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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.

Remediation costs incurred as of 3/31/06

\$2,485,778

E. Gas Works Park

The City of Seattle's plan to develop a concert venue at Gas Works Park has been delayed. The only ongoing activities are the monitoring of the groundwater remediation system and maintenance of the soil cap. All these activities are the responsibility of the City of Seattle.

Remediation costs incurred as of 3/31/06

\$2,574,095

F. 5th and Jackson

Union Station Associates and PSE settled the pending litigation in December 2002.

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

G. Quendall Terminals

There has been no communication with PSE regarding this site for a few years. EPA has taken over the site lead (from Ecology) and in late 2005 proposed adding the site to the National Priorities List (NPL). EPA has not officially named the site to the NPL. PSE continues to monitor activities and deny liability. However, given the current estimate of costs, allegations by other parties, and our ongoing investigation, it remains difficult to estimate project costs. Recently, Quendall was finally added to the EPA NPL. It is still unknown what impact this will have on the site, but the listing did allege that there were historic purchases of tar from the plant at Gas Works Park for the facilities at Quendall Terminals.

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. In accordance with the AO, PSE has completed field investigations in the Eastern Study Area offshore of Gas Works Park and will submit the draft RI/FS report to WDOE on March 31, 2006. The City is conducting and RI/FS in the adjacent Western Study Area. WDOE has approved a site-wide cleanup level and the cleanup boundary for the Eastern Study Area. The City and PSE submitted a proposal for the Western Cleanup Boundary with is currently under review by WDOE.

Remediation costs incurred as of 3/31/06

\$5,368,759

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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.

Remediation costs incurred as of 3/31/06

\$37,058,088

FORMER PUGET POWER SITES

A. 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.

B. 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).

C. 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 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 completed a remedial action plan and is obtaining permits for the cleanup of three other areas of contamination noted during our initial remediation work. The cleanup action is scheduled to begin next quarter pending completion of the permitting process. Groundwater monitoring will be required after the cleanup is completed.

Remediation costs incurred as of 3/31/06

\$201,098

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D. Terminal 117 (Potential New Site)

On December 21, 2005 PSE received a demand letter requesting that PSE, as a potentially responsible party to a site adjacent to the Duwamish Waterway, consider participating in an early mediation regarding which parties should pay for the cost of cleaning up the site. The site is currently owned by the Port of Seattle and is known as Terminal 117. An asphalt plant operated on the site from 1940 to 1993. PCB contamination is present in soil at the site. The letter contends that, before 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 this claim.

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

Sincerely,



Steven R. Secrist

Director – Environmental Services

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

PUGET SOUND ENERGY UST REMEDIAL COST ESTIMATES (Page 1 of 2)
(updated 3/31/06)

PSE Facility/Location		Proposed Remedial Action	Estimated Cost of Proposed Remedial Action (\$)
Baker River Lower Concrete, WA	2,500 gal. Gas and Diesel USTs	None	0
Baker River Upper Concrete, WA	1,000 gal. Gas and Diesel USTs	None	0
Bellingham Service Center Bellingham, WA	10,000 gal. Gas and Diesel USTs	None	0
Electron Forebay Orting, WA	550 gal. Gas and Diesel USTs	None	0
Electron Power House Orting, WA	Two USTs and contaminated soil were successfully removed in 2005. Ground water assessment will begin 1st quarter 2006.	A. Groundwater monitoring with 1 new well	A. 15,000
Factoria Service Center Bellevue, WA	10,000 gal. Gas and Diesel USTs	None	0
Kittitas Service Center Thorp, WA	5,000 gal. Gas and Diesel USTs	None	0
Olympia Service Center (Fuel Island) Olympia, WA	10,000 gal. Gas & Diesel USTs Gas spill Nov. '99	A. Natural Attenuation and GW Monitoring (Existing Wells) B. Soil excavation when Fuel Island is removed	A. 15,000 B. 50,000
Olympia Service Center (Post-EPRI Diesel Remediation) Olympia, WA	Diesel UST removed. Contaminated soil and ground water remains after EPRI air sparging program.	A. Natural Attenuation and GW Monitoring (Existing Wells) B. Soil excavation when building(s) is removed	A. 5,000 B. 100,000
Poulsbo Service Center Poulsbo, WA	6,000 gal. Gas & Diesel USTs	A. Natural Attenuation B. Soil excavation when building is removed.	A. 0 B. 10,000
Port Townsend Service Center Port Townsend, WA	6,000 gal. Gas & Diesel USTs	None	0
Skagit Service Center Burlington, WA	12,000 gal. Gas & Diesel USTs	None	0
Crystal Mtn. Gen. Greenwood, WA	Three USTs	None	0
Green Mtn. Micro Wave Bremerton, WA	One UST	None	0

