

Olympic Water and Sewer, Inc

70 Breaker Lane

Port Ludlow, WA 98365

(360) 437-2101

October 28, 2011

RE: Status Report, UW-110436

BACKGROUND

On March 24, 2011 the subject docket was approved by the Washington Utilities and Transportation Commission granting deferral of certain costs associated with drilling Well No. 17 and the investigation and remediation of soil contamination discovered while drilling.

The order requires Olympic Water and Sewer, Inc. (OWSI) to report the status of the investigation and remediation and associated costs. A detail of the deferred costs can be found in a companion Excel worksheet filed along with this response. **The total project costs to date are \$144,292**

The detailed background leading to this Petition can be found in Docket UW-101543.

CHRONOLOGY OF HYDROCARBON DISCOVERY AND ACTION STEPS

On April 21, 2009, after advancing to a 50' depth, the driller noticed a hydrocarbon odor coming from the boring. Drilling ceased and Jefferson County Health and Department of Ecology (Ecology) were immediately notified. The 50' depth is significant in that there is a confining layer at that location where perched groundwater sits.

Activities since the discovery:

- OWSI, through legal counsel, is working with a former property owner to share in the cost of site investigation and remediation.
- Port Ludlow Associates, OWSI's parent company, contacted our insurance carriers to investigate any potential existing coverage. No coverage for this type of an event has been identified.
- On September 2, 2009, Ecology informed us that the site had been added to their database of Confirmed or Suspected Contaminated Sites and assigned ID #62223345.
- On October 12, 2010 Ecology informed us of their intent to contract with Jefferson County Health to conduct a site hazard assessment of the site and OWSI worked cooperatively with Jefferson County during that process.
- OWSI contracted with a consulting environmental firm to conduct an evaluation of the extent of the contamination on the site. The Site Characterization is complete and the findings documented in Site Characterization Report, Olympic Water & Sewer, Inc Property, SLR International Corp (SLR), December 17, 2010.

SITE INVESTIGATION FINDINGS

The site characterization work consisted of installing four monitoring wells to a depth of approximately 50' (refer to attached map "Groundwater Monitoring Well Locations") and conducting soil sampling of the borings as well as sampling and analyzing the perched groundwater. The wells were initially attempted with a hollow-stem auger rig and were largely unsuccessful because of the presence of cobbles, with 37' being the deepest that the boring could be advanced. This necessitated mobilizing an air-rotary drill rig to bore to the target 50' depth.

The conclusions of this investigation were:

- The northerly gasoline UST area is the source of the hydrocarbon contaminated perched groundwater.
- There is widely varying vertical geology for a small site with confining layers occurring at different depths in the monitoring well borings.
- The gasoline did not migrate straight down to the perched groundwater zone, but rather took a path of both lateral and vertical movement.
- Monitoring well MW-1 is adjacent to the source and contains groundwater contamination above Model Toxic Control Act (MTCA) cleanup levels.
- Monitoring well MW-2 is approximately 55' southwest of MW-1 and contains groundwater contamination above MTCA cleanup levels.
- Monitoring well MW-3 is approximately 140' southwest of MW-1 and 40 feet south of the Well 17 boring. It showed no signs of contamination and appears to be beyond the southerly extent of the contamination.
- Monitoring well MW-4 is 65' north of MW-1 (between the source of contamination and Well 2) and showed no signs of contamination and appears to be beyond the northerly extent of the contamination.
- Additional VOC sampling at Well 2 in April 2009 and April 2010 confirms that it is still unaffected by the contamination.

ADDITIONAL INVESTIGATION

In April 2011 further investigation of the was undertaken as follows:

- In order to delineate the western extent of contamination and the potential for off-site migration of hydrocarbon contaminated groundwater, a gully located in the western part of the site was investigated for evidence of seepage. A sample of the intermittent stream in the gully was analyzed. The results showed that the sample did not contain any analyte concentrations greater than Maximum Reportable Limits (MRL).
- To delineate the eastern extent of the gasoline-impacted perched groundwater, a groundwater monitoring well (designated MW-5) was drilled and installed at the east property line of the site. There was no evidence of petroleum hydrocarbons in the boring.

