



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

January 26, 2010

Mr. David W. Danner
Executive Director and Secretary
Washington Utilities & Transportation Commission
PO Box 47250
Olympia, WA 98504

Subject: Docket UG-920781 (WNG)
Docket UE-911476 (PSP&L)
Docket UE-070724 (PSE)
Docket UE-072060 (PSE)
Docket UE-081016 (PSE)

STATE OF WASH.
UTILITY AND TRANSPORTATION
COMMISSION
2010 JAN 28 AM 8:23
PROJECT MANAGER

Environmental Report for the quarter ending December 31, 2009

Pursuant to the WUTC Order entered on 10/8/08, PSE now operates both its electric and gas deferred environmental accounting programs with a blanket authorization that does not require additional deferred accounting petitions, provided the requisite criteria is met. This Order was issued under the following Docket Numbers: UE-070724, UE-072060, and UE- 081016. In short, the electric deferred system now operates much like the PSE gas deferred accounting order.

In addition, the follow former PSP&L sites have been added during the last quarter:

Baker Lake Resort UST (New Site)

PSE has had a permit to use this property, which is owned by the U.S. Forest Petroleum-related soil contamination was detected in the vicinity of a former garage, recreational vehicle dump and aboveground storage tanks (ASTs). PSE removed contaminated soil from the site in 1998 and 1999, except for an inaccessible area beneath an on-site generator house. In preparation of vacating the property, PSE demolished the generator house and removed the remaining contaminated soil this year (2009). The estimated costs presented below reflect the 2009 the remedial action, and does not include actions performed in 1998 and 1999.

Costs incurred in 4th Qtr	\$102,545
Balance of actual costs 12/31/09	\$102,545
Estimate:	\$175,000 - \$235,000

Tenino Service Center UST (New Site)

The Tenino Service Center was in operation from 1959 to 1995. Soil and groundwater beneath the site were impacted by petroleum releases from historic fueling facilities. The fueling facilities and most of the contaminated soil were removed from the site in 1991, except for inaccessible contaminated soil located beneath an on-site building. The building and underlying contaminated soil were removed from

the site during November and December of 2009. PSE expects that regulatory requirements for this site will be satisfied after a year of quarterly groundwater monitoring.

The estimated costs presented below reflect the 2009 remedial action and future groundwater monitoring costs, and does not include earlier actions performed in 1991.

Costs incurred in 4th Qtr	\$155,744
Balance of actual costs 12/31/09	\$155,744
Estimate:	\$250,000 - \$300,000

FORMER WNG SITES

A. Tacoma Gas Company Site (Upland Source Control)

PSE continues to work with the Washington Department of Ecology (WDOE) on developing the Remedial Investigation/Feasibility Study (RI/FS) documents for addressing portions of the site under the I-705 overpass.

Actual cost balance 9/30/09	\$784,929
Add: Costs incurred in 4th Qtr	\$0
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$784,929
Estimate:	\$1,100,000 (No Change)

B. Thea Foss Waterway

On November 16, 2007 the Commencement Bay Natural Resource Trustees delivered the revised Natural Resource Damage (NRD) Settlement Proposal Report to the PRPs. The deadline to receive a settlement offer from the PRPs, however, has been extended indefinitely while the Trustees compile cost data and the PRPs search for an acceptable habitat restoration project. PSE continues to participate as part of the steering committee that was formed to represent the greater PRP group tasked to coordinate with the Trustees on the identification and development of a project or projects that will satisfy the NRD demand. The PRP group is engaging in a process for allocation of responsibility amongst the PRPs, and is preparing for possible submission of settlement offers to the Trustees.

PSE and PacifiCorp (Utilities) initiated a lawsuit against Washington Department of Transportation (WSDOT) to recover damages for the State's actions that we allege contributed to contamination in the Waterway. The judge rendered a decision in early February that was favorable to the Utilities. WSDOT filed a motion for reconsideration that was denied. In July, 2009, the Court entered a judgment against DOT and granted the Utilities a recovery of attorney's fees and costs. DOT appealed the judge's rulings.

In May 2009 the Utilities completed site inspections and sediment sampling near the head of the waterway as part of the requirements of the EPA approved Operation and Monitoring Plan (OMMP). The collected data shows that the remedy is functioning as intended and that the recontamination source is storm water. PSE worked with EPA to compile a Superfund mandated five year review of the Thea Foss remedy. This review addressed the storm-water recontamination issue, and did not require further remedial action in PSE.

Actual cost balance 9/30/09	\$3,839,355
Add: Costs incurred in 4th Qtr	\$31,468
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$3,870,824
Estimate:	\$10,000,000 (No Change)

C. Everett, Washington

PSE implemented a remedy that included a containment wall with groundwater monitoring at both ends. PSE continues regular monitoring of the results of the remediation already performed. Annual groundwater sampling performed in August 2009 indicates the remedy is containing contaminated groundwater.

