

April 26, 2013

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, 2013

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	11,829	(15,618)
Investigation	\$ 123,942	69,084	193,026	40,713	(81,060)
Remediation	\$ -	-	-	-	-
Total	\$ 156,736	69,084	225,820	52,542	(96,678)

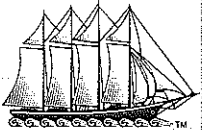
The detailed background leading to this Petition can be found in Docket UW-101543.

ACTIVITIES FROM OCTOBER 2012 – MARCH 2013

During this period we continued negotiations 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.

NEXT STEPS (REMAINING ISSUES TO BE RESOLVED)

We are confident that the negotiations will conclude in the second quarter of 2013. There is no active work in progress on the site.



UW-110436 Status Report as of March 31, 2013
April 26, 2013

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Smith". The signature is written in a cursive, flowing style.

Larry Smith
President
Olympic Water and Sewer, Inc.

Cc: Joe Rehberger, Cascadia Law Group