



Puget Sound Energy, Inc.
P.O. Box 90868
Bellevue, WA 98009-0868

RECEIVED
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION
2008 MAY -7 AM 8:23

5/2/2008

Ms. Carole Washburn
Washington Utilities & Transportation Commission
PO 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, 2008**

FORMER WNG SITES

A. Tacoma Gas Company Site (Upland Source Control)

PSE continues to work with Washington Department of Ecology (WDOE). The specific project area was agreed to with WDOE and work continues on developing the remedial investigation/feasibility study (RI/FS) documents for addressing portions of the site under the I-705 overpass.

Remediation cost incurred as of 3/31/08 \$769,040

B. Thea Foss Waterway

On November 16th, 2007 the Commencement Bay Natural Resource Trustees delivered the revised NRD Settlement Proposal Report to the PRPs with a deadline to receive a settlement offer from the PRPs set at the end of August 2008.. PSE continues to work with the other PRPs to develop an approach for allocation of responsibility.

Due to the recontamination of the sediments by stormwater discharges and the costs associated with the investigation & monitoring, PSE believes an increase to the estimate more accurately reflects the potential risk faced by PSE at this site.

PSE and Pacificorp have initiated a lawsuit against WSDOT to recover damages for the State's actions that we allege contributed to contamination in the Waterway. This comes after years of working with WSDOT and WDOE to address the situation. Unfortunately, neither EPA nor PSE and Pacificorp were successful in encouraging WSDOT to pay for their actions that resulted in releases to the Thea Foss, making this lawsuit necessary.

Remediation cost incurred as of 3/31/08 \$3,414,988

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.

Remediation cost incurred as of 3/31/08 \$1,316,728

D. Chehalis, Washington

Work continues on development a remedial plan to address the discovery of elevated concentrations of contamination onsite. The remedial investigation/feasibility study (RI/FS) is in progress.

Remediation cost incurred as of 3/31/08 \$2,523,802

E. Gas Works Park

Ongoing activities include groundwater monitoring and maintenance of the soil cap. The groundwater remediation system remains shutdown. All these activities are the responsibility of the City of Seattle, pursuant to an agreement with PSE. In response to the discovery of several tar occurrences in the uplands, the City conducted a soil gas survey and soil sampling in the northeastern area of Gas Works Park in September. PSE conducted an investigation along the eastern shoreline at this time to identify upland sources to Lake Union sediments. The results of this investigation will be used to plan future maintenance activities and evaluate potential uplands tar migration to Lake Union sediments. Preliminary results of this investigation were presented to WDOE and a complete report is expected to be completed in the spring of 2008. A revised estimate has been provided to bring the estimate in line with actuals.

Remediation cost incurred as of 3/31/08 \$2,577,686

F. Quendall Terminals

EPA listed Quendall Terminals as an NPL (i.e., Superfund) Site on April 19, 2006. PSE continues to deny liability because WNG only sold tar to this facility and did not transport or dispose of a waste. Nevertheless, to quantify the potential downside risk, PSE has historically referenced the \$1,000,000 demand tendered by the City of Renton several years ago (the City pursued a development opportunity and contacted PSE, alleging some potential liability exposure at the site). However, recent discussions with the EPA project manager indicate that EPA is ready to issue an Administrative Order of Consent to two Potential Responsible Parties. Given these current plans by EPA and the lack of formal communications between PSE and EPA, PSE has adjusted its downside risk element to reflect future costs and we believe that a potential range of costs more accurately reflects the potential range of risks faced by PSE at this site.

Remediation cost incurred as of 3/31/08 \$59,044

G. Lake Union Sediments

PSE is conducting a remedial investigation/feasibility study (RI/FS) under the Agreed Order (AO) 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 and has responded to comments received from WDOE and other trustees. In collaboration with the City of Seattle, PSE has agreed to include the bank area of Gas Works Park in the sediments RI/FS so that adjacent uplands source areas are mitigated by the time the sediment remedy is implemented. PSE conducted a limited field investigation along the eastern shoreline of the park in September. The results of this investigation will be combined with the City's investigation of the adjacent uplands area to identify any potential upland sources of tar that could impact sediments. Due to these additional field activities, submittal of the revised RI/FS report has likely been delayed to late 2008.