Notes shown on Page 2 of 2

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 (\$)
Rattlesnake Mtn. Micro Wave Issaquah, WA	One UST	None	0
Bremerton Service Center Bremerton, WA	Three USTs and majority of contaminated soil removed in 1999. Contaminated soil remains at property boundary and beneath building	A. Well abandonment B. Soil excavation when building(s) is removed	A. 2,000 B. 50,000
Whidbey Service Center 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) B. Soil excavation when building(s) is removed	A. 30,000 B. 15,000
White River Powerhouse Sumner, WA	Formerly closed UST's have been recently discovered beneath a building. Building will be removed and tanks/contaminated soil excavated.	A. GW Monitoring following excavation B. Soil excavation and building removal	A. 15,000 B. 275,000
Tenino Service Center Tenino, WA	USTs and majority of contaminated soil removed in 1997. Small volume of contaminated soil remains beneath building	A. Natural Attenuation and GW Monitoring (Existing Wells) B. Soil excavation when building(s) is removed	A. 15,000 B. 75,000
North Operating Base Seattle, WA	USTs removed in 1999. Diesel-contaminated soil remains beneath fuel island.	A. Site Characterization and GW Monitoring (New Wells) B. Soil excavation when fuel island is removed	A. 20,000 B. 50,000

Cost Estimate Totals:
 A. Ground Water Monitoring, Site Characterization, Natural Attenuation Only (No Remediation) **\$117,000**
 B. Remediation Only (No Monitoring) **\$625,000**
 A. & B. Ground Water Monitoring Followed by Remediation **\$742,000**

Notes

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

**PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
March 31, 2006**

September 1998 - forward SAP ORDER SAP ACCOUNT	Site Description	12/31/2005 Account Balance	Activity	3/31/2006 Account Balance	Env Services Project Cost Estimates 3/31/2006 (d)	Remediation Cost Estimates Remaining 18808022 18238022 22840002	Amortization Through 3/31/2006 Dr. 40700002	Balance 3/31/2006 Closing
FORMER MANUFACTURED GAS SITES:								
TACOMA TIDE FLATS (TACOMA TAR PITS, THOGS, RIVER STREET)								
18601203	Legal Costs	9,351,936.58	-	9,351,936.58	-	-	-	9,351,936.58
18601102	Remediation Costs through June 1999	34,826,945.69	(c)	34,826,945.69	2,450,000.00	218,657.58	-	34,826,945.69
18608112	Remediation Costs post-June 1999	2,231,142.42	42,250.19	2,231,142.42	-	-	-	2,231,142.42
18608152	Internal Costs pre-1997	209,796.52	-	209,796.52	-	-	-	209,796.52
	SUBTOTAL Tacoma Tide Flats	46,577,571.02	42,250.19	46,619,821.21	2,450,000.00	218,657.58	-	46,619,821.21
EVERETT								
18602102	Remediation Costs	1,249,193.07	965.00	1,250,158.07	2,700,000.00	1,449,841.93	-	1,250,158.07
18602203	Legal Costs	8,717.50	-	8,717.50	-	-	-	8,717.50
	SUBTOTAL Everett	1,257,910.57	965.00	1,258,875.57	2,700,000.00	1,449,841.93	-	1,258,875.57
CHEHALIS								
18603102	Remediation Costs	2,483,225.48	2,552.50	2,485,777.98	3,300,000.00	814,222.01	-	2,485,777.98
GAS WORKS - SEATTLE								
18604203	Legal Costs	856,121.11	-	856,121.11	3,200,000.00	626,271.46	-	856,121.11
18604102	Remediation Costs	2,573,728.54	-	2,573,728.54	-	-	-	2,573,728.54
18608452	Internal Costs - pre-1997	368.95	-	368.95	-	-	-	368.95
	SUBTOTAL Gas Works - Seattle	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
18605102	Remediation Costs	379,591.40	-	379,591.40	-	-	-	379,591.40
	SUB TOTAL	759,182.80	-	759,182.80	-	-	-	759,182.80
WSDOT UPLAND (Aka 22nd & A Street, Tacoma Gas Company Site)								
18606102	Remediation Costs	766,704.32	416.01	767,120.33	1,100,000.00	332,879.67	-	767,120.33
18606203	Legal Costs	15,888.20	-	15,888.20	-	-	-	15,888.20
	SUBTOTAL	782,592.52	416.01	783,008.53	1,100,000.00	332,879.67	-	783,008.53
WSDOT THEA FOSS								
18607102	Remediation Costs	2,962,942.21	11,657.51	2,964,499.72	6,500,000.00	3,535,500.28	-	2,964,499.72
18607203	Legal Costs	2,946,440.37	25,986.61	2,972,426.98	-	-	-	2,972,426.98
	SUBTOTAL	5,899,282.58	37,644.12	5,936,926.70	6,500,000.00	3,535,500.28	-	5,936,926.70
TULLALUP								
18608102	Remediation Costs	995.00	-	995.00	-	-	-	995.00
OMNIBUS INSURANCE LITIGATION (9 MFG. GAS SITES)								
18609202	Legal Costs	3,042,363.82	(1,307.62)	3,041,056.20	-	-	-	3,041,056.20
STH & JACKSON								
18610102	Remediation Costs	2,001,000.00	(2,001,000.00) (e)	-	-	-	-	-
18610104	Legal Costs	1,578,098.24	(1,578,098.24) (e)	-	-	-	-	-
18610103	Legal cost recoveries	(1,413,413.82)	1,413,413.82 (e)	-	-	-	-	-
18610105	Indemnity Insurance Proceeds	(1,075,000.00)	1,075,000.00 (e)	-	-	-	-	-
	SUBTOTAL	1,090,684.42	(1,090,684.42)	-	-	-	-	-

