

Executive Summary
Settlement Agreement with Third Party Former Property Owner

Olympic Water and Sewer, Inc. (OWSI or the Company) incurred costs to drill Well No. 17 and, following the discovery of site contamination, to investigate site contamination, and consider remedial options. On March 24, 2011, the UTC issued an Order Granting Accounting Petition (Order 01), which order permits OWSI to defer amounts associated with drilling of Well No. 17 and the investigation and remediation of site contamination discovered in the course of drilling Well No. 17.¹ The costs for the drilling of Well No. 17 and the investigation and remediation of site contamination shall be considered when costs are known and measurable and responsibilities for those costs have been finalized.² The Order provides that the Company may file tariff revisions to recover Well No. 17 drilling and soil contamination investigation costs, together with any remediation costs, if any, when the costs are known and measurable and the responsibilities for costs have been finalized between any insurance provided or other third party.³ OWSI has now exhausted its efforts to tender claims for insurance coverage and has entered into a binding settlement agreement with a third party, the former former property owner and former owner of the company, regarding site contamination. The purpose of this filing is to provide an executive summary of the Company's search for insurance coverage and it's settlement agreement with a third party regarding past costs.

OWSI contacted its insurance carriers regarding potential existing coverage. Based on standard liability policy absolute pollution exclusionary language, no insurance coverage exists for the costs associated with the property contamination.

OWSI pursued contribution from the former property owner. Following discovery of the contamination in 2009, OWSI secured from the former property owner a cost sharing agreement to fund one-half (½) of the investigation costs associated with an approved environmental consultant. To date, the former property owner directly contributed [\$72,500.00] towards investigation of the site contamination, exclusive of their own consultant and legal fees, which costs otherwise would have been borne by the Company.

In the second quarter of 2013, OWSI entered into a settlement agreement with the former property owner and its parent company regarding the site

¹ Order 01 at ¶ 12.

² Order 01 at ¶ 4.

³ Order 01 at ¶ 4.8.

contamination. In material part, in exchange for a mutual release of claims, including past costs, and in resolution of disputed claims, the former property owner agreed to take responsibility for all future site investigation, remediation of current covered contamination, enrollment of the site in the State of Washington Department of Ecology's (Ecology) Voluntary Cleanup Program, and procurement from Ecology of a site No Further Action letter, up to an expenditure of \$1,000,000. The former property owner further covenanted to ensure site contamination and its remedial actions do not interfere with or limit the operation of the existing Well No. 2 or the installation and operation of a new or replacement public water supply well. In the event site contamination does interfere with the installation and operation of a new or replacement public water supply well, the former property owner covenanted to pay for any incremental costs associated with placing in use a new public water supply well at a location other than the subject property in accordance with the terms of the parties' settlement agreement.

In conformance with the settlement agreement, in June 2013, the former property owner enrolled the property in Ecology's Voluntary Cleanup Program.