

March 27, 2008

Ms. Carol Washburn
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504-7250

PROVIDED ELECTRONICALLY ONLY

Subject: Olympic Water & Sewer, Inc. General Rate Filing, UW-080312

Dear Ms. Washburn,

We have been in discussions with WUTC Staff and it appears as though an adjustment should be made to the request for recovery of legal expenses (listed as Contractual Services-Legal). The original proposal by Olympic Water & Sewer, Inc. (OWSI) was for recovery of the 2007 legal expenses incurred in the amount of \$10,051 as well as recovery of a pro forma adjustment for anticipated 2008 expenses anticipated to be incurred in defense of OWSI's water system plan.

WUTC Staff stated that the expense included in the pro forma adjustment should not be allowed because the total amount requested was not based on specific invoices. It is our belief that the proposed costs will be incurred and therefore in an effort to share the risk of the adjustment, OWSI is proposing that the 2008 costs to date be added to the 2007 actual costs and the average of the two years be used as a normalized expense amount. The calculation for the normalized legal expense is shown below. A copy of the 2008 invoice demonstrating the cost to date will be provided via e-mail tomorrow, 3/28/08. We believe that the requested normalization adjustment is appropriate because the actual legal expenses will exceed the requested adjustment. The 2008 cost through February only is \$7,358. Normalizing the 2007 and 2008 to-date expenses is an extremely conservative approach to the Contractual Services – Legal account and OWSI will agree to this approach in lieu of an amortized 2007 figure.

2007 Actual Contractual Services – Legal	\$10,051
2008 Actual Contractual Services – Legal (to date)	<u>7,358</u>
Total Contractual Services – Legal	\$17,358
Normalized Annual Expense (above \$ / 2)	<u>\$8,679</u>

Thank you for your consideration of this request and if you have any questions or require further clarification, please contact me at (360) 570-7266.

Sincerely,



Herta Fairbanks
Senior Financial Analyst

e-Cc: Larry Smith, OWSI
Diana Smeland, OWSI
Jim Ward, WUTC
Shawn Koorn, HDR