

ANNUAL REPORT
WATER UTILITY
2009

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COMPANY INFORMATION

Line No. (L) Description

1 OLYMPIC WATER AND SEWER, INC.
 (Exact name of utility)

2 70 BREAKER LANE
 (Mailing Address)

3 PORT LUDLOW WA 98365 JEFFERSON
 (City) (State) (Zip) (County)

4 578 085 239

5 'Unified Business Identifier' (UBI) Number Telephone Number (360) 437-2101

6 Fax Number (360) 437-2522

7 E-mail or Web Address dsmeland@portludlowassociates.com

8 Date Utility First Organized 1967 POPE & TALBOT 1985 POPE RESOURCE

9 Location of Books and Records 70 Breaker Lane
 Port Ludlow, WA 98365

11 Method Of Accounting (Cash/Accrual) ACCRUAL

12 Type of Business (Proprietorship, Partnership, C-Corp, LLC, S-Corp) CORPORATION

CONTACTS

Name	Title	Principal Business Address	Telephone
Person to send correspondence:			
LARRY SMITH, President, OWSI		70 BREAKER LANE, PORT LUDLOW, WA 98365	(360) 437-8246
Person who prepared this report: PL Associates			
DIANA SMELAND, President/CEO, PLA		70 BREAKER LANE, PORT LUDLOW, WA 98365	(360) 437-8342
Certified Water Manager: Certificate Number: 7681			
GREG RAE	OPS SUPERVISOR	70 BREAKER LANE, PORT LUDLOW, WA 98365	(360) 437-7898
Emergency Response Personnel			
GREG RAE	OPS SUPERVISOR	70 BREAKER LANE, PORT LUDLOW, WA 98365	(360) 437-7898
JERRY MONROE	TECHNICIAN	70 BREAKER LANE, PORT LUDLOW, WA 98365	(360) 437-7898
Managers, Officers & Directors:			
LARRY SMITH	PRESIDENT	70 BREAKER LANE, PORT LUDLOW, WA 98365	(360) 437-8246
DIANA SMELAND	VP/SEC	70 BREAKER LANE, PORT LUDLOW, WA 98365	(360) 437-2101
TROY CROSBY	TREASURER/CFO	222 KEARNY ST. SAN FRANCISCO, CA	(415) 249-0800

OWNERSHIP

Report every corporation or person owning or holding directly or indirectly 5 percent or more of the voting securities of the company.

Name	Ownership Percent	Principal Business Address	Telephone
PORT LUDLOW ASSOCIATES I	100%	70 BREAKER LANE, PORT LUDLOW, WA 98365	(360) 437-2101

INCOME STATEMENT

For the Calendar Year 2009

Line No. (L)	Account No. (a)	Account Name (b)	Water (c)	Other (d)	Total Company (e)
REVENUES					
1	400	Operating Revenue Accounts	\$ 726,756	\$	\$ 726,756
2	471	Miscellaneous Revenue Accounts	<u>1,437</u>	<u></u>	<u>1,437</u>
3	474	Other Revenue Accounts	<u></u>	<u></u>	<u></u>
4		Utility Operating Revenue (Add L1 thru L3)	<u>\$ 728,193</u>	<u>\$</u>	<u>\$ 728,193</u>
EXPENSES					
5	401	Operating Expense Accounts	503,363	<u></u>	503,363
6	403	Depreciation Expense	<u>86,251</u>	<u></u>	<u>86,251</u>
7	406	Amortization Expense	<u></u>	<u></u>	<u>0</u>
8	408	Other Tax & License	<u>53,318</u>	<u></u>	<u>53,318</u>
9	409	Federal Income Taxes	<u>60,973</u>	<u></u>	<u>60,973</u>
10		Utility Operating Expense (Add L5 thru L9)	<u>\$ 703,905</u>	<u>\$</u>	<u>\$ 703,905</u>
11		Utility Operating Income (Loss) (L4 minus L10)	<u>\$ 24,288</u>	<u>\$</u>	<u>\$ 24,288</u>
OTHER INCOME AND DEDUCTIONS					
Other Income:					
12	414	Gain (Loss) From Disposition Of Plant	<u></u>	<u></u>	<u>0</u>
13	415-416	Jobbing and Contract Work	<u></u>	<u></u>	<u></u>
14	419	Interest & Dividend Income	<u>0</u>	<u></u>	<u>0</u>
15	421	Nonutility Income	<u></u>	<u></u>	<u></u>
16		Total Other Income (Add L12 thru L15)	<u>\$ 0</u>	<u>\$</u>	<u>\$ 0</u>
Other Deductions:					
17	426	Miscellaneous Nonutility Expenses	<u></u>	<u></u>	<u>0</u>
18	427	Interest Expense	<u>0</u>	<u></u>	<u>0</u>
19	433	Extraordinary Income/Deduction	<u></u>	<u></u>	<u>0</u>
20		Total Other Deductions (Add L17 thru L19)	<u>\$ 0</u>	<u>\$</u>	<u>\$ 0</u>
21		Net Income (Loss) (Add L11 plus L16 minus L20)	<u>\$ 24,288</u>	<u>\$</u>	<u>\$ 24,288</u>