Actual cost balance 9/30/09	\$1,360,051
Add: Costs incurred in 4th Qtr	\$7852
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$1,367,903
Estimate:	\$4,500,000 (No Change)

D. Chehalis, Washington

PSE is conducting remedial actions under WDOE's Voluntary Cleanup Program and submitted a draft remedial investigation/feasibility study (RI/FS) report in the second quarter. WDOE issued an opinion letter in June 2009 stating that the proposed cleanup action, an asphalt cap, meets the substantive requirements of the Model Toxics Control Act (MTCA) and achieves the cleanup objectives. The opinion letter further states that no further action, other than groundwater monitoring, will likely be necessary upon completion of the proposed cleanup.

PSE completed the remedy design, submitted a permit application for construction, and contracted for grading and paving in the fourth quarter of 2009. The remedial action will be implemented in 2010.

Actual cost balance 9/30/09	\$2,801,258
Add: Costs incurred in 4th Qtr	\$877,782
Less: Amortization costs in 4th Qtr	\$0

Balance of actual costs 12/31/09 \$3,679,040

Estimate: \$4,250,000 (No Change)

E. Gas Works Park

The cleanup action, consisting of a soil cap, a groundwater remediation system, and monitored natural attenuation, was implemented in 2001. Operation, maintenance and monitoring activities, including groundwater monitoring, maintenance of the soil cap, mitigation of exposed tar, and the groundwater remediation system, are the responsibility of the City of Seattle, pursuant to an agreement with PSE. The groundwater remediation system was shutdown in late 2006 by the City of Seattle.

In response to comments from EPA, WDOE hired an independent consultant to compile Gas Works Park characterization data and prepare a remedial investigation report. WDOE will use this process to assess whether there are data gaps in the remedial investigation. PSE is assisting the City of Seattle in providing information to WDOE for this purpose.

The City of Seattle completed the initial screening investigation of storm drains earlier this year and performed supplemental catch basin sampling. Results of catch basin sampling indicate elevated levels of contaminants may be entering storm drains in the northeast corner of GWP. In response to these findings, the City of Seattle sampled soils around the catch basins. Results of this investigation have been presented by the City of Seattle to the WDOE. Remedial actions for these soils are the responsibility of the City of Seattle pursuant their agreement with PSE. Upland remedial actions for the bank area adjacent to the shoreline will be evaluated in the RI/FS for Lake Union sediment.

Actual cost balance 9/30/09 \$2,651,382

Add: Costs incurred in 4th Qtr \$0

Less: Amortization costs in 4th Qtr \$0

Balance of actual costs 12/31/09 \$2,651,382

Estimate: \$4,000,000 (No Change)

F. Quendall Terminals

EPA listed Quendall Terminals as an NPL (i.e., Superfund) Site on April 19, 2006. PSE continues to deny liability because PSE's predecessor, Washington Natural Gas (WNG), only sold tar to this facility and did not transport or dispose of a waste. Given these current plans by EPA and the lack of formal communications between PSE and EPA, PSE believes that a potential range of costs more accurately reflects the potential range of risks faced by PSE at this site.

Actual cost balance 9/30/09 \$0

Add: Costs incurred in 4th Qtr \$0

Less: Amortization costs in 4th Qtr \$0

Balance of actual costs 12/31/09 \$0

Estimate: \$1,000,000 – \$3,500,000 (No Change)

G. Lake Union Sediments

PSE is conducting an 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. 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.

PSE and the City of Seattle are working with WDOE to address EPA and stakeholder concerns regarding the RI/FS. EPA submitted additional comments on the RI/FS and uplands (Gas Works Park Site) in June 2009. PSE and the City of Seattle agreed to reevaluate potential chemicals of concern and perform abbreviated human health and ecological risk assessments to address EPA and stakeholder concerns.

PSE is continuing to negotiate with the Washington Department of Natural Resources to gain access and obtain a long-term easement for remediation and monitoring of state-owned aquatic land.

Actual cost balance 9/30/09 \$8,705,296

Add: Costs incurred in 4th Qtr \$499,621

Less: Amortization costs in 4th Qtr \$0

Balance of actual costs 12/31/09 \$9,204,918

Estimate: \$35,000,000 - \$45,000,000 (No Change)

H. Tacoma Tar Pits

PSE submitted the results of a groundwater update to EPA in May 2009 using the groundwater optimization model requested by EPA. The updated results were consistent with PSE’s evaluation of data collected as part of the long-term groundwater monitoring program. PSE continues to operate and monitor the groundwater pump and treat system. Maintenance of site facilities and monitoring of ground water quality continues.

PSE is working with EPA to complete a Superfund mandated 5 year review. The overall purpose of the review is to assess whether the remedy implemented at the site is still protective of human health and the environment. Based on conversations with EPA, it is expected that the five year review will conclude that the remedy is still protective.

Actual cost balance 9/30/09 \$37,484,017

Add: Costs incurred in 4th Qtr \$105,957

Less: Amortization costs in 4th Qtr \$0

Balance of actual costs 12/31/09 \$37,589,974

Estimate Future Cost \$3,250,000

I. Swarr Station

Lead- and petroleum-contaminated soil was removed from the site in 2003. However, arsenic-contaminated groundwater remains beneath the site. PSE is continuing to characterization work to determine whether the arsenic plume requires active remediation or can be managed by the ongoing groundwater monitoring activities.

