

April 11, 2012

Washington Utilities and Transportation Commission  
PO Box 47250  
1300 S Evergreen Park Drive SW  
Olympia, WA 98504-7250

**RE: UW-110436 Status Report as of March 31, 2012**

**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 file a report every six months that summarizes deferred amounts for 1.) Well 17 drilling costs 2.) soil contamination investigation and 3.) soil contamination remediation. These costs are to accrue interest at 9.3% and recognize payments from insurance or other third parties as well as accruing a tax benefit, calculated at a 35% rate for these purposes. Note that the prior submittal was not reflecting interest accrual on the third party contributions. That has been corrected.

A summary of these costs is presented below:

| <i>Project Task</i>  | <i>OWSI</i>       | <i>Third Party</i> | <i>Total</i>   | <i>Interest</i> | <i>Tax Benefit</i> |
|----------------------|-------------------|--------------------|----------------|-----------------|--------------------|
| Well No. 17 Drilling | \$ 32,794         | -                  | 32,794         | 8,779           | (14,551)           |
| Investigation        | \$ 105,296        | 66,065             | 171,361        | 23,592          | (45,111)           |
| Remediation          | \$ -              | -                  | -              |                 |                    |
| <b>Total</b>         | <b>\$ 138,090</b> | <b>66,065</b>      | <b>204,155</b> | <b>32,371</b>   | <b>(59,661)</b>    |

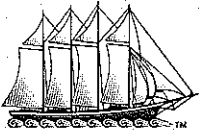
The detailed background leading to this Petition can be found in Docket UW-101543.

**ACTIVITIES FROM OCTOBER 2011 – MARCH 2012**

During this reporting period we focused on designing and implementing a pilot test using dual-phase Soil Vapor Extraction. While we had hoped to complete this portion of the project by the end of 2011, it stretched into January 2012. The pilot test showed positive results for removals of both impacted ground water and hydrocarbon vapor.

**NEXT STEPS (REMAINING ISSUES TO BE RESOLVED)**

We are awaiting review of the pilot test report by the third-party as required by our cost-sharing agreement with them. Several delays between consultants and counsel have delayed review and finalization of the report. OWSI currently anticipates that **finalizing the pilot-test report will bring an end to the investigative phase of the project.**



**UW-110436 Status Report as of March 31, 2012**  
**April 15, 2012**

Once the investigation is complete we intend to enter into discussions and possible negotiations with the third-party regarding responsibility of past costs and future remediation. We anticipate that these discussions may continue for several months. During this time we also intend to initiate discussions with Ecology on participation in the Voluntary Cleanup Program.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry Smith".

Larry Smith  
President  
Olympic Water and Sewer, Inc.

Cc: Joe Rehberger, Cascadia Law Group