



Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

July 23, 2010

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

Dear Mr. Danner:

Subject: Environmental Report for the quarter ending June 30, 2010

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

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, provided the requisite criteria is met. This Order was issued under the following Docket Numbers: UE-070724, UE-072060, and UE-081016.

The attached spreadsheets represent a list of major sites PSE is currently investigating, monitoring and remediating. Actual costs at the close of the quarter, costs incurred & amortized costs for the quarter and estimate of project costs are shown on each of these sheets.

Sincerely,

John Rork
Manager – Environmental Services

RECEIVED
PROGRAM MANAGER
2010 JUL 28 AM 9:15
STATE OF WASHINGTON
UTILITY AND TRANSPORTATION
COMMISSION

cc: Jim Eldredge
Mike Main
Karl Karzmar
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Jeff Thomas
David Brenner
Mike Stranik
Jennifer O'Connor
Natalie Hayashi
Della Cheung
Lorna Luebbe
Steve Secrist

PUGET SOUND ENERGY, INC.
 DEFERRED ENVIRONMENTAL COST SUMMARY GAS
 June 30, 2010

| September 1998 - forward | | Site Description | | 3/31/2010 | | 6/30/2010 | | Env Services | | Cost Estimates | | Amortization | | Balance | | |
|--|-------------|-------------------------------------|--|-----------------|------------|-----------------|----------------|--------------|---------------|----------------|-----------|--------------|----------|---------------|--|--|
| SAP ORDER | SAP ACCOUNT | | | Account Balance | Activity | Account Balance | Cost Estimates | Project | Remaining | Through | 6/30/2010 | Closing | DR | | | |
| | | | | | | | 6/30/2010 | (a) | 18608022 | 18236022 | 6/30/2010 | | 40700002 | 6/30/2010 | | |
| 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 | | | 18236022 | | | | | 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 | | 3,930,730.14 | 73,482.08 | 4,004,192.22 | 10,000,000.00 | | 5,995,807.78 | | | | | 4,004,192.22 | | |
| 18607203 | 18608742 | Legal costs | | 4,416,615.62 | 73,482.08 | 4,416,615.62 | 10,000,000.00 | | 5,995,807.78 | | | | | 4,416,615.62 | | |
| | | SUBTOTAL | | 8,347,345.76 | 146,964.16 | 8,420,807.84 | 20,000,000.00 | | 11,991,615.56 | | | | | 8,420,807.84 | | |
| EVERETT, WASHINGTON | | | | | | | | | | | | | | | | |
| 18602102 | 18608212 | Remediation Costs | | 1,369,968.24 | 4,394.22 | 1,374,352.46 | 4,500,000.00 | | 3,125,647.54 | | | | | 1,374,352.46 | | |
| 18602203 | 18608242 | Legal Costs | | 8,717.50 | - | 8,717.50 | | | 1,325,647.54 | | | | | 8,717.50 | | |
| | | SUBTOTAL Everett | | 1,378,675.74 | 4,394.22 | 1,383,069.96 | 4,500,000.00 | | 3,125,647.54 | | | | | 1,383,069.96 | | |
| CHEHALIS, WASHINGTON | | | | | | | | | | | | | | | | |
| 18603102 | 18608312 | Remediation Costs | | 3,681,982.68 | 24,740.76 | 3,706,723.34 | 4,250,000.00 | | 543,276.66 | | | | | 3,706,723.34 | | |
| 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 | | | 1,000,000.00 | | | | | 856,121.11 | | |
| | | Internal Costs - pre-1997 | | 366.95 | - | 366.95 | | | | | | | | 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 | | |
| QUEENDALL TERMINALS | | | | | | | | | | | | | | | | |
| 18612102 | 18609512 | Remediation costs | | 59,043.75 | - | 59,043.75 | 1,000,000.00 | | 1,000,000.00 | | | | | 59,043.75 | | |
| 18609302 | 18609522 | Legal Costs | | 59,043.75 | - | 59,043.75 | 1,000,000.00 | | 1,000,000.00 | | | | | 59,043.75 | | |
| | | SUBTOTAL | | 118,087.50 | - | 118,087.50 | 2,000,000.00 | | 2,000,000.00 | | | | | 118,087.50 | | |
| LAKE UNION SEDIMENTS | | | | | | | | | | | | | | | | |
| 18614102 | 18609312 | Remediation costs | | 9,503,482.94 | 482,164.21 | 9,985,647.18 | 35,000,000.00 | | 25,014,352.82 | | | | | 9,985,647.18 | | |
| 18614202 | 18600082 | Legal Costs | | 665,123.59 | - | 665,123.59 | | | 25,014,352.82 | | | | | 665,123.59 | | |
| | | SUBTOTAL | | 10,168,606.53 | 482,164.21 | 10,650,770.77 | 35,000,000.00 | | 25,014,352.82 | | | | | 10,650,770.77 | | |
| TACOMA TARP PITS | | | | | | | | | | | | | | | | |
| 18601102 | 18608112 | Remediation Costs through June 1999 | | 34,826,945.69 | - | 34,826,945.69 | 3,250,000.00 | | 196,897.67 | | | | | 34,826,945.69 | | |
| 18601102 | 18608112 | Remediation Costs post-June 1999 | | 2,998,361.12 | 54,741.21 | 3,053,102.33 | | | 196,897.67 | | | | | 3,053,102.33 | | |
| 18601203 | 18608142 | Legal Costs | | 9,351,936.58 | - | 9,351,936.58 | | | 196,897.67 | | | | | 9,351,936.58 | | |
| | | Internal Costs pre-1997 | | 209,796.52 | - | 209,796.52 | | | 196,897.67 | | | | | 209,796.52 | | |
| | | SUBTOTAL Tacoma Tide Flats | | 47,387,039.91 | 54,741.21 | 47,441,781.12 | 3,250,000.00 | | 196,897.67 | | | | | 47,441,781.12 | | |
| BAY STATION | | | | | | | | | | | | | | | | |
| 18603202 | 18609532 | Remediation costs | | 156,448.78 | 4,889.06 | 161,337.84 | 1,500,000.00 | | 1,338,662.16 | | | | | 161,337.84 | | |
| 18603203 | 18609552 | Legal Costs | | 29,544.00 | 4,889.06 | 29,544.00 | | | 1,338,662.16 | | | | | 29,544.00 | | |
| | | SUBTOTAL | | 185,992.78 | 9,778.12 | 190,881.84 | 1,500,000.00 | | 1,338,662.16 | | | | | 190,881.84 | | |

