

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application for the Sale and Transfer of Assets	DOCKET NO. UW-_____
From	APPLICATION FOR THE SALE AND TRANSFER OF ASSETS
PELICAN POINT WATER CO	
To	
CASCADIA WATER, LLC	

**I. INTRODUCTION**

1 In accordance with RCW Sections 80.12.020 and 80.12.040 and WAC 480-110-555, 480-143-120 and 480-143-130, Cascadia Water, LLC (“Cascadia Water” or the “Company”) files this application requesting approval from the Washington Utilities and Transportation Commission (the “Commission”) of the sale and transfer of assets from Pelican Point Water Co (“Pelican Point”) to Cascadia Water (“Application”). Also, in regard to RCW Section 80.16.020 and WAC 480-110-545, Cascadia Water files a draft of a related affiliated interest agreement with its affiliate, Gem State Infrastructure, LLC (“Gem State Infrastructure”), to become effective upon Commission approval of this Application, the closing of the Pelican Point Transaction (defined below) and the filing of the verified, fully-executed agreement with the Commission.

2 Communications regarding this Application should be addressed to the following:

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## II. DISCUSSION

### A. Description of the Relevant Entities.

3 Pelican Point is an investor-owned water company and is a public service company subject to Commission jurisdiction. Currently owned by Jill Goodrich, Pelican Point provides water service to approximately 500 residential customers near Moses Lake, Washington.<sup>1</sup> A copy of the 2018 Annual Report of Pelican Point to the Commission is attached to this Application as Exhibit 1.<sup>2</sup> Ms. Goodrich plans on retiring and, therefore, she desires to sell Pelican Point. Ms. Goodrich believes the sale of Pelican Point to Cascadia Water is in the best interests of the community and Pelican Point's customers.

4 Cascadia Water is an investor-owned water company and is a public service company subject to Commission jurisdiction.<sup>3</sup> Cascadia Water serves approximately 1,750 customers on two water systems located near Sequim in Clallam County and 12 water systems located on Whidbey Island in Island County. Cascadia Water is NW Natural Water's platform for regulated asset acquisitions in the State of Washington. A copy of the 2020 Annual Report of Cascadia Water is attached to this Application as Exhibit 5.

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<sup>1</sup> Ms. Goodrich also owns and operates an unregulated wastewater conveyance system, Lowland Wastewater Company Inc. ("The Lowlands"), with 14 connections. The Lowlands is not a component of the Pelican Point Transaction or the Pelican Point Agreement (both defined below). For the sake of transparency, The Lowlands may be the subject of a future transaction involving a subsidiary NW Holdings (defined below), but such a separate transaction would not be subject to Commission jurisdiction.

<sup>2</sup> Pelican Point has not filed its 2019 or 2020 Annual Report to the Commission.

<sup>3</sup> Cascadia Water is a wholly-owned subsidiary of NW Natural Water of Washington, LLC ("NW Natural Water of Washington"), which in turn is a wholly-owned subsidiary of NW Natural Water Company, LLC ("NW Natural Water"), which in turn is a wholly-owned subsidiary of Northwest Natural Holding Company ("NW Holdings"). NW Holdings' Form 10-K for 2020 and its Form 10-Q for the first quarter of 2021, filed with the Securities and Exchange Commission ("SEC") on February 26 and May 5, 2021, respectively, are attached to this Application as Exhibits 2 and 3. The relevant part of NW Holdings' corporate organizational chart is attached to this Application as Confidential Exhibit 4. Concurrently with the filing of this Application, Cascadia Water is filing in this proceeding its claim of confidentiality of the corporate organizational chart, pursuant to WAC 480-07-160(4)(a).

5 Gem State Infrastructure is NW Natural Water’s platform for owning non-regulated assets and operating regulated assets in its geographic proximity. Gem State Water Company, LLC (“Gem State Water”) is NW Natural Water’s platform for regulated asset acquisitions in the State of Idaho.<sup>4</sup> Ms. Leslie Abrams-Rayner, a licensed water system operator in Washington,<sup>5</sup> is the General Manager of Gem State Infrastructure and Gem State Water. Gem State Infrastructure and Gem State Water are affiliated Idaho companies located in Coeur d’Alene, which is about 130 miles northeast of Pelican Point.