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- Three soil borings were advanced and sampled to further delineate the area of gasoline-impacted soil near the garage building. These borings were also proposed to serve as withdrawal points for pilot-testing the effectiveness of Soil Vapor Extraction (SVE) as a remediation method. The day after installation of these wells, both of the points contained over 15 feet of groundwater. This indicated the discovery of an additional shallow perched water table that was not encountered in any of the previous numerous borings on the site. This made the points unsuitable for their intended use.
- The groundwater levels in the SVE points were monitored through the summer months for potential subsidence so that pilot-testing could proceed. No significant lowering of groundwater levels has been observed.

NEXT STEPS (REMAINING ISSUES TO BE RESOLVED)

We are currently arranging a meeting between OWSI's consultant and the third-party consultant to assess and agree on an alternative pilot-test option. Our intent is to agree on an alternative, secure a cost-sharing agreement on the alternative, and conduct pilot-testing by the end of 2011, thus bringing closure to the investigation phase of the project. Whether or not this timeline can be realized depends on the outcome of the upcoming meeting.

PAYMENTS FROM THIRD-PARTIES

- OWSI has an agreement with a former property owner to cost-share certain investigation work on a 50/50 basis. This agreement applies only to the investigation of the source and extent of hydrocarbon investigation up to, and including pilot testing of a remediation alternative (yet to be performed). It does not include any costs related to the drilling of Well 17 or technical consultation provided by SLR directly to OWSI. Decisions on attempts at further cost recovery will not be made until the investigation phase of the project is completed.
- OWSI, through its parent company, Port Ludlow Associates, contacted insurance carriers for Port Ludlow Associates to investigate any potential existing coverage. No coverage for this type of an event has been identified.



Larry Smith
President

Olympic Water and Sewer, Inc.

OLYMPIC WATER AND SEWER, INC.
WELL 17 AND PIEL CONTAMINATION COST TRACKING
DW-110436

Summary of Worksheet by Task:

Well No. 17 Drilling	\$ 32,794
Legal	\$ 25,840
Initial Site Characterization	\$ 39,432
Additional Investigation	\$ 37,657
Technical Support	\$ 8,569
Total	\$ 144,292

Acct. No.	Client Acct. No.	Case	Vendor	Description	Original Cost	Potential Recovery Insurance	Third Party	Cost Basis	Acquired Month	Yr.	Interest Rate	Monthly Interest	Rev 2009	Rev 2010	Acc Interest @12.31-10	Rev 2011	Acc Interest @12.31-11	Total Cost + Interest	Tax Benefit (35%)
186	40500-6000	Well No. 17 Drilling	HER, R&B	Well 17 Cement Case	14,995.00			14,995.00	6	2009	9.36%	116.21	813.48	1,394.54	2,208.01	1,045.80	2,460.44	17,435.44	(6,102.40)
186	40500-6000	Well No. 17 Drilling	Hobson Drilling	Well 17 Drilling Costs	17,799.00			17,799.00	5	2009	9.36%	137.94	1,103.54	1,655.31	2,758.85	1,241.48	2,896.79	20,695.79	(7,263.53)
Total Well No. 17 Drilling Costs					32,794.00			32,794.00				254.15	1,917.02	3,049.84	4,966.86	2,287.38	5,337.22	38,131.22	(13,365.93)