Actual cost balance 9/30/09	\$253,242
Add: Costs incurred in 4th Qtr	\$21,758
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$275,000
Estimate:	\$275,000 to \$400,000 (No Change)

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 contacted by the current property owners regarding possible contamination in the subsurface at this location.

Initial subsurface sampling detected the presence of contamination that appears to be associated with the former MGP. PSE agreed to conduct a subsurface investigation and has submitted a draft Sampling and Analysis Plan (SAP) to the property owners for comment. Once approved by the property owners, PSE will conduct its work as part of the WDOE Voluntary Cleanup Program.

PSE is engaged in initial settlement discussions with the property owners over cleanup, potential damages claimed by the owners, and the owners' request that PSE purchase the property.

Actual cost balance 9/30/09	\$147,377
Add: Costs incurred in 4th Qtr	\$9,072
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$156,449
Estimate:	\$ 1,500,000 - \$ 4,000,000

K. Olympia (Columbia Street)

From 1908 to approximately 1924, an MGP was located at this site in Olympia. In late 2006, PSE received a letter from a firm representing the owners at that time stating that contamination found in soil and groundwater was attributable to PSE's predecessors' ownership and operation on this site.

In response to the owners' request, PSE conducted an initial investigation of environmental conditions beneath the site in 2008. The initial investigation identified impacts likely attributable to MGP operations in the upper soil profile. Some groundwater impacts exist beneath the site. PSE has entered WDOE's Voluntary Cleanup Program and received agency comments on the initial investigation in February 2009.

PSE conducted further investigation in November 2009 to satisfy comments by WDOE and the property owner, and to obtain remedial design information. The results of the November 2009 investigation indicate that MGP-related impacts extend to, and likely beyond, the property boundaries.

Actual cost balance 9/30/09	\$20,294
Add: Costs incurred in 4th Qtr	\$301,448
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$321,742
Estimate:	\$1,000,000 - \$2,500,000

L. Verbeek Auto Wrecking

On January 16th, 2009 Verbeek Properties filed a lawsuit against PSE and the City of Seattle. Verbeek has asserted that contaminated soil from Gas Works Park (GWP) in Seattle was transported to its property. PSE has agreed to conduct an investigation to characterize the nature and extent of the contamination. A preliminary investigation of soil and groundwater beneath a portion of the Verbeek site was completed in April 2009. The results indicate that a portion of the GWP soil was excavated and stockpiled by the site owner in 2008. In addition, some impacted soil remains buried on the site.

PSE conducted characterization work and prepared an interim remedial action plan (IRAP) to cleanup the GWP soil and submitted to WDOE in January 2010 for approval.

PSE continues to work with the City of Seattle, the site owner and the Department of Ecology (in their Voluntary Cleanup Program) to remediate the GWP soils.

Actual cost balance 9/30/09	\$63,453
Add: Costs incurred in 4th Qtr	\$73,023
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$136,476
Estimate:	\$ 750,000 - \$ 1,500,000 (No Change)

The following sites have been completed and will no longer be included in these updates.

South Seattle 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. All known mercury-contaminated soil has been removed from the site in conjunction with the facility upgrade activities and a summary cleanup action report has been submitted to WDOE.

An odorant tank formerly used at the site was identified using ground penetrating radar. In October 2008, the tank and nearby soil were removed from the site after treatment to deactivate mercaptan odors. No issues related to mercaptan, odorant tanks or hazardous substances are known to remain at the site.

Actual cost balance 9/30/09	\$ 169,602
Add: Costs incurred in 4th Qtr	\$0
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$169,602
Estimate:	\$175,000 - \$200,000

North Tacoma Gate Station

Site characterization activities conducted prior to a planned construction project identified the presence of mercury at elevated concentrations in soil. The mercury-contaminated soil has been removed from the site and a cleanup action report was submitted to WDOE in February of 2009.

Actual cost balance 9/30/09	\$133,750
Add: Costs incurred in 4th Qtr	\$0
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$131,356
Estimate:	\$185,000

North Seattle Gate Station

Site characterization activities conducted prior to a planned construction project identified the presence of mercury at elevated concentrations in soil. The mercury-contaminated soil has been removed from the site, and a cleanup action report has been submitted to WDOE. No additional remedial actions are planned for the site.

Actual cost balance 9/30/09	\$53,996
Add: Costs incurred in 4th Qtr	\$0
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$53,996

Covington Gate Station

Site characterization activities conducted prior to a planned construction project identified the presence of mercury at elevated concentrations in soil. The mercury-contaminated soil has been removed from the site, and a cleanup action report was submitted to WDOE. No additional remedial actions are planned for the site.

Actual cost balance 9/30/09	\$67,987
Add: Costs incurred in 4th Qtr	\$0
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$67,987
Estimate:	\$150,000 (No Change)

FORMER PUGET POWER SITES

A. Duwamish Waterway (Terminal 117 & Georgetown Steam Plant)

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, and to date, no evidence linking PSE to the site has been discovered. During the past year, litigation at the site involving other parties has been resolved without PSE's involvement.