PUGET SOUND ENERGY, INC.
DEFERRED ENVIRONMENTAL COST SUMMARY GAS
June 30, 2010

| September 1998 - forward SAP ORDER SAP ACCOUNT | | Site Description | 3/31/2010 Account Balance | Activity | 6/30/2010 Account Balance | Env Services Project Cost Estimates 6/30/2010 | Remaining 18608022 18236022 22840002 | Amortization Through 6/30/2010 Dr: 40700002 | Balance 6/30/2010 Closing |
|---|----------|---|------------------------------|--------------------|------------------------------|--|---|--|---------------------------------|
| 18614402 | 18609542 | OLYMPIA (COLUMBIA STREET WGP) | 351,794.60 | 19,439.40 | 371,224.00 | 1,000,000.00 | 628,776.00 | | 371,224.00 |
| 18614403 | 18609562 | Remediation costs Legal Costs SUBTOTAL | 351,794.60 | 19,439.40 | 371,224.00 | 1,000,000.00 | 628,776.00 | | 371,224.00 |
| 18608302 | 18608752 | VERBEEK AUTOWRECKING | 146,245.47 | 56,453.88 | 202,699.35 | 1,500,000.00 | 1,297,300.65 | | 202,699.35 |
| 18608304 | 18608752 | Reimbursement of Remediation Costs from the 3rd party | - | (110,028.49) | (110,028.49) | - | 110,028.49 | | (110,028.49) |
| 18608303 | 18608762 | Legal Costs SUBTOTAL | 146,245.47 | (53,574.61) | 92,670.86 | 1,500,000.00 | 1,407,329.14 | | 92,670.86 |
| 18608022 | | Estimated Future Costs | 41,540,584.06 | (5610,256.39) | 40,930,327.70 | | | | \$ 40,930,327.70 |
| 18608062 | | Unallocated Insurance and Third Party Recoveries | (64,473,021.57) | - | (64,473,021.57) | | | | (64,473,021.57) |
| TOTAL - FORMER MANUFACTURED GAS SITES | | | \$ 53,076,837.94 | \$ 0.00 | \$ 53,076,837.94 | \$ 67,100,000.00 | \$ 40,930,327.70 | (b) \$ - | \$ 53,076,837.94 |
| 18230212 | 18237112 | GAS UNDERGROUND STORAGE TANKS AND OTHER SITES | Total Costs | Curr Cost Activity | Total Costs | Estimated Costs | Remaining Est | Acqm Depr | Ending Acct Bal |
| 18230210 | 18236912 | SMARR STATION | 276,275.05 | (10,572.93) | 265,702.12 | 350,000.00 | 84,297.88 | | 265,702.12 |
| | 18237122 | NORTH OPERATING BASE | - | - | - | 50,000.00 | - | | - |
| | 18237132 | NORTH SEATTLE GATE STATION (e) | 169,602.13 | - | 169,602.13 | - | - | | 169,602.13 |
| | 18237132 | NORTH TACOMA GATE STATION (e) | 133,750.43 | - | 133,750.43 | - | - | | 133,750.43 |
| | 18237142 | NORTH SEATTLE GATE STATION (e) | 53,995.63 | - | 53,995.63 | - | - | | 53,995.63 |
| | 18237152 | COVINGTON GATE STATION (e) | 67,987.45 | - | 67,987.45 | - | - | | 67,987.45 |
| | 18236022 | UST - ESTIMATED FUTURE COSTS | 123,724.95 | 10,572.93 | 134,297.88 | - | 134,297.88 | | 134,297.88 |
| 18236032 | | ESTIMATED FUTURE INSURANCE RECOVERIES | | | | | | | |
| TOTAL - GAS UNDERGROUND STORAGE TANKS | | | \$ 825,335.64 | \$ - | \$ 825,335.64 | \$ 400,000.00 | \$ 134,297.88 | (c) \$ - | \$ 825,335.64 |
| TOTAL - GAS STORAGE TANKS AND MANUFACTURED GAS SITES | | | \$ 53,902,173.58 | \$ 0.00 | \$ 53,902,173.58 | \$ 67,500,000.00 | \$ 41,064,625.58 | (d) \$ - | \$ 53,902,173.58 |

