

Olympic Water and Sewer, Inc.
70 Breaker Lane
Port Ludlow, WA 98365

August 11, 2014

VIA EMAIL ONLY

Jim Ward
Regulatory Analyst
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Olympic Water and Sewer, Inc. – Surcharge Filing for Deferred Costs
UTC Docket No. UW-110436

Dear Mr. Ward:

The purpose of this letter is to convey to the Washington Utilities and Transportation Commission (“UTC”) staff Olympic Water and Sewer, Inc.’s (“OWSI” or “Company”) proposal to resolve this surcharge filing through compromise. The Company makes this proposal following the July 14, 2014 UTC facilitated customer meeting, and in consideration of the comments received at that meeting. Following that meeting, Company representatives separately met with the Port Ludlow Village Council (PLVC). The Company is informed that PLVC supports this compromise proposal.

The Company makes this proposal subject to ER 408 and solely for the purposes of settlement, without conceding any issues or prejudicing the Company’s position as to the fairness of recovery of the entire claimed amounts through a ratepayer surcharge. However, the Company offers this settlement compromise now in an attempt to save the Company and its customers and ratepayers the cost and expense that would be associated with a formal hearing process. The Company proposes a compromise recovery as set forth in the attached spreadsheet, and as explained below.

Compromise Proposal

The Company believes that proceeding to hearing, and the incursion of the associated costs and expenses, is not in the best interests of its customers and rate-payers. OWSI, as supported by PLVC, offers the following proposal:

Well #17 Drilling Costs. OWSI has agreed to defer all costs attributable to Well #17 drilling, for future capitalization and recovery associated with a future new water supply

source for the North Aquifer service area. These amounts would not be recovered as part of the current proposed surcharge.

Site Investigation Costs. OWSI proposes maintaining recovery of the site investigation costs through the surcharge.

Legal Costs. While OWSI believes that all legal costs associated the site investigation and issues are and should be recoverable, in the spirit of compromise, OWSI has agreed to defer 25% of the legal costs sought in this filing, as being attributable to Well #17 and OWSI's efforts to secure water supply for the North Aquifer service area, for future capitalization and recovery associated with a future new water supply source for the North Aquifer service area. This 25% would not be recovered as part of the current proposed surcharge.

OWSI acknowledges that this compromise surcharge will be non-precedential as to any future rate-filing of OWSI related to the subject property, soil or groundwater site contamination, or costs attributable to Well #2 or Well #17. OWSI will consent to and not object to reasonable language being placed in any order approving the surcharge confirming that the subject order is non-precedential.

Further, OWSI is willing to commit to its customer base that if OWSI elects to drill a new water supply well at the property commonly referred to as 781 Walker Way, Port Ludlow, Washington and identified by Jefferson County Assessor's Tax Parcel No. 821084004 in the future, and encounters additional contamination, OWSI will not file for recovery of costs for future well drilling costs associated with an attempted well not placed into production, or environmental site investigation or remediation costs arising under or resulting from any such future well drilling.

Summary

While OWSI firmly believes that recovery of the entire requested amount is appropriate, and that such costs were necessarily and prudently incurred by the Company, OWSI also believes an early resolution of this issue will ultimately benefit its customers and ratepayers.

The proposed temporary surcharge is just, fair, and reasonable, and results from OWSI's reasonable and prudent efforts to address the water supply needs of its customers, and to thoroughly investigate and address discovered contamination at a site holding a current major water supply source for the community in order to ensure that Well No. 2 continued to produce contaminant free drinking water. OWSI further believes that the compromise reached with PLVC is in the best interests of its customers, and hence, would agree to the reduced recovery as presented herein.

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We are available to answer any questions or provide any further detail or justification requested for the above proposal.

We look forward to your response and bringing this matter to resolution.

Sincerely,



Larry Smith, President
Olympic Water and Sewer, Inc.

Attachment

cc: Terry Umbreit, President, Port Ludlow Village Council
Gene Eckhardt, Washington Utilities and Transportation Commission
Brett P. Shearer, Assistant Attorney General
Joseph A. Rehberger, Cascadia Law Group PLLC

UW-110436

Proposed Revised Surcharge 07/28/14

Item	Company As Filed	Proposed (07-28-14)
Well No. 17 Drilling (see below)	\$0	\$31,115
Legal	\$0	\$11,869 25% of legal
Total to Future Recovery*	\$0	\$42,984
Well No. 17 Drilling	\$31,115	\$0
Site Investigation	\$69,844	\$69,844
Legal	\$47,475	\$35,606 75% of legal
Notice & Mailing	\$788	\$788
Utility Tax	\$2,439	\$1,737
Interest	\$13,398	\$9,539
Total to Surcharge	\$165,059	\$117,514
Annual Recovery	\$52,124	\$37,110

*Recovery with new source for North Aquifer Well System

Surcharge Amount	Company As Filed	Proposed (07-28-14)
Monthly Surcharge	\$2.70	\$1.92
One-time	\$94.19	\$67.06