On January 29, 2009, PSE received a 104(e) Information Request from the EPA as part of the Lower Duwamish Waterway Superfund Site. EPA requested information regarding PSE's past ownership and operation of the Georgetown Steam Plant and nearby facilities. PSE submitted a response to EPA in July 2009. PSE expects that EPA or other responsible parties will seek PSE's involvement in the site as well as other some other parties who were issued 104(e) requests.

The adjustment to the range of costs shown below reflects the activities responding to the 104(e) request and the uncertainty pertaining to the exposure that PSE may receive in the Duwamish River.

Actual cost balance 9/30/09	\$84,659
Add: Costs incurred in 4th Qtr	\$(5,068)
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$79,592
Estimate:	\$200,000 - \$3,000,000

B. White River/Buckley Phase II Burn Pile and Wood Debris

Groundwater and restored vegetation are continuing to be monitored to evaluate the effectiveness of the cleanup and site rehabilitation activities. Arsenic concentrations in groundwater do not appear to be substantially declining, however, the lateral extent of the plume does not appear to be currently expanding or approaching the White River.

Actual cost balance 9/30/09	\$1,962,651
Add: Costs incurred in 4th Qtr	\$0

Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$1,962,651
Future Estimated Cost:	\$250,000 - 1,500,000 (No Change)

C. Lower Baker Power Plant

In 1965 a landslide destroyed PSE's Lower Baker powerhouse facility. A number of oil-containing devices are believed to remain buried beneath the slide. A petroleum-like sheen was discovered in water discharging from a metal pipe extending from the concrete wall of the former powerhouse that remains in place. PSE evaluated the sheen and installed a water treatment system to eliminate the sheen. The treatment system was recently upgraded to effectively treat new constituents detected in the water. The specific source(s) and extent of contamination in the landslide area has not been identified. The range of costs reflects the uncertainty pertaining to the extent of contamination.

Actual cost balance 9/30/09	\$103,864
Add: Costs incurred in 4th Qtr	\$65,961
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$169,825
Estimate:	\$700,000 - \$7,000,000 (No Change)

D. Puyallup Garage

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

Actual cost balance 9/30/09	\$453,028
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$453,028
Estimate:	\$468,000 - \$600,000 (No Change)

E. Electron Flume

A wooden flume is used to convey water from the diversion dam to the Electron Powerhouse. The flume is approximately 10 miles long and is located on the southwest slope of the Puyallup River valley. PSE historically replaced portions of the flume during routine maintenance and repair activities. The removed wood was typically placed on the ground surface at the location of the repair. This produced piles of wood debris that remain along the flume alignment today. Based on historical information, some of this wood was treated with chemical preservatives.

In late 2006, PSE sent a letter in response to WDOE inquiries to begin a project to remove the debris immediately adjacent to the flume. Characterization has shown this debris to be a mix of both treated and untreated wood of similar properties to the debris piles formerly located at the Buckley Headworks and

qualifies for the arsenical-treated wood exclusion. Due to the complexity of gaining access to this material and the specialized equipment needed to transport this material, PSE is adjusting the range to more accurately reflect the estimated cost

Actual cost balance 9/30/09	\$134,610
Add: Costs incurred in 4th Qtr	\$246,084
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$380,691
Estimate:	\$800,000 - 1,500,000

F. Snoqualmie Hydro Generation (Power Plant)

PSE is developing construction plans to upgrade electrical generation facilities associated with both power plants located at the Snoqualmie Generation facility. These construction activities will involve the excavation of a significant quantity of soil and rock. In preparation of this activity PSE performed a site characterization to assist in identifying if any hazardous substances are present in the area where soil is expected to be excavated.

Subsurface explorations have identified that soil and groundwater beneath a portion of the Power Plant I site contain hazardous materials exceeding state cleanup levels. A plan is being developed to cleanup this area concurrent with plant upgrade activities. The schedule for this work is dependent on the timing of PSE's current contractor selection process. It is anticipated that this work will begin in late spring of 2010.

Given the uncertainty related to the extent of contamination that is likely below some of the existing structures scheduled to be removed, PSE believes that a potential range of costs more accurately reflects the potential range of risks faced by PSE at this site

Actual cost balance 9/30/09	\$247,471
Add: Costs incurred in 4th Qtr	\$14,555
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$262,026
Estimate:	\$700,000 - 1,000,000 (No Change)

G. Bellingham South State Street MGP (formerly known as Boulevard Park)

In the early 1900's, PSE's predecessors owned and operated an MGP on Bellingham Bay. PSE sold the property to Cascade Natural Gas which dismantled the MGP and later sold it to the City of Bellingham who developed the site as part of Boulevard Park. PSE was notified by the City of Bellingham of potential liability for contamination at the site. PSE has met with Cascade Natural Gas and the City of Bellingham to discuss future investigation to assess potential contamination at the site. PSE has entered into a cost-sharing agreement with the City of Bellingham and is in the process of entering into an Agreed Order with the City and WDOE for completion of an RI/FS for the former MGP site. Earlier this year, the

City of Bellingham and WDOE completed a focused environmental site assessment of sediments in Bellingham Bay off shore of Boulevard Park in support of a redevelopment project.