NOTES:
(a) Represents the low end of the probable future cost estimate range
(b) Represents balance in Account 18608022 after quarterly true-up
(c) Represents balance in Account 18236022 after quarterly true-up
(d) Represents balance in Account 22840002 after quarterly true-up
(e) Order 18608304 was approved 6/20/10 for reimbursement for remediation costs from the 3rd party. This order settles to Account # 18608752.
(f) Order 18608304 was approved 6/20/10 for reimbursement for remediation costs from the 3rd party. This order settles to Account # 18608752.
(g) The credit amount in Account 18237112 is due to corrections that were posted in April to remove O&M costs from the Environmental Order.

PUGET SOUND ENERGY, INC.
Deferred Environmental Cost Summary Electric
June 30, 2010

| September 2000 - forward | Site Description | SAP Account Balance 3/31/2010 | 2nd Quarterly Activity | SAP Account Balance 6/30/2010 | Actual Costs Through 6/30/2010 | Future Cost Estimates | Total Cost Estimates (f) = (d) + (e) |
|--------------------------|--|-------------------------------|------------------------|-------------------------------|--------------------------------|-----------------------|--------------------------------------|
| Order | Account | (a) | (b) | (c) = (a) + (b) | (d) | (e) | (f) = (d) + (e) |
| 18232221 | Env Rem - White River/Buckley Phase II Burn Pile and Wood Debris (Future Cost Est.) | 250,000.00 | | 250,000.00 | 0.00 | 250,000.00 | 250,000.00 |
| 18232251 | Env Rem - White River/Buckley Phase II Burn Pile and Wood Debris | 1,987,700.80 | 880.11 | 1,988,580.91 | 1,988,580.91 | 0.00 | 1,988,580.91 |
| | Subtotal White River/Buckley Phase II Burn Pile and Wood Debris Site | 2,237,700.80 | 880.11 | 2,238,580.91 | 1,988,580.91 | 250,000.00 | 2,238,580.91 |
| 18232261 | Env Rem - Lower Duwamish Waterway (Future Cost Est.) | 120,156.13 | | 120,156.13 | 0.00 | 120,156.13 | 120,156.13 |
| 18232271 | Env Rem - Lower Duwamish Waterway | 79,843.87 | | 79,843.87 | 79,843.87 | 0.00 | 79,843.87 |
| | Subtotal Lower Duwamish Waterway Site | 200,000.00 | 0.00 | 200,000.00 | 79,843.87 | 120,156.13 | 200,000.00 |
| 18608011 | Env Rem - Lower Baker Power Plant (Future Cost Est.) | 495,741.42 | (26,462.26) | 469,279.16 | 0.00 | 469,279.16 | 469,279.16 |
| 18608001 | Env Rem - Lower Baker Power Plant | 204,258.58 | 26,462.26 | 230,720.84 | 230,720.84 | 0.00 | 230,720.84 |
| | Subtotal Lower Baker Power Plant Site | 700,000.00 | 0.00 | 700,000.00 | 230,720.84 | 469,279.16 | 700,000.00 |
| 18608031 | Env Rem - Snoqualmie Hydro Generation (Power Plant) Future Cost Est.) | 426,758.30 | (234,754.93) | 192,003.37 | 0.00 | 192,003.37 | 192,003.37 |
| 18608021 | Env Rem - Snoqualmie Hydro Generation (Power Plant) | 273,241.70 | 234,754.93 | 507,996.63 | 507,996.63 | 0.00 | 507,996.63 |
| | Subtotal Snoqualmie Hydro Generation Site | 700,000.00 | 0.00 | 700,000.00 | 507,996.63 | 192,003.37 | 700,000.00 |
| 18601122 | Env Rem - Bellingham South State Street MGP (former Boulevard Park) (Future Cost Est.) | 411,712.83 | (53,418.90) | 358,293.93 | 0.00 | 358,293.93 | 358,293.93 |