6 Importantly, Gem State Infrastructure has been operating Pelican Point since October 2020, in accordance with the Operator Agreement attached to this Application as Exhibit 7.<sup>6</sup> The services that Gem State Infrastructure is providing to Pelican Point are listed in Exhibit A of Exhibit 7. Those services include, but are not limited to: daily maintenance, repairs, and record keeping; customer billing and accounts receivables; banking and deposits; collections; new connections/accounts; customer service; coordination of construction activities with local contractors and vendors; new meter installation; leak detection; bulk water agreements; water rights work in conjunction with engineers; emergency response; work with local and state regulatory agencies; coordination or preparation of reports; and implementation and enforcement of the cross-connection program. Exhibit 9 of this Application is a letter from

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<sup>4</sup> Gem State Water serves almost 900 customers on six water systems.

<sup>5</sup> The State of Washington Department of Health, Office of Drinking Water, issued Ms. Abrams-Rayner Certification Number 015392 (WDM 1 and WTPO 1), effective July 9, 2021, through the Waterworks Operator Certification Program, as shown in Exhibit 6. Exhibit 6 also includes the certifications of Gem State Infrastructure employee Mr. Dean Renninger (Certification Number 015393; WDM 1 and WTPO 2), who resides in Washington and is performing weekly site visits to Pelican Point.

<sup>6</sup> Gem State Infrastructure has contracted with Sharon Ladd (WDM2, WTO, CCS; Certification # 9583) of Moses Lake, Washington to be the Certified Operator for Pelican Point. A copy of the contract is attached to this Application as Exhibit 8. Upon the closing of the Pelican Point Transaction (defined below), Gem State Infrastructure plans to enter into another agreement with a local contractor for immediate emergency response services.

Ms. Goodrich describing Gem State Infrastructure’s ongoing operation of Pelican Point and sharing positive customer feedback about Gem State Infrastructure.

**B. Description of the Transaction.**

7           The Pelican Point sale is structured as an asset purchase for cash consideration. The Asset Purchase Agreement among Cascadia Water, Pelican Point and Ms. Goodrich, effective as of March 22, 2021 (“Pelican Point Agreement”), is filed with this Application as Confidential Exhibit 10.<sup>7</sup> In this Application, the Pelican Point sale will be referred to as the “Pelican Point Transaction.”

8           After the Pelican Point Transaction is complete, Pelican Point will cease operating as a water company, and Cascadia Water will continue to provide water service to Pelican Point’s customers through Cascadia Water’s affiliate, Gem State Infrastructure. The water service to customers will not be interrupted by the transition of Pelican Point’s ownership from Ms. Goodrich to Cascadia Water. Cascadia Water is proposing to amend its WN U-2 Tariff by adopting Schedule Nos. 1 (Flat Rate Service) and 2 (Metered Rate Service) of Pelican Point’s WN U-2 Tariff (“Pelican Point Tariff”), as included in this Application as Exhibit 11. Cascadia Water is adopting these Pelican Point rate schedules so that customers do not experience any change in service or rates resulting from the Pelican Point Transaction.

9           In regard to RCW Section 80.16.020 and WAC 480-110-545, Cascadia Water hereby files with this Application, as its Exhibit 12, a draft of a related affiliated interest agreement between itself (as the contemplated owner of the Pelican Point assets) and Gem State Infrastructure (as the continuing operator of the Pelican Point system). Upon Commission

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<sup>7</sup> Concurrently with the filing of this Application, Cascadia Water is filing in this proceeding its claim of confidentiality of the Pelican Point Agreement, pursuant to WAC 480-07-160(4)(a).

approval of this Application and the closing of the Pelican Point Transaction, Cascadia Water and Gem State Infrastructure will execute Exhibit 12 and will file a verified copy of the executed agreement with the Commission before it becomes effective. The affiliated interest agreement states that Gem State Infrastructure will bill Cascadia Water at cost for the services that Gem State Infrastructure renders to the Pelican Point system on Cascadia Water's behalf. The affiliated interest agreement is reasonable and consistent with the public interest because its existence is essential for the benefits identified in this Application to be realized by Pelican Point's customers. Accordingly, Cascadia Water requests that the Commission not institute an investigation of the to-be executed, verified and filed affiliated interest agreement as RCW Section 80.16.020 otherwise would authorize.

**C. Applicable Legal Standard.**

10 In accordance with RCW Section 80.12.040 and WAC 480-110-555 and 480-143-130, Cascadia Water must obtain Commission approval prior to completing the purchase of Pelican Point, and in accordance with RCW Section 80.12.020 and WAC 480-110-555 and 480-143-120, Pelican Point must obtain Commission approval prior to the sale of its assets to Cascadia Water. The Commission applies a public interest "no harm" standard in its review of these types of applications.<sup>8</sup> The Commission also considers "the new company's financial and managerial fitness to run the operations."<sup>9</sup>

11 In this Application, Cascadia Water presents both sides of the Pelican Point Transaction for review by the Commission. First, Cascadia Water provides an analysis of the purchase

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<sup>8</sup> WAC 480-143-170.