Though the City of Bellingham has estimated \$8,000,000 to fully investigate and remediate the site, PSE's uncertainty of the nature and extent of the contamination both at the site and the adjacent Bellingham Bay and its past experience with associated costs at similar sites, PSE believes that a potential range of costs more accurately reflects the potential range of risks faced by PSE at this site

Actual cost balance 9/30/09	\$76,530
Add: Costs incurred in 4th Qtr	\$10,514
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$87,044
Estimate:	\$500,000 - 8,000,000 (No Change)

H. Talbot Hill Substation and Switchyard

During the investigation and remediation of a minor mineral oil release discovered in June 2009, contamination related to historic spills from electrical equipment was encountered at the site. Subsurface explorations identified contamination exceeding state cleanup levels beneath a portion of the site, including structural foundations supporting towers and electrical equipment. PSE completed an interim cleanup action to remove reasonably accessible contaminated soil from the site. Some contaminated soil remains beneath facility structures.

Given the uncertainty related to the extent of contamination that is likely below some of these existing structures, PSE believes an adjustment to the range of costs more accurately reflects the potential range of risks faced by PSE at this site.

Actual cost balance 9/30/09	\$68,151
Add: Costs incurred in 4th Qtr	\$154,658
Less: Amortization costs in 4th Qtr	\$0
Balance of actual costs 12/31/09	\$222,809
Estimate:	\$350,000 - \$ 750,000

I. 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,

A handwritten signature in cursive script that reads "John Rork" with a small "mcl" written below the "Rork" part.

John Rork
Manager – Environmental Services

cc: Jim Eldredge
Mike Main
Karl Karzmar
Bert Valdman
Eric Markell
Jennifer O'Connor
Chuck Gordon
David Brenner
Mike Stranik
Natalie Hayashi
Della Cheung
Lisa Rice
Lorna Luebbe
Steve Secrist

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
December 31, 2009

SAP ORDER	SAP ACCOUNT	Site Description	9/30/2009 Account Balance	Activity	12/31/2009 Account Balance	Env Services Project Cost Estimates 12/31/2009	Cost Estimates Remaining 18608022 18236022 22840002	Amortization Through 12/31/2009 Dr. 40700002	Balance 12/31/2009 Closing
FORMER MANUFACTURED GAS SITES:									
TACOMA GAS COMPANY (UPLAND SOURCE CONTROL)									
18606102	18608612	Remediation costs	769,040.33	-	769,040.33	1,100,000.00	330,959.67		769,040.33
18606203	18608642	Legal Costs	15,888.20	-	15,888.20	1,100,000.00	330,959.67		15,888.20
		SUBTOTAL	784,928.53	-	784,928.53	1,100,000.00	330,959.67		784,928.53
THEA FOSS WATERWAY									
18607102	18608712	Remediation costs	3,839,354.88	31,488.80	3,870,823.68	10,000,000.00	6,129,176.32		3,870,823.68
18607203	18608742	Legal costs	4,416,615.62	-	4,416,615.62	-	6,129,176.32		4,416,615.62
		SUBTOTAL	8,255,970.50	31,488.80	8,287,439.30	10,000,000.00	6,129,176.32		8,287,439.30
EVERETT, WASHINGTON									
18602102	18608212	Remediation Costs	1,360,051.13	7,851.73	1,367,902.86	4,500,000.00	3,132,097.14		1,367,902.86
18602203	18608242	Legal Costs	8,717.50	-	8,717.50	4,500,000.00	3,132,097.14		8,717.50
		SUBTOTAL Everett	1,368,768.63	7,851.73	1,376,620.36	4,500,000.00	3,132,097.14		1,376,620.36
CHEHALIS, WASHINGTON									
18603102	18608312	Remediation Costs	2,801,257.78	877,782.44	3,679,040.22	4,250,000.00	570,959.78		3,679,040.22
GAS WORKS PARK									
18604102	18608412	Remediation Costs	2,651,381.74	-	2,651,381.74	4,000,000.00	1,348,618.26		2,651,381.74
18604203	18608442	Legal Costs	856,121.11	-	856,121.11	4,000,000.00	1,348,618.26		856,121.11
		Internal Costs - pre-1997	366.95	-	366.95	4,000,000.00	1,348,618.26		366.95
		SUBTOTAL Gas Works - Seattle	3,507,869.80	-	3,507,869.80	4,000,000.00	1,348,618.26		3,507,869.80
QUENDALL TERMINALS									
18612102	18609512	Remediation costs	-	-	-	1,000,000.00	1,000,000.00		-
18609302	18609522	Legal Costs	59,043.75	-	59,043.75	1,000,000.00	1,000,000.00		59,043.75
		SUBTOTAL	59,043.75	-	59,043.75	1,000,000.00	1,000,000.00		59,043.75
LAKE UNION SEDIMENTS									
18614102	18609312	Remediation costs	8,705,296.45	499,621.12	9,204,917.57	35,000,000.00	25,795,082.43		9,204,917.57
18614202	18600082	Legal Costs	665,123.59	-	665,123.59	35,000,000.00	25,795,082.43		665,123.59
		SUBTOTAL	9,370,420.04	499,621.12	9,870,041.16	35,000,000.00	25,795,082.43		9,870,041.16
TACOMA TARPITS									
18601102	18608112	Remediation Costs through June 1999	34,826,945.69	-	34,826,945.69	3,250,000.00	305,392.20		34,826,945.69
18601102	18608112	Remediation Costs post-June 1999	2,838,650.54	105,957.26	2,944,607.80	3,250,000.00	305,392.20		2,944,607.80
18601203	18608142	Legal Costs	9,351,936.58	-	9,351,936.58	3,250,000.00	305,392.20		9,351,936.58
		Internal Costs pre-1997	209,796.52	-	209,796.52	3,250,000.00	305,392.20		209,796.52
		SUBTOTAL Tacoma Tide Flats	47,227,329.33	105,957.26	47,333,286.59	3,250,000.00	305,392.20		47,333,286.59
BAY STATION									
18603202	18609532	Remediation costs	147,376.69	9,072.09	156,448.78	1,500,000.00	1,343,551.22		156,448.78
18603203	18609552	Legal Costs	39,953.59	(10,409.59)	29,544.00	1,500,000.00	1,343,551.22		29,544.00
		SUBTOTAL	187,330.28	(1,337.50)	185,992.78	1,500,000.00	1,343,551.22		185,992.78