| 18608041 | Env Rem - Snoqualmie Hydro Generation (Power Plant) | 88,287.17 | 53,418.90 | 141,706.07 | 141,706.07 | 0.00 | 141,706.07 |
| | Subtotal Bellingham South State Street MGP (former Boulevard Park) Site | 500,000.00 | 0.00 | 500,000.00 | 141,706.07 | 358,293.93 | 500,000.00 |
| 18601125 | Env Rem - Electron Flume (Future Cost Est.) | 404,339.81 | (45,099.96) | 359,239.85 | 0.00 | 359,239.85 | 359,239.85 |
| 18608081 | Env Rem - Electron Flume | 395,680.19 | 45,099.96 | 440,780.15 | 440,780.15 | 0.00 | 440,780.15 |
| | Subtotal Electron Flume Site | 800,000.00 | 0.00 | 800,000.00 | 440,780.15 | 359,239.85 | 800,000.00 |
| 18601128 | Env Rem - Talbot Hill Substation and Switchyard (Future Cost Est.) | 127,191.24 | 0.00 | 127,191.24 | 0.00 | 127,191.24 | 127,191.24 |
| 18608141 | Env Rem - Talbot Hill Substation and Switchyard | 222,808.76 | 0.00 | 222,808.76 | 222,808.76 | 0.00 | 222,808.76 |
| | Subtotal Talbot Hill Substation & Switchyard Site | 350,000.00 | 0.00 | 350,000.00 | 222,808.76 | 127,191.24 | 350,000.00 |
| 18230311 | Env Rem - Whidbey Service Center UST (Future Cost Est.) | 15,000.00 | 0.00 | 15,000.00 | 0.00 | 15,000.00 | 15,000.00 |
| 18230304 | Env Rem - Baker Lake Resort UST (Future Cost Est.) | 77,481.12 | (77,481.12) | 0.00 | 0.00 | 0.00 | 0.00 |
| 18230305 | Env Rem - Baker Lake Resort UST | 97,518.88 | | 97,518.88 | 97,518.88 | 0.00 | 97,518.88 |
| | Subtotal Baker Lake Resort | 175,000.00 | (77,481.12) | 97,518.88 | 97,518.88 | 0.00 | 97,518.88 |
| 18230321 | Env Rem - Tenino Service Center UST (Future Cost Est.) | 87,448.45 | (1,443.50) | 86,004.95 | 0.00 | 86,004.95 | 86,004.95 |
| 18230309 | Env Rem - Tenino Service Center UST | 162,551.55 | 1,443.50 | 163,995.05 | 163,995.05 | 0.00 | 163,995.05 |
| | Subtotal Tenino Service Center UST | 250,000.00 | 0.00 | 250,000.00 | 163,995.05 | 86,004.95 | 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 | 10,000.00 |
| | Total assets | 5,937,700.80 | (76,601.01) | 5,861,099.79 | 3,873,931.16 | 1,987,168.63 | 5,861,099.79 |
| 22840081 | Env Rem - Puyallup Garage Site | (453,028.42) | 0.00 | (453,028.42) | 0.00 | 468,000.00 | 468,000.00 |
| 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 |
| 22840031 | Env Rem - Olympia Service Center UST | (129,471.05) | 0.00 | (129,471.05) | 20,528.95 | 129,471.05 | 150,000.00 |
| 22841001 | Accum Misc Oper Provi - Unallocated Def Elec Env Rem Recoveries | (4,580,497.62) | 2,710.13 | (4,577,787.49) | 0.00 | 0.00 | 0.00 |
| | Total Liabilities | (5,662,997.09) | 2,710.13 | (5,660,286.96) | 14,804,001.63 | 1,097,471.05 | 15,701,472.68 |
| | Grand Total | 274,703.71 | (73,890.88) | 200,812.83 | 18,477,932.79 | 3,084,639.68 | 21,562,572.47 |

Footnotes:
The total estimated costs for the Crystal Mountain Site of \$15,083,472.68 include PSE Insurance Recoveries of \$1,938,563. 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.
To clear NW Transformer Mission Pole (completed remediation site) for administrative fees charged by US Bank.