<sup>9</sup> *In the Matter of the Application of Fragaria Landing Water Co., Lowper Inc., dba Lowper Water Co., Marbello Water Co., Inc., and SJM Water Service Inc., Applicant, For the Sale and Transfer of Stock to Iliad Water Servs. Inc.*, Docket UW-150688, Order 01 at ¶15 (July 30, 2015) (citing *In Re Application of PacifiCorp & Scottish Power, LLC*, Docket UE-981627, Third Suppl. Order on Prehearing Conference at 2-3 (Apr. 2, 1999)).

under RCW 80.12.040 and WAC 480-143-130 for a utility acquisition of another utility's assets to ensure that the purchasing utility's customers will not be harmed. Second, Cascadia Water presents an analysis of the sale of utility assets by Pelican Point under RCW 80.12.020, WAC 480-110-555 and WAC 480-143-120 to ensure that the selling utility's customers will not be harmed. As described in detail in this Application, Cascadia Water's customers will not be harmed by the acquisition; in addition, Pelican Point's customers will not be harmed by, and in fact will benefit from, new ownership. Thus, Cascadia Water's acquisition of Pelican Point is consistent with the public interest.

**D. Cascadia Water's Acquisition of Pelican Point Satisfies the "No Harm" Standard and Is Consistent with the Public Interest.**

12 Cascadia Water's customers will not be harmed by the Pelican Point Transaction, and the Pelican Point Transaction will have no impact on Cascadia Water's ability to provide water service to its customers. Additionally, Cascadia Water's customers will benefit from the consolidated growth that it is seeking to achieve through its water utility acquisition strategy.

13 **First**, the Pelican Point Transaction will not in any way affect the financial, technical, or managerial abilities of Cascadia Water to continue to provide high-quality, reliable service to its water customers. After the Pelican Point Transaction is complete, Cascadia Water will continue to provide the same safe and reliable water service to its customers. Importantly, Pelican Point will continue to be managed by Cascadia Water's affiliate, Gem State Infrastructure, and the operation of Pelican Point will not affect Cascadia Water's day-to-day operations.

14 **Second**, the Pelican Point Transaction represents another important step in Cascadia Water's plan to continue expanding its footprint in the water utility business in the State of

Washington, and is therefore consistent with its strategy for growth. In particular, Cascadia Water believes that business growth—through acquisitions of water utilities—will provide enhanced financial strength, access to capital markets and overall value to the consolidated entity that will support its continued efforts to provide safe and reliable service to customers. Cascadia Water and its affiliates have the regulatory, financial, operational, and engineering knowledge and expertise to effectively oversee Pelican Point’s ownership through Cascadia Water and continued operation through Cascadia Water’s affiliate, Gem State Infrastructure. Cascadia Water relies on maintenance of and investment in critical pipe infrastructure to drive organic growth. Cascadia Water understands how to plan for and build an efficient water distribution system and how to maintain that system to ensure safe and reliable service. In addition, Cascadia Water already is regulated by the Commission. For these reasons, Cascadia Water believes that its ownership of Pelican Point will result in a stronger, and more financially sound water company in Washington.

**E. The Sale of Pelican Point Satisfies the “No Harm” Standard and Is Consistent with the Public Interest.**

15 Pelican Point’s customers will not be harmed by the Pelican Point Transaction, and will in fact benefit from new ownership.

16 *First*, Pelican Point’s customers will experience no disruption in service and will not be harmed by the Pelican Point Transaction. Pelican Point will continue to be managed by Cascadia Water’s affiliate, Gem State Infrastructure, which will provide ongoing operations and management support for the water system and customer service support for the benefit of customers. After the close of the Pelican Point Transaction, customers will continue to interface with Gem State Infrastructure for billing. To help ensure a smooth transition,

Cascadia Water and Gem State Infrastructure will send bill inserts describing the transaction. As a result of these efforts, Pelican Point's customers will experience no disruption in service and the Pelican Point Transaction will be seamless for Pelican Point's customers.

17           **Second**, Pelican Point's customers will benefit from the utility industry experience of Cascadia Water and Gem State Infrastructure. In particular, Pelican Point's customers will benefit from these companies' experience and expertise in planning for, building, and maintaining safe and reliable pipeline infrastructure and in providing exemplary customer service. Pelican Point will need capital investment in the future. NW Holdings, the ultimate parent of Cascadia Water, is a publicly-owned company with a market cap of approximately \$1.6 billion, and it has revolving credit facilities totaling approximately \$100 million in the aggregate. Cascadia Water, through its parent companies, will be able to provide this investment over time, therefore benefiting Pelican Point's customers.