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
December 31, 2009

September 1998 - forward SAP ORDER	SAP ACCOUNT	Site Description	9/30/2009 Account Balance	Activity	12/31/2009 Account Balance	Env Services Project Cost Estimates 12/31/2009	Remaining 18608022 18236022 22840002	Amortization Through 12/31/2009 Dr. 40700002	Balance 12/31/2009 Closing
18614402	18609542	OLYMPIA (COLUMBIA STREET) MGP	20,293.82	301,448.20	321,742.02	1,000,000.00	678,257.98		321,742.02
18614403	18609562	Remediation costs	170,548.15	(170,548.15) (f)	-				-
		Legal Costs	190,841.97	130,900.05	321,742.02	1,000,000.00	678,257.98		321,742.02
		SUBTOTAL							
		VERBEEK AUTOWRECKING							
18608302	18608752	Remediation costs	63,453.11	73,023.26	136,476.37	750,000.00	613,523.63		136,476.37
18608303	18608762	Legal Costs	95,482.65	(85,722.65) (f)	9,760.00	-	-		9,760.00
		SUBTOTAL	158,935.76	(12,699.39)	146,236.37	750,000.00	613,523.63		146,236.37
		Estimated Future Costs	43,153,843.53	(\$1,906,224.90)	41,247,618.63				\$ 41,247,618.63
TOTAL - FORMER MANUFACTURED GAS SITES			\$ 52,597,574.00	\$ (270,736.06)	\$ 52,473,021.57	\$ 66,350,000.00	\$ 41,247,618.63	(a)	\$ 52,326,837.94
18230212	18237112	GAS UNDERGROUND STORAGE TANKS AND OTHER SITES	Total Costs	Curr Cost Activity	Total Costs	Estimated Costs	Remaining Est	Accm Depr	Ending Acct Bal
18230210	18236912	SWARR STATION	253,241.97	21,758.03	275,000.00	275,000.00	50,000.00	-	275,000.00
	18237122	NORTH OPERATING BASE	169,602.13	-	169,602.13	-	-	-	169,602.13
	18237132	SOUTH SEATTLE GATE STATION (e)	133,750.43	-	133,750.43	-	-	-	133,750.43
	18237142	NORTH TACOMA GATE STATION (e)	53,995.63	-	53,995.63	-	-	-	53,995.63
	18237152	NORTH SEATTLE GATE STATION (e)	67,987.45	-	67,987.45	-	-	-	67,987.45
	18236022	COVINGTON GATE STATION (e)	71,758.03	(21,758.03)	50,000.00	-	50,000.00	-	50,000.00
		UST - ESTIMATED FUTURE COSTS							
TOTAL - GAS UNDERGROUND STORAGE TANKS			\$ 750,335.64	\$ -	\$ 750,335.64	\$ 325,000.00	\$ 50,000.00	(d)	\$ 750,335.64
MANUFACTURED GAS SITES			\$ 53,347,909.64	\$ (270,736.06)	\$ 53,223,357.21	\$ 66,675,000.00	\$ 41,297,618.63	(b)	\$ 53,077,173.58

NOTES:
(a) Represents balance in Account 18608022 after quarterly true-up
(b) Represents balance in Account 22840002 after quarterly true-up
(c) Represents the low end of the probable future cost estimate range
(d) Represents balance in Account 18236022 after quarterly true-up
(e) Represents sites where no additional remedial actions are planned. Currently anticipating entering into insurance recoveries discussion in 2014.
(f) Represents prior 186 remediation charges incorrectly classified as 186 legal fees. These were reclassified to Remediation in October 09.