186	40500-6000	Investigation	Canada Law Group	Legal	10,223.75			10,223.75	1	2010	9.36%	79.23	662.56	950.81	950.81	713.11	1,663.92	11,887.67	(4,160.68)
186	40500-6000	Investigation	Canada Law Group	Legal	1,068.75			1,068.75	5	2010	9.36%	8.28	66.26	66.26	66.26	74.55	1,460.81	1,269.56	(423.35)
186	40500-6000	Investigation	Canada Law Group	Legal	1,687.75			1,687.75	5	2010	9.36%	13.11	10.46	22.23	10.46	11.77	22.23	1,930.98	(658.84)
186	40500-6000	Investigation	Canada Law Group	Legal	787.50			787.50	7	2010	9.36%	6.10	36.62	36.62	36.62	54.93	91.55	879.05	(307.67)
186	40500-6000	Investigation	Canada Law Group	Legal	393.75			393.75	9	2010	9.36%	3.05	15.26	15.26	20.83	27.46	42.72	436.47	(152.77)
186	40500-6000	Investigation	Canada Law Group	Legal	675.00			675.00	9	2010	9.36%	5.22	20.83	20.83	26.16	47.08	68.01	743.01	(260.05)
186	40500-6000	Investigation	Canada Law Group	Legal	1,125.00			1,125.00	10	2010	9.36%	8.72	26.16	26.16	26.16	78.47	109.63	1,229.65	(430.57)
186	40500-6000	Investigation	Canada Law Group	Legal	843.75			843.75	12	2010	9.36%	6.54	34.67	34.67	34.67	58.85	82.82	909.14	(318.20)
186	40500-6000	Investigation	Canada Law Group	Initial Site Characterization	4,499.66			4,499.66	7	2010	9.36%	176.68	1,080.08	1,080.08	1,080.08	1,390.09	2,650.14	26,447.06	(8,996.47)
186	40500-6000	Investigation	Canada Law Group	Initial Site Characterization	22,796.92			22,796.92	8	2010	9.36%	13.75	68.66	68.66	68.66	123.38	192.23	1,965.98	(687.79)
186	40500-6000	Investigation	Canada Law Group	Technical Support	1,650.00			1,650.00	8	2010	9.36%	1.28	6.39	6.39	6.39	11.51	17.90	182.90	(64.02)
186	40500-6000	Investigation	Canada Law Group	Technical Support	2,247.50			2,247.50	11	2010	9.36%	1.92	3.84	3.84	3.84	6.43	10.49	282.96	(94.01)
186	40500-6000	Investigation	Canada Law Group	Technical Support	2,234.47			2,234.47	11	2010	9.36%	17.32	12.15	12.15	12.15	34.63	155.85	1,088.98	(381.74)
186	40500-6000	Investigation	Canada Law Group	Technical Support	1,567.50			1,567.50	12	2010	9.36%	20.87	20.87	20.87	20.87	64.58	208.75	2,902.25	(1,015.79)
186	40500-6000	Investigation	Canada Law Group	Technical Support	2,693.50			2,693.50	12	2010	9.36%	6.46	6.46	6.46	6.46	18.87	89.89	897.89	(314.26)
186	40500-6000	Investigation	Canada Law Group	Technical Support	833.31			833.31	12	2010	9.36%	42.13	42.13	42.13	42.13	121.15	421.29	5,857.34	(2,050.07)
Total 2010 Investigation Project Total to Date					57,531.91			57,531.91				2,667.20	5,717.44	2,667.20	7,634.05	4,012.85	6,650.05	64,211.96	(22,474.13)
					90,324.91			90,324.91				5,717.44	7,634.05	4,012.85	6,650.05	12,017.27	102,343.18	(35,820.11)	