18           **Third**, given the shared ownership, managerial and operational support between Cascadia Water and Gem State Infrastructure, Pelican Point's customers will benefit from their depth of experience with regulatory compliance.

19           **Fourth**, Pelican Point's customers will experience no immediate change in their water utility rates, and will receive service under the Cascadia Water Tariff, which will maintain the rates from Pelican Point's currently-effective tariff with no proposed modifications. Additionally, the Pelican Point Transaction does not include an acquisition adjustment, and Cascadia Water commits that it will not propose to include any research and due diligence, negotiation, or other acquisition costs associated with the acquisition of Pelican Point in customer rates in any future rate case filing. Going forward with its growth strategy, Cascadia



Water will evaluate whether to seek an acquisition adjustment with other utility acquisitions on a case-by-case basis.

**F. Financial and Managerial Fitness of Cascadia Water and Gem State Infrastructure**

20 Financial Fitness of Cascadia Water and Gem State Infrastructure. Under the Pelican Point Transaction, Cascadia Water will acquire Pelican Point. NW Holdings, through NW Natural Water and NW Natural Water of Washington, will provide funds for Cascadia Water to complete the Pelican Point Transaction, and thus Cascadia Water is financially able to acquire Pelican Point. (See also Exhibits 2 and 3).

21 Financial Statements. NW Holdings' Form 10-K for 2020 and Form 10-Q for the first quarter of 2021, filed with the SEC, are attached to this Application as Exhibits 2 and 3.

22 Experience in Utility Management. Pelican Point will continue to be operated by Gem State Infrastructure and its water utility professionals who currently operate Pelican Point. Additionally, Pelican Point will benefit from the utility expertise of Cascadia Water, which has experience overseeing the operations of a regulated Washington distribution company, and will bring this expertise to Pelican Point. Importantly, Cascadia Water and its affiliates have the regulatory, financial, operational, and engineering knowledge and expertise to effectively oversee Gem State Infrastructure's operations of Pelican Point.

**G. Notice to Customers**

23 In accordance with WAC 480-143-210(1), notice of the transfer of ownership must be provided to customers 30 days prior to the Commission's open meeting date for which an application is scheduled for action. The Company will coordinate with Commission Staff to determine the date on which the Application will be scheduled for Commission action, and

will plan to provide notice to Pelican Point's customers at least 30 days in advance of that date. The draft Pelican Point customer notice is filed with this Application as Exhibit 13.

#### **H. Exhibits**

24 The following exhibits are filed with this Application:

- Exhibit 1 – Pelican Point 2018 Annual Report (includes Financial Statements)
- Exhibit 2 – NW Holdings' Form 10-K for 2020
- Exhibit 3 – NW Holdings' Form 10-Q for 1<sup>st</sup> Quarter 2021
- Confidential Exhibit 4 – Relevant Part of NW Holdings' Organizational Chart (Confidential)
- Exhibit 5 – Cascadia Water 2020 Annual Report (includes Financial Statements)
- Exhibit 6 – Certifications issued by the State of Washington Department of Health, Office of Drinking Water, through the Waterworks Operator Certification Program
- Exhibit 7 – Operator Agreement between Pelican Point and Gem State Infrastructure
- Exhibit 8 – Contract between Gem State Infrastructure and Ms. Ladd as Certified Operator for Pelican Point
- Exhibit 9 – Letter from Pelican Point regarding Gem State Infrastructure's operation of Pelican Point
- Confidential Exhibit 10 – Pelican Point Agreement (Confidential)
- Exhibit 11 – Cascadia Water's Tariff Pages Adopting Pelican Point's Rate Schedules
- Exhibit 12 – Affiliated Interest Agreement between Cascadia Water and Gem State Infrastructure
- Exhibit 13 – Draft Pelican Point Customer Notice

#### **III. CONCLUSION**

25 Cascadia Water respectfully requests that the Commission approve its Application in accordance with RCW Chapters 80.12 and 80.16 and WAC Chapters 480-110 and 480-143. The Pelican Point Transaction will not harm Cascadia Water's customers and will benefit Pelican Point's customers. Accordingly, the Pelican Point Transaction is consistent with the

public interest. Cascadia Water also respectfully requests that the Commission grant such further relief as requested in paragraph 9 herein.

Respectfully submitted this 16<sup>th</sup> day of July, 2021.

**CASCADIA WATER, LLC**

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