

PORT LUDLOW
ASSOCIATES LLC

October 25, 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 September 30, 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.

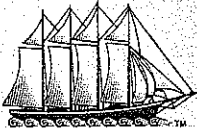
The order requires Olympic Water and Sewer, Inc. (OWSI) to file a report every six months that summarizes deferred amounts for 1.) Well 17 drilling costs 2.) soil contamination investigation and 3.) soil contamination remediation. These costs are to accrue interest at 9.3% and recognize payments from insurance or other third parties as well as accruing a tax benefit, calculated at a 35% rate for these purposes. 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	10,304	(15,084)
Investigation	\$ 116,377	68,999	185,376	31,960	(75,319)
Remediation	\$ -	-	-	-	-
Total	\$ 149,171	68,999	218,170	42,264	(90,403)

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

ACTIVITIES FROM APRIL – SEPTEMBER 2012

During this period, subject to any newly discovered issues and the opinion of the State of Washington Department of Ecology, we finalized the investigative phase of the project, that is, we now believe the site conditions have been characterized. We then entered into discussions with the third-party regarding remediation options. We had several discussions on possible options for settlement of responsibility for past costs as well as costs and methodology related to future remediation efforts.



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NEXT STEPS (REMAINING ISSUES TO BE RESOLVED)

We are continuing negotiations on a settlement with the third-party and are encouraged that those discussions may conclude over the next few months. In the meantime, there is no active work in progress on the site.

Sincerely,

Larry Smith
President
Olympic Water and Sewer, Inc.

Cc: Joe Rehberger, Cascadia Law Group