COMPARATIVE BALANCE SHEET

For the Calendar Years 2008 & 2009

Line No. (L)	Account No. (a)	Account Name (b)	2008 Previous Year (c)	2009 Current Year (d)
ASSETS:				
1	101	Utility Plant	\$ 3,287,944	\$ 3,325,613
2	104	Utility Plant Purchased or Sold		
3	108	Less: Accumulated Depreciation	1,669,953	1,995,441
4	110	Accumulated Amortization		
5	114	Utility Plant Acquisition Adjustment		
6		Net Utility Plant (Add L1 thru L5)	\$ 1,617,991	\$ 1,330,172
7	124	Utility Investments		
8	127	Special funds (Surcharges, Facility Charges)		
9	131	Cash	100	100
10	141	Customer Accounts Receivable		
11	151	Plant Materials and Supplies		
12	162	Prepayments	15,407	15,407
13	186	Other Deferred Debits	66,638	66,657
14		Other Assets (Specify)		
15		Total Assets (Add L6 thru L14)	\$ 1,700,136	\$ 1,412,336
EQUITY CAPITAL AND LIABILITIES:				
16	201-204	Capital Stock Issued	\$ 500	\$ 500
17	211	Other Paid In Capital	1,517,903	1,286,955
18	214-215	Retained Earnings	(305,444)	11,262
19	218	Proprietary Capital		
20		Total Equity Capital (Add L16 thru L19)	\$ 1,212,959	\$ 1,298,717
21	224	Long-Term Debt	-	-
22	231	Accounts Payable	36,671	21,060
23	232	Notes Payable		
24	235	Customer Deposits		
25	236	Accrued Taxes	36,072	28,826
26	253	Other Deferred Credits		
27	265	Miscellaneous Operating Reserves		
28	271	Contributions In Aid Of Construction (CIAC)	414,434	329,195 (1)
29	272	Less: Accumulated Amortization Of CIAC		(265,462)
30		Other Liabilities (Specify)		
31		Total Liabilities (Add L21 thru L30)	\$ 487,177	\$ 113,619
32		Total Equity Capital and Liabilities (Add L20 & L31)	\$ 1,700,136	\$ 1,412,336

WATER UTILITY PLANT (101)