PUGET SOUND ENERGY, INC.
Deferred Environmental Cost Summary Electric
December 31, 2009

September 2000 - forward		Site Description		4th Quarter Activity		SAP Account Balance 12/31/2009		Actual Costs Through 12/31/2009		Future Cost Estimates		Total Cost Estimates	
Order	Account			(c) = (a) + (b)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (d) + (e)				
18230009	18232221	Env Rem - White River/Buckley Phase II Burn Pile and Wood Debris (Future Cost Est.)		250,000.00	0.00	250,000.00	0.00	250,000.00	0.00	250,000.00		250,000.00	
	18232251	Env Rem - White River/Buckley Phase II Burn Pile and Wood Debris		1,978,651.35	15,793.35	1,978,444.70	1,978,444.70	0.00	1,978,444.70	0.00	1,978,444.70		1,978,444.70
		Subtotal White River/Buckley Phase II Burn Pile and Wood Debris Site		2,212,651.35	15,793.35	2,228,444.70	1,978,444.70	250,000.00	2,228,444.70		250,000.00		2,228,444.70
18230021	18232261	Env Rem - Lower Duwamish Waterway (Future Cost Est.)		65,340.84	55,067.57	120,408.41	0.00	120,408.41	0.00	120,408.41		120,408.41	
	18232271	Env Rem - Lower Duwamish Waterway		84,659.16	(5,067.57)	79,591.59	79,591.59	0.00	79,591.59	0.00	79,591.59		79,591.59
		Subtotal Lower Duwamish Waterway Site		150,000.00	50,000.00	200,000.00	79,591.59	120,408.41	200,000.00		120,408.41		200,000.00
18601120	18608011	Env Rem - Lower Baker Power Plant (Future Cost Est.)		596,135.67	(65,960.54)	530,175.13	0.00	530,175.13	0.00	530,175.13		530,175.13	
	18608001	Env Rem - Lower Baker Power Plant		103,864.33	65,960.54	169,824.87	169,824.87	0.00	169,824.87	0.00	169,824.87		169,824.87
		Subtotal Lower Baker Power Plant Site		700,000.00	0.00	700,000.00	169,824.87	530,175.13	700,000.00		530,175.13		700,000.00
18601121	18608031	Env Rem - Snoqualmie Hydro Generation (Power Plant) Future Cost Est.)		452,529.30	(14,555.00)	437,974.30	0.00	437,974.30	0.00	437,974.30		437,974.30	
	18608021	Env Rem - Snoqualmie Hydro Generation (Power Plant)		247,470.70	14,555.00	262,025.70	262,025.70	0.00	262,025.70	0.00	262,025.70		262,025.70
		Subtotal Snoqualmie Hydro Generation Site		700,000.00	0.00	700,000.00	262,025.70	437,974.30	700,000.00		437,974.30		700,000.00
18601122	18608051	Env Rem - Bellingham South State Street MGP (former Boulevard Park) (Future Cost Est.)		423,469.81	(10,514.23)	412,955.58	0.00	412,955.58	0.00	412,955.58		412,955.58	
	18608041	Env Rem - Bellingham South State Street MGP (former Boulevard Park)		76,530.19	10,514.23	87,044.42	87,044.42	0.00	87,044.42	0.00	87,044.42		87,044.42
		Subtotal Bellingham South State Street MGP (former Boulevard Park) Site		500,000.00	0.00	500,000.00	87,044.42	412,955.58	500,000.00		412,955.58		500,000.00
18601125	18608111	Env Rem - Electron Flume (Future Cost Est.)		215,389.53	203,915.55	419,305.08	0.00	419,305.08	0.00	419,305.08		419,305.08	
	18608081	Env Rem - Electron Flume		134,610.47	246,084.45	380,694.92	380,694.92	0.00	380,694.92	0.00	380,694.92		380,694.92
		Subtotal Electron Flume Site		350,000.00	450,000.00	800,000.00	380,694.92	419,305.08	800,000.00		419,305.08		800,000.00
18601128	18608151	Env Rem - Talbot Hill Substation and Switchyard (Future Cost Est.)		181,849.04	(54,657.80)	127,191.24	0.00	127,191.24	0.00	127,191.24		127,191.24	
	18608141	Env Rem - Talbot Hill Substation and Switchyard		68,150.96	154,657.80	222,808.76	222,808.76	0.00	222,808.76	0.00	222,808.76		222,808.76
		Subtotal Talbot Hill Substation & Switchyard Site		250,000.00	100,000.00	350,000.00	222,808.76	127,191.24	350,000.00		127,191.24		350,000.00
18230311	18230311	Env Rem - Whidbey Service Center UST (Future Cost Est.)		15,000.00	0.00	15,000.00	0.00	15,000.00	0.00	15,000.00		15,000.00	
18230011	18233041	Env Rem - Baker Lake Resort UST (Future Cost Est.)		0.00	102,544.87	102,544.87	0.00	102,544.87	0.00	102,544.87		102,544.87	
	18233051	Env Rem - Baker Lake Resort UST		0.00	72,455.13	72,455.13	72,455.13	0.00	72,455.13	0.00	72,455.13		72,455.13
		Subtotal Baker Lake Resort		0.00	175,000.00	175,000.00	72,455.13	102,544.87	175,000.00		102,544.87		175,000.00
18230041	18230321	Env Rem - Tenino Service Center UST (Future Cost Est.)		52,454.07	41,802.38	94,256.45	0.00	94,256.45	0.00	94,256.45		94,256.45	
	18233091	Env Rem - Tenino Service Center UST		47,545.93	108,197.62	155,743.55	155,743.55	0.00	155,743.55	0.00	155,743.55		155,743.55
		Subtotal Tenino Service Center UST		100,000.00	150,000.00	250,000.00	155,743.55	94,256.45	250,000.00		94,256.45		250,000.00
	18233061	Env Rem - Poulsbo Service Center UST (Future Cost Est.)		10,000.00	0.00	10,000.00	0.00	10,000.00	0.00	10,000.00		10,000.00	
		Total assets		4,987,651.35	940,793.35	5,928,444.70	3,408,633.64	2,519,811.06	5,928,444.70		2,519,811.06		5,928,444.70
22840081	22840081	Env Rem - Puyallup Garage Site		(453,028.42)	0.00	(453,028.42)	14,971.58	468,000.00	0.00	468,000.00		482,971.58	
22840131	22840131	Env Rem - Crystal Mountain Generator Station Site		(500,000.00)	0.00	(500,000.00)	14,583,472.68	500,000.00	15,083,472.68		500,000.00		15,083,472.68
22840031	22840031	Env Rem - Olympia Service Center UST		(129,471.05)	0.00	(129,471.05)	20,528.95	129,471.05	150,000.00		129,471.05		150,000.00
	22841001	Accum Misc Oper Provi - Unallocated Def Elec Env Rem Recoveries		(4,580,497.62)	0.00	(4,580,497.62)	0.00	0.00	0.00		0.00		0.00
		Total Liabilities		(5,662,997.09)	0.00	(5,662,997.09)	14,618,973.21	1,097,471.05	15,716,444.26		1,097,471.05		15,716,444.26
		Grand Total		(675,345.74)	940,793.35	265,447.61	18,027,606.85	3,617,282.11	21,644,888.96		3,617,282.11		21,644,888.96