PUGET SOUND ENERGY, INC.
 DEFERRED ENVIRONMENTAL COST SUMMARY GAS
 March 31, 2006

September 1998 - Forward SAP ORDER SAP ACCOUNT	Site Description	12/31/2005 Account Balance	Activity	3/31/2006 Account Balance	Env Services Project Cost Estimates 3/31/2006	Remaining 18608022 18236022 22840002	Amortization Through 3/31/2006 Dr. 40700002	Balance 3/31/2006 Closing
1861102	MERCER STREET Remediation costs	66,942.15	-	66,942.15		(66,942.15)		66,942.15
18612102	QUENDALL TERMINALS Remediation costs	-	2,415.87	39,461.08	1,000,000.00	1,000,000.00		39,461.08
18609302	Legal Costs SUBTOTAL	37,045.21	2,415.87	39,461.08	1,000,000.00	1,000,000.00		39,461.08
18614102	LAKE UNION Remediation costs	5,034,232.50	334,526.11	5,368,758.61	25,000,000.00	19,631,241.39		5,368,758.61
18914202	Legal Costs SUBTOTAL	155,016.72	9,808.56	164,825.28		19,631,241.39		164,825.28
18608022	Estimated Future Costs	28,034,239.49	(492,367.32)	27,541,872.17		-		27,541,872.17 (a)
18608062	Insurance and Third Party Inception-to-Date Recoveries	(98,796,696.45)	1,055,871.70	(95,710,814.75)				(95,710,814.75)
	TOTAL - FORMER MANUFACTURED GAS SITES	\$ 31,506,283.04	\$ (97,909.30)	\$ 31,407,343.74	\$ 45,280,000.00	\$ 27,541,872.17 (a)	\$ -	\$ 31,407,343.74
18230210	GAS UNDERGROUND STORAGE TANKS AND OTHER SITES NORTH OPERATING BASE				50,000.00	50,000.00		149,807.21
18236912	SWARR STATION	145,571.11	4,236.10	149,807.21		50,000.00		50,000.00
18237112	ESTIMATED FUTURE COSTS							149,807.21
18236022	ESTIMATED FUTURE INSURANCE RECOVERIES							50,000.00
18236032	TOTAL - GAS UNDERGROUND STORAGE TANKS	145,571.11	4,236.10	149,807.21		50,000.00		149,807.21
	TOTAL - GAS STORAGE TANKS AND MANUFACTURED GAS SITES	\$ 31,651,854.15	\$ (93,673.20)	\$ 31,558,180.95	\$ 45,300,000.00	\$ 27,591,872.17 (b)	\$ -	\$ 31,607,150.95

- (a) Represents balance in Account 18608022 after quarterly true-up
- (b) Represents balance in Account 22840002 after quarterly true-up
- (c) Trans \$84449.99 from Line Item Thru-June 99 to Post-June 1999 for acct 18608112
- (d) Represents the low end of the probable future cost estimate range
- (e) All Costs incurred and all recoveries secured-Environmental Remediation for 5th & Jackson closed out 02/28/06