Line No. (L)	Account No. (a)	Account Name (b)	Balance Begin Year (c)	Additions (d)	Retirements (e)	Balance End Year (f)
1	301	Organization	\$ _____	\$ _____	\$ _____	\$ _____
2	302	Franchises	_____	_____	_____	_____
3	303	Land and Water Rights	_____	_____	_____	_____
4	304	Structures and Improvements	961,570	_____	_____	961,570
5	305	Collecting & Impounding Reservoirs	-	_____	-	-
6	306	Lake, River and other intakes	-	_____	-	-
7	307	Wells and Springs	366,699	_____	-	366,699
8	309	Supply Mains	-	_____	-	-
9	310	Power Generation Equipment	-	_____	-	-
10	311	Pumping Equipment	52,705	8,725	_____	61,430
11	320	Water Treatment Equipment	21,718	_____	-	21,718
12	330	Distribution Reservoirs & Tanks	423,697	_____	-	423,697
13	331	Transmission & Distribution Mains	896,944	24,972	-	921,916
14	333	Service Connections	-	_____	-	-
15	334	Meters and Meter Installation	371,980	3,972	-	375,952
16	335	Hydrants	11,670	_____	-	11,670
17	339	Other Plant & Misc. Equipment	27,742	_____	-	27,742
18	340	Office Furniture and Equipment	21,062	_____	_____	21,062
19	341	Transportation Equipment	18,106	-	_____	18,106
20	343	Tools, Shop and Garage Equipment	8,647	_____	_____	8,647
21	345	Power Operated Equipment	400	_____	-	400
22	346	Communication Equipment	31,273	_____	-	31,273
23	348	Other Tangible Plant	58,597	-	-	58,597
24		Water System Plan	-	_____	-	-
25	101	Utility Plant Total (Add L1 thru L24)	\$ 3,272,809	\$ 37,669	\$ -	\$ 3,310,478

SOURCES OF CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

Report below all plant, equipment, and monies (connection charge) received during the year for capital plant.

	Description of Charge's (a)	Number of Connections (b)	Cost or Charge per Connection (c)	CIAC Amount Received (d)
26	CUSTOMER CONNECTION CHARGE	3	\$ 250	\$ 750
27	_____	_____	_____	_____
28	_____	_____	_____	_____
29	_____	_____	_____	_____
30	_____	_____	_____	_____
31	_____	_____	_____	_____
32	_____	_____	_____	_____
33	Total (Add L26 thru L32)	3	\$ 250	\$ 750

CUSTOMER COUNT SUMMARY

Line No. (L)	Description (a)	Number at Begin Year (b)	New Services (c)	Number at End Year (d)	Temporary (e)
1	Total Unmetered	0	0	0	0
2	Total Metered	1,629	6	1,635	0
3	Total Master Metered	3	0	3	0
4	Connections served by Master Meters	30	0	30	0
5	Other Services (Specify)	0	0	0	0
6	Total Customers Billed (Add L1-L3)	1,632	6	1,638	0
7	Total Customers (Add L1, L2, & L4)	1,659	6	1,665	0

WATER CATEGORY SUMMARY

Month (a)	PURCHASED or SURFACE WATER	GROUND WATER (Wells)	TOTAL FROM ALL CATEGORIES	LOSS or WASTAGE	WATER SOLD TO CUSTOMERS
	Cubic Feet (b)	Cubic Feet (c)	Cubic Feet (b)+(c)=(d)	Cubic Feet (e)	Cubic Feet (f)
8 January		799,366	799,366	120,756	678,610
9 February		799,366	799,366	120,756	678,610
10 March		718,000	718,000	97,460	620,540
11 April		718,000	718,000	97,460	620,540
12 May		1,362,925	1,362,925	109,289	1,253,636
13 June		1,362,925	1,362,925	109,289	1,253,636
14 July		2,356,567	2,356,567	58,623	2,297,944
15 August		2,356,567	2,356,567	58,623	2,297,944
16 September		1,467,986	1,467,986	30,270	1,437,716
17 October		1,467,986	1,467,986	30,270	1,437,716
18 November		862,155	862,155	15,884	846,271
19 December		862,155	862,155	15,884	846,271
20 Total (Add L8 thru L19)	0	15,133,998	15,133,998	864,564	14,269,434

- (d) - Category Master Meters Records
- (e) - Category Leakage or Wastage of Water
- (f) - Individual Customer Meter Records