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. Other Potentially Responsible Parties are working with WDOE on determining their potential liabilities for the Western Study Area. WDOE is anticipating conducting an investigation at the adjacent Northlake Shipyard in the spring of 2008. The investigation and interim action by include portions of the Western Study Area.

Remediation cost incurred as of 3/31/08 \$7,484,787

H. Tacoma Tar Pits

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

Remediation cost incurred as of 3/31/08 \$37,414,333

I. Swarr Station

Lead- and petroleum-contaminated soil was removed from the site in 2003. However, arsenic-contaminated groundwater remains beneath the site. Recent studies indicate that the source of the arsenic appears to be located in the vicinity of the vaporizer and glycol pumping equipment. This area is difficult to access due to the presence of the equipment. PSE is continuing to collect data and evaluate to determine whether the arsenic plume requires active remediation or if it can be managed by the ongoing groundwater monitoring activities.

Remediation cost incurred as of 3/31/08 \$221,829

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 recently 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. PSE has agreed to conduct a subsurface investigation and has submitted the Sampling and Analysis Plan to the current owners for comment. PSE has also entered into the WDOE Voluntary Cleanup Program

Remediation cost incurred as of 3/31/08

\$116,416

K. Olympia (Columbia Street)

From 1908 to approximately 1924 an MGP was located on Columbia Street in Olympia. Our records show that this MGP was operated by another company unrelated to PSE. From approximately 1927 until the 1950s PSE predecessors operated a gas holder (Hortonshpere) on this site for the storage and distribution of methane to its customers. In late 2006, PSE received a letter from a firm representing the current owners stating that contamination found in soil and groundwater was attributable to PSE's predecessors' ownership and operations on this site.

L. South Seattle Gate Station

PSE was notified by Williams Pipeline that they were remediating soil contaminated by mercury on their property adjacent to the PSE gate station. As part of a construction project, PSE investigated the potential presence of mercury on the gate station property and found limited mercury contamination to be present within the area of a planned facility upgrade project. Contaminated soil was removed during the facility upgrade project and a summary cleanup action report has been submitted to WDOE. Additional limited work is scheduled in 2008 in coordination with construction activities. The adjustment in the estimate listed below reflects that additional work.

Remediation cost incurred as of 3/31/08

\$44,057

FORMER PUGET POWER SITES

A. Terminal 117 - Duwamish Waterway

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. During the past year, PSE has participated in depositions and undertook some limited discovery related to the site.

B. Crystal Mountain Generator Station

Ongoing activities consist of continued operation of the groundwater treatment system and site monitoring. Monitoring of the water treatment system and site groundwater is occurring on the schedule previously approved by WDOE. Newly planted vegetation will be monitored in the spring and fall of 2008.

Future planned actions will include removing the groundwater treatment system when it is no longer needed. At that time, it will be necessary to restore (backfill and revegetate) this portion of the site in accordance with the existing rehabilitation plan.

A summary report describing spill response and remedial activities is being prepared for submittal to WDOE.

Remediation cost incurred as of 3/31/08 \$14,142,541

C. Factoria Service Center

Two unregistered underground storage tanks (USTs) were discovered at the site during activities related to installation of a natural gas fueling system. One of the two USTs, an approximately 500-gallon diesel tank, had leaked and impacted soil. Remedial excavation was completed in October 2007 to remove the contaminated soil. A monitoring well was installed to determine if groundwater has been impacted. A final report summarizing the remedial activities has been submitted to WDOE. Remaining work will include closing the monitoring well after Ecology has reviewed the final report and removed the site from the contaminated sites list.

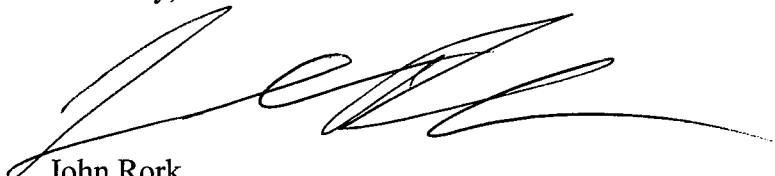
Remediation cost incurred as of 3/31/08 \$55,568

D. 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

cc: Jim Eldredge
Mike Main
Karl Karzmar
Bert Valdman
Chuck Gordon
David Brenner
Mike Stranik
Jennifer O'Connor
Natalie Hayashi
Jan Ripplinger
Lorna Luebbe
Steve Secrist