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY ELECTRIC
MARCH 31, 2006

SAP ORDER	SAP ACCOUNT	SITE DESCRIPTION	Quarterly Account Roll-Forward										
			12/31/2005 Account Balance (a)	Quarterly Activity (b)	3/31/2006 SAP Account Balance (c) = (a) + (b)	Actual Costs Through 3/31/2006 (d)	Future Cost Estimates (e)	Total Cost Estimates (f) = (d) + (e)	Insurance Recoveries Through 3/31/2006 (g)	Accrued Liabilities for Future Cost Estimates 3/31/2006 (h)	Accum Amort Through 3/31/2006 Dr. 40700001 (i)	3/31/2006 Remediation Site Balance (j) = (f)+(g)-(h)+(i)	
18230007	18232241	Buckley Phase 1-Wood Treatment Area Env Remed Cost (Amortization 1/1/04 - 12/31/05)	627,662.37	(627,662.37)	0.00	2,310,379.59	1,298,902.16	1,298,902.16	2,310,379.59	(1,991,937.94)	(D)	(418,441.65)	0.00
18230009	18232251	Env Rem - Buckley-White River Phase II (Future Cost Est) Buckley Phase II - Burn Pile & Wood Debris Env Rem Cost SUBTOTAL BUCKLEY HEADWORKS SITE	1,335,411.95 164,598.05 1,500,000.00	(36,509.79) 36,509.79 0.00	1,298,902.16 201,097.84 1,500,000.00	201,097.84 201,097.84	1,298,902.16 1,298,902.16	1,298,902.16 201,097.84 1,500,000.00	2,310,379.59	0.00	(A)	0.00	1,298,902.16 201,097.84 1,500,000.00
18230021	18232271	Env Rem - Duwamish River Site (former Georgetown)	56,800.88		56,800.88	56,800.88		56,800.88	56,800.88		(A)		56,800.88
18230022	18232281	Env Rem - Olympia SVC Capacitor Site (Amortization 1/1/04 - 12/31/05)	327,270.64	(327,270.64)	0.00	428,874.76			428,874.76	(327,270.64)	(A)	(99,604.12)	0.00
18230011	18230051	Env Rem - UG Tank - Baker Lodge (Amortization 8/1/03 - 12/31/05)	6,497.12	(6,497.12)	0.00	13,442.34			13,442.34	(6,497.12)	(A)	(6,945.22)	0.00
18230031	18233061	Env Rem - UG Tank - Poulsbo Service Center (Future Cost Est)	10,000.00		10,000.00		10,000.00	10,000.00	10,000.00	(5,864.95)	(A)	(92,109.44)	0.00
18230031	18233071	Env Rem - UG Tank - Kent Fleet (Amortization 5/1/01-12/31/05)	5,864.95	(5,864.95)	0.00	87,974.39			87,974.39		(A)		87,974.39
18230311	18230311	Env Rem - UG Tank - Whidbey Is. (Future Cost Est.)	0.00	15,000.00	15,000.00		15,000.00	15,000.00	15,000.00				15,000.00
18230321	18230321	Env Rem - UG Tank - Tenino (Future Cost Est.)	0.00	52,471.63	52,471.63		52,471.63	52,471.63	52,471.63				52,471.63
18230041	18230091	Tenino Service Center - UG Tank - Env Rem Cost SUBTOTAL TENINO SERVICE CENTER	0.00 0.00	22,528.37 75,000.00	22,528.37 75,000.00	22,528.37 22,528.37	22,528.37 75,000.00	22,528.37 75,000.00	22,528.37 75,000.00	0.00		0.00	22,528.37 75,000.00
18230331	18230331	Env Rem - UG Tank - White River (Future Cost Est.)	0.00	275,000.00	275,000.00		275,000.00	275,000.00	275,000.00				275,000.00
22840011	22840011	NWT - Mission Pole Def Site	(75,000.00)	75,000.00	0.00								
22840031	22840031	Olympia UST Def Site	(129,471.05)		(129,471.05)	20,528.95	129,471.05	150,000.00	150,000.00	(150,000.00)	(A)	(129,471.05)	(129,471.05)
22840041	22840041	Bremerton UST Def Site	(2,648.55)		(2,648.55)	47,351.45	2,648.55	50,000.00	50,000.00	(50,000.00)	(A)	(2,648.55)	(2,648.55)
22840081	22840081	Puyallup Garage expensed Site	(337,416.92)		(337,416.92)	12,583.08	337,416.92	350,000.00	350,000.00	(350,000.00)	(A)	(337,416.92)	(337,416.92)
22841001	22841001	Accu Misc Oper Prov- Unello Def Elec Env Reme Recoveries	(1,306,763.39)	527,295.08	(779,468.30)					(779,468.30)			(779,468.30)
Totals			682,795.86	0.00	682,795.86	3,199,561.45	2,120,910.31	5,320,471.76	(3,561,038.95)	(469,536.52)	(607,100.43)	682,795.86	

(A) Represents allocated proceeds from the insurance recoveries.

(B) To clear deferred electric environmental account balances recorded at December 31, 2005 with unallocated deferred electric environmental site insurance proceeds.

(C) Includes entry to correct allocation of AETNA II Insurance proceeds to non-AETNA II sites.

(D) Amount is equal to AETNA II insurance proceeds and the amount discussed on (B).

(E) Reclass the debit balance from liability account #22840061 to asset account #18230091.