



October 31, 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 September 30, 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>Total</i>	<i>Recovery</i>		<i>OWSI</i>	<i>Interest</i>	<i>Tax Benefit</i>
		<i>Insurance</i>	<i>Third Party</i>			
Well No. 17 Drilling	32,794	-	-	\$ 32,794	13,354	(11,478)
Investigation	211,556	-	70,578	140,979	29,285	(48,594)
Remediation	-	-	-	\$ -	-	-
Total	244,350	-	70,578	\$ 173,773	42,639	(60,072)

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

ACTIVITIES FROM MARCH – SEPTEMBER 2013

During this period we concluded negotiations with the third-party regarding remediation options. Under the settlement between the two companies the third-party will assume responsibility for remediation.

NEXT STEPS (REMAINING ISSUES TO BE RESOLVED)

Filing for cost recovery under this Accounting Petition will be undertaken in the final quarter of 2013.



**UW-110436 Status Report
October 31, 2013**

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Smith", is written over the typed name.

Larry Smith
President
Olympic Water and Sewer, Inc.

Cc: Joe Rehberger, Cascadia Law Group