Footnotes:
The total estimated costs for the Crystal Mountain Site of \$15,083,472.68 include PSE Insurance Recoveries of \$11,938,563. Future Cost Estimate of \$500,000 and Expensed amount of \$2,644,909.68 through report date.
No evidence linking PSE to the Duwamish River site has been discovered and the litigation at the site involving other parties has been ongoing. The estimate reflects the uncertainty pertaining to the exposure that PSE may receive.
New accounts were setup for the estimated costs to reflect the 2009 remedial action, but does not take into account actions performed in 1998 and 1999.
The Everett Trolley site: PSE have reached an agreement with Skodda Prime Properties regarding contamination discovered on a parcel of property formally owned and operated by predecessors of PSE. The settlement has been completed on Dec. 2009. □□□

PUGET SOUND ENERGY UST REMEDIAL COST ESTIMATES (Page 1 of 2)
(Updated December 2009)

PSE Facility/Location		Proposed Remedial Action	Estimated Cost of Proposed Remedial Action (\$)
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
Tenino Service Center Tenino, WA	USTs and majority of contaminated soil removed in 1991. Remaining small volume of contaminated soil was removed Q4 2009.	A. GW Monitoring (Existing Wells) and well abandonment. B. Remedial excavation completed in Q4 2009.	A. 30,000 B. 0
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
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. 15,000 B. 100,000
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

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 (\$)
Port Townsend Service Center Port Townsend, WA	6,000 gal. Gas & Diesel USTs	None	0
Green Mtn. Micro Wave Bremerton, WA	One UST	None	0
Rattlesnake Mtn. Micro Wave Issaquah, WA	One UST	None	0
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
Factoria Service Center Bellevue, WA	10,000 gal. Gas and Diesel USTs	None	0
Kititas Service Center Thorp, WA	5,000 gal. Gas and Diesel USTs	None	0

Cost Estimate Totals: A. Groundwater Monitoring, Site Characterization, Natural Attenuation Only (No Remediation) **\$110,000**
 B. Remediation Only (No Monitoring) **\$225,000**
 A. & B. Groundwater Monitoring Followed by Remediation **\$335,000**

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 UST REMEDIAL COST ESTIMATES (Page 1 of 2)

(Updated December 2009)

PSE Facility/Location		Proposed Remedial Action	Estimated Cost of Proposed Remedial Action (\$)
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
Tenino Service Center Tenino, WA	USTs and majority of contaminated soil removed in 1991. Remaining small volume of contaminated soil was removed Q4 2009.	A. GW Monitoring (Existing Wells) and well abandonment. B. Remedial excavation completed in Q4 2009.	A. 30,000 B. 0
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
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. 15,000 B. 100,000
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

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 (\$)
Port Townsend Service Center Port Townsend, WA	6,000 gal. Gas & Diesel USTs	None	0
Green Mtn. Micro Wave Bremerton, WA	One UST	None	0
Rattlesnake Mtn. Micro Wave Issaquah, WA	One UST	None	0
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
Factoria Service Center Bellevue, WA	10,000 gal. Gas and Diesel USTs	None	0
Kititas Service Center Thorp, WA	5,000 gal. Gas and Diesel USTs	None	0

Cost Estimate Totals:
 A. Groundwater Monitoring, Site Characterization, Natural Attenuation Only (No Remediation) \$110,000
 B. Remediation Only (No Monitoring) \$225,000
 A. & B. Groundwater Monitoring Followed by Remediation \$335,000

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.