CONVERSION: 1 cubic foot = 7.48 gallons

CONSOLIDATED STATEMENTS OF CASH FLOWS

Line No. (L)	Account No. (a)	Account Name (b)	Previous Year (c)	Current Year (d)
OPERATING ACTIVITIES				
1	400	Cash Operating Revenues	\$ 647,178	\$ 728,193
2	414	Gain (Loss) Disposition Of Utility Property	-	-
3	419	Interest & Dividend Income	193	-
4		Other Cash Revenues	-	-
5		Total Operating Cash Inflows (Add L1 thru L4)	\$ 647,371	\$ 728,193
6	601	Salaries and Wages - Employees	\$ 112,791	\$ 113,664
7	603	Salaries and Wages - Officers (inc. in 634)	-	-
8	604	Employee Pensions and Benefits	25,844	35,775
9	615	Purchased Power	36,646	43,103
10	618	Chemicals	-	631
11	620	Materials and Supplies	87	243
12	631	Contractual Engineer	31,135	-
13	632	Contractual Accounting	2,110	10,125
14	633	Contractual Legal	7,752	3,500
15	634	Contractual Management	147,090	196,787
16	635	Contractual Testing	1,886	4,783
17	641	Rental of Building/Real Property	-	-
18	650	Transportation Expense	7,911	7,972
19	655	Insurance Expense	7,374	16,485
20	665	WUTC Regulatory, Fees	982	2,245
21	666	WUTC Regulatory, Rate Case Expense	-	-
22	670	Bad Debt Expense	(24)	-
23	675.1	Travel/ Education/ Bank/ CCR	1,654	2,754
24	675.2	Office/ Postage / Phone	11,931	11,768
25	675.3	Repairs & Maintenance	11,245	39,693
26	401	Utility Operating Expenses (Add L6 thru L25)	\$ 406,414	\$ 489,528
27	408.10	Utility Excise Tax	-	-
28	408.11	Property Tax	18,226	16,737
29	408.12	Payroll Tax	8,899	9,164
30	408.13	Other Tax, License & Regulatory Fees	38,840	41,252
31	409	Federal Income Taxes	20,203	60,973
32		Total Operating Cash Outflows (Add L26 thru L31)	\$ 492,582	\$ 617,654
33		Net Cash, Operating Activities (L5 minus L32)	\$ 154,789	\$ 110,539
INVESTING ACTIVITIES				
34	101	Additions to Property, Plant and Equipment	679	37,669
35		Sale/(Purchase) of Short-term Investments	-	-
36		Service Connection/Facilities Charge/Contribution	750	750
37		Cash/Other	(156,218)	(148,958)
38		Net Cash, Investing Activities (Add L34 thru L37)	\$ (154,789)	\$ (110,539)
FINANCING ACTIVITIES				
39		Principal Payments on Current Debt	-	-
40		Proceeds From Issuance of Current Debt	-	-
41		Principal Payments on Long-term Debt	-	-
42		Proceeds From Issuance of Long-term Debt	-	-
43		Interest Paid on Debt	-	-
44		Net Cash, Financing Activities (Add L39 thru L43)	\$ -	\$ -
45		NET CHANGE IN CASH (Add L33, L38 & L44)	\$ (0)	\$ (0)
46		CASH BALANCE BEGINNING OF YEAR	\$ 100	\$ 100
47		CASH BALANCE END OF YEAR (Add L45 & L46)	\$ 100	\$ 100

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MANAGEMENT DISCUSSION

09-7

Once again, the weak housing market led to only three new customers in 2009. Revenues increased due to realization of a full year of the rate increase granted in mid-2008. However, expenses increased in several areas including insurance, electricity (new Well 16), employee benefits (health insurance), and repair and maintenance.

We attempted drilling of a new water source, Well #17, but encountered hydrocarbon contamination at approximately 50' depth. The area was the site of former underground storage tanks that were decommissioned in 1990, however it is also the site of an existing water production well that has never shown signs of contamination.

Looking ahead, considerable expense is possible in 2010 for investigation of the extent of contamination to surrounding soils at the Well 17 site. These expenses will be in hard cost of monitoring wells as well as associated consulting and legal services.

New connections will remain at or near zero until the new housing market rebounds.