186	40500-6000	Investigation	Canada Law Group	Technical Support	1,023.25			1,023.25	1	2011	9.36%	7.93	1.94	7.93	7.93	5.81	7.93	1,031.18	(360.91)
186	40500-6000	Investigation	Canada Law Group	Legal	320.00			320.00	3	2011	9.36%	2.62	7.85	7.85	7.85	5.81	7.85	255.81	(89.53)
186	40500-6000	Investigation	Canada Law Group	Legal	317.50			317.50	3	2011	9.36%	2.62	7.85	7.85	7.85	5.81	7.85	345.35	(120.87)
186	40500-6000	Investigation	Canada Law Group	Legal	3,083.23			3,083.23	3	2011	9.36%	23.90	16.57	16.57	16.57	16.57	71.69	3,154.92	(1,104.42)
186	40500-6000	Investigation	Canada Law Group	Legal	712.50			712.50	3	2011	9.36%	5.32	16.57	16.57	16.57	16.57	72.90	729.07	(255.17)
186	40500-6000	Investigation	Canada Law Group	Legal	2,075.00			2,075.00	4	2011	9.36%	16.06	33.44	33.44	33.44	33.44	33.44	2,119.33	(748.76)
186	40500-6000	Investigation	Canada Law Group	Legal	1,078.75			1,078.75	4	2011	9.36%	8.06	33.44	33.44	33.44	33.44	33.44	1,112.19	(380.27)
186	40500-6000	Investigation	Canada Law Group	Technical Support	1,038.75			1,038.75	4	2011	9.36%	8.06	33.44	33.44	33.44	33.44	33.44	1,070.25	(374.63)
186	40500-6000	Investigation	Canada Law Group	Additional Investigation	984.00			984.00	4	2011	9.36%	7.63	30.50	30.50	30.50	30.50	30.50	1,014.50	(325.08)
186	40500-6000	Investigation	Canada Law Group	Additional Investigation	2,502.05			2,502.05	4	2011	9.36%	194.15	32.20	32.20	32.20	32.20	32.20	2,534.26	(850.09)
186	40500-6000	Investigation	Canada Law Group	Additional Investigation	2,365.78			2,365.78	5	2011	9.36%	18.33	776.61	776.61	776.61	776.61	776.61	2,542.66	(860.11)
186	40500-6000	Investigation	Canada Law Group	Additional Investigation	7,576.25			7,576.25	5	2011	9.36%	38.72	91.67	91.67	91.67	91.67	91.67	7,669.45	(2,697.45)
186	40500-6000	Investigation	Canada Law Group	Additional Investigation	1,132.75			1,132.75	7	2011	9.36%	3.78	293.38	293.38	293.38	293.38	293.38	1,430.44	(491.97)
186	40500-6000	Investigation	Canada Law Group	Additional Investigation	647.50			647.50	7	2011	9.36%	5.02	61.45	61.45	61.45	61.45	61.45	7,069.58	(2,383.92)
186	40500-6000	Investigation	Canada Law Group	Additional Investigation	258.25			258.25	8	2011	9.36%	2.00	35.13	35.13	35.13	35.13	35.13	1,194.20	(417.97)
186	40500-6000	Investigation	Canada Law Group	Additional Investigation	2,654.18			2,654.18	8	2011	9.36%	20.57	16.01	16.01	16.01	16.01	16.01	2,724.26	(935.99)
186	40500-6000	Investigation	Canada Law Group	Additional Investigation	680.00			680.00	8	2011	9.36%	5.27	42.16	42.16	42.16	42.16	42.16	722.16	(252.70)
186	40500-6000	Investigation	Canada Law Group	Additional Investigation	855.00			855.00	8	2011	9.36%	6.63	59.64	59.64	59.64	59.64	59.64	914.64	(320.12)
186	40500-6000	Investigation	Canada Law Group	Legal	1,662.55			1,662.55	9	2011	9.36%	12.88	115.96	115.96	115.96	115.96	115.96	1,778.51	(622.48)
186	40500-6000	Investigation	Canada Law Group	Legal	498.75			498.75	9	2011	9.36%	3.87	34.79	34.79	34.79	34.79	34.79	533.54	(186.74)
Total 2011 Investigation Project Total to Date					53,916.64			53,916.64				1,961.88	8,262.11	1,961.88	15,979.15	15,979.15	55,927.92	(19,574.77)	
					144,291.95			144,291.95				1,961.88	8,262.11	1,961.88	15,979.15	15,979.15	55,927.92	(19,574.77)	