CERTIFICATION

State of Washington

County of Jefferson

Larry Smith makes oath and says

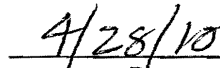
that he is President

of Olympic Water and Sewer, Inc.

that he has examined the foregoing report; that to the best of his knowledge, information, and belief, all statements of fact contained in the report are true and the report is a correct statement of the business affairs of the above named company in respect to each and every matter set forth therein during the period from and including January 1, 2009, to and including December 31, 2009.



(Signature of officer)



Date

AFFILIATED INTEREST TRANSACTIONS

WAC 480-146-360 Reporting of affiliated interest transactions.

(1) Every public service company, as defined in the application of rules WAC 480-146-240, must file with the commission by June 1 of every year an annual report of all affiliated interest transactions that occurred during the period January 1 through December 31 of the preceding year. "Affiliated interest transactions" mean contracts or arrangements between affiliated interests as defined in RCW 80.16.010 as follows;

Every corporation and person owning or holding directly or indirectly five percent or more of the voting securities of any public service company engaged in any intrastate business in this state;

Every corporation and person, other than those above specified, in any chain of successive ownership of five percent or more of voting securities, the chain beginning with the holder of the voting securities of such public service company;

Every corporation five percent or more of whose voting securities are owned by any person or corporation owning five percent or more of the voting securities of such public service company or by any person or corporation in any such chain of successive ownership of five percent or more of voting securities;

Every corporation or person with which the public service company has a management or service contract, and

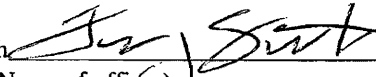
Every person who is an officer or director of such public service company or of any corporation in any chain of successive ownership of five percent or more of voting securities.

Does the company have any affiliated interest transactions as defined above

 No, Please sign this page and no further action is required.

 X Yes, Please sign this page and complete Page 09-10.

CERTIFICATION

Larry Smith  makes oath and says
(Name of officer)

that he/she is President
(Official title of officer)

of Olympic Water and Sewer, Inc.
(Exact legal title or name of company)

that he/she has examined the foregoing affiliated interest report; that to the best of his/her knowledge, information, and belief, all statements of fact contained in the report are true and the report is a correct statement during the period from and including January 1, 2009, to and including December 31, 2009.

**OLYMPIC WATER AND SEWER, INC.
AFFILIATED INTEREST TRANSACTIONS
JANUARY 1 – DECEMBER 31, 2009**

A description of the products or services flowing between the public service company and any affiliated interest. Include a description of the pricing basis or costing method and procedures for allocating costs for such products or services rendered, and the amount an account is charged.

Olympic Water and Sewer, Inc. (OWSI) is owned by Port Ludlow Associates, LLC (PLA) and provides water service to PLA owned properties within the Port Ludlow Master Planned Resort. Port Ludlow is designated as a Master Planned Resort in the Jefferson County Comprehensive plan pursuant to the Growth Management Act.

Water service was provided at tariffed rates as filed with the Washington State Utilities & Transportation Commission.

Port Ludlow Associates provided the following services to OWSI in 2009:

- Senior Management, accounting, customer service and other general and administrative services at a cost of \$94,437 is included in account 634 - Contractual Services – Management. (Note that 634 also includes an allocation of the OWSI President/Manager expenses).

A description of the terms of any loans between the public service company and its affiliates and a listing of the year-end loan amounts and maximum loan amounts outstanding during the year.

- There are no loans between PLA and OWSI.

A description of the terms and maximum amount of any debt guarantees by the public service company for any affiliate and a listing of the year-end debt amounts and maximum debt amounts outstanding during the year.

- None

A detailed description of the activities of the affiliates with which the public service company has transactions.

Port Ludlow Associates, LLC owns and develops real estate in Port Ludlow, a resort and residential community on approximately 1,800 acres an hour west of Seattle. In addition to residential development, PLA operating activities at Port Ludlow include a 37-room Inn, 27-hole golf course, 300-slip marina, and a commercial center.

A list of all common officers and directors of the affiliated interest company and the public service company along with their titles in each organization.