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December 8, 2020

Washington Utilities and Transportation Commission
ATTN: Mr. Mark L. Johnson, Executive Director and Secretary
621 Woodland Square Loop SE
Lacey, WA 98503

Re: General Rate Proceeding Filing

Dear Mr. Johnson,

Cascadia Water, LLC (“Cascadia Water” or the “Company”)¹ hereby files this general rate proceeding with the Washington Utilities and Transportation Commission (the “Commission”), in accordance with Washington Administrative Code (“WAC”) 480-07-530. The filing includes:

- This filing letter;
- Cascadia Water’s new consolidated Tariff, WN U-2, superseding and cancelling the Company’s current Tariff WN U-1, effective April 1, 2021;
- The Company’s completed Commission General Rate Case (“GRC”) checklist;
- The Company’s completed Commission GRC workbook;
- Work papers, including rate design workbook, documents containing applicable income statements and balance sheets, and affiliated interest services costs; and
- Customer Notice.

Background

Cascadia Water acquired the assets of Sea View Water, LLC (“Sea View”) and Lehman Enterprises, Inc. (“Lehman”) in November 2018,² acquired the assets of Estates Water Systems, Inc. (“Estates”) and Monterra, Inc. (“Monterra”) in May 2019,³ and acquired the water supply and distribution system assets

¹ Cascadia Water is a wholly-owned subsidiary of NW Natural Water of Washington, LLC (“NWN Water of Washington”), which is a wholly-owned subsidiary of NW Natural Water Company, LLC (“NWN Water”), which is a wholly-owned subsidiary of Northwest Natural Holding Company (“NW Holdings”). NW Natural Gas Company (“NW Natural”) is a separate, ring-fenced direct subsidiary of NW Holdings. A listing of NW Holdings' direct and indirect wholly-owned subsidiaries is provided on page 15 of NW Holdings' attached Form 10-Q for the third quarter ended September 30, 2020.

² See Docket UW-180629, *In the Matter of the Application of Sea View Water, LLC, Applicant, for the Sale and Transfer of Assets to Cascadia Water, LLC*, Order 01 (served October 11, 2018); Docket UW-180630, *In the Matter of the Application of Lehman Enterprises, Inc., Applicant, for the Sale and Transfer of Assets to Cascadia Water, LLC*, Order 01 (served October 11, 2018).

³ See Docket 190117, *In the Matter of the Application of Estates Water Systems, Inc., Applicant, for the Sale and Transfer of Assets to Cascadia Water, LLC*, Order 01 (served April 11, 2019); Docket 190116, *In the Matter of the Application of Monterra, Inc., Applicant, for the Sale and Transfer of Assets to Cascadia Water, LLC*, Order 01 (served April 11, 2019).

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of Del Bay Association (“Del Bay”)⁴ in November 2020 (individually, a “Water System”; collectively, the “Water Systems”).

Cascadia Water acquired systems each having its own rates and rate structures that became effective now more than six (6) years ago for Sea View (Docket UW-141134), more than seven (7) years ago for Lehman (Docket UW-130400), more than two (2) years ago for Estates (Docket UW-180507) and twenty-one (21) years ago for Monterra (1999).

Furthermore, although Cascadia Water has one tariff book governing the Cascadia Water Systems, WN U-1, each Water System has its own set of rates and terms and conditions, creating a tariff book that is repetitive in many cases, nuanced across each Water System in other cases, and unnecessarily lengthy and cumbersome.

Purpose of General Rate Proceeding Filing

The purpose of this filing is to recover costs associated with water service on the Company’s rate tariffs filed with the Commission. Cascadia Water is seeking cost recovery in rates because current revenues are insufficient to cover the ongoing cost of continuing to provide service that is safe, adequate and efficient, and in all respects just and reasonable, while allowing an opportunity for a reasonable return on the Company’s needed capital investment.

Since its acquisitions of the Water Systems, the Company has done very well to manage its operating expenses in the face of inflation. During the same time periods, Cascadia Water has made substantial investment in its overall system and completed several key infrastructure projects that enhance service, for the benefit of its customers. To date, this includes:

- Installing a new online billing system, which allows our customers to pay online, pay with credit/debit cards (as customers have requested), set up AutoPay (another important customer request), and view their account history.
- Increasing staff, which helps facilitate faster customer service responses, improved system maintenance and quicker system repairs.
- Installing a new well at the TEL #10 water system, which has provided additional flow and a blending capability that helps maintain current reliability of service after the previous well tested high in Nitrate.
- Installing a SCADA (telemetry) system, which allows our operators to view and monitor the water system in real time – which is critical to ensuring safe system operations.
- Installing new submersible pumps, booster pumps, pressure tanks, and control boxes throughout several well sites, helping to ensure reliable water is delivered to our customers.
- Installing standby generators at a majority of the systems, with the target of having 100% installation completed by spring 2021. The new generators minimize service disruptions due to power outages, often experienced by residents during the winter storm season.
- Completing our replacement of the master meters at the well sites for each of the systems. This allows us to more accurately track the water that is pumped throughout the system, which in effect helps prevent unnecessary leakage.

⁴ Del Bay was not regulated by the Commission. On November 25, 2020, Cascadia Water filed updated tariff pages to add Del Bay to Cascadia Water. See UW-200954.

In addition, the Company also is starting to install meters on the Monterra water system, which finally will allow customers on that system to track their individual use and help prevent unnecessary leakage of our precious resources. We also are exploring wireless read meters for a portion of the Estates water system, because flooding in the area makes meter reading nearly impossible for several months of the year. And, a master plan is in the works that takes a comprehensive look at all aspects of the water system, and identifies in detail how the system operates to continue providing safe and reliable water to the communities we serve.

Description of Filing and Requested Rate Change

Cascadia Water acknowledges that this rate case is being filed as we still are in the midst of the novel coronavirus (COVID-19) global health pandemic and economic hardship resulting from the pandemic. But now more than ever, our customers are depending on us for their water service. The critical investments in our system will ensure this is possible. In recognition of these extraordinary times, Cascadia Water has decided to seek to recover its investment and necessary incremental operating expenses by phasing in new rates over a one-year period, beginning April 1, 2021, without recovering the time value of revenue over that period.⁵ By phasing in rates over that period, Cascadia Water will mitigate the initial rate impact of this request by smoothing the rate change over the course of one year.

The Company proposes that new rates become effective in three (3) phases over the one-year period.⁶ “Phase 1” rates will become effective on April 1, 2021, “Phase 2” rates will become effective on October 1, 2021, and “Phase 3” rates will become effective April 1, 2022. As shown in the table below,⁷ each of the three phases will implement approximately one-third of the necessary revenue increase above the \$603,207 of annual revenues that we collected during the test period in this general rate proceeding.⁸

⁵ Cascadia Water considered requesting that new rates become effective upon 30 days’ notice (*see* WAC 480-80-121), but doing so may not have provided sufficient information upon which the Company could notify its customers of the date certain upon which such new rates will become effective. The Company ultimately decided to request that new rates become effective on April 1, 2021. Cascadia Water made this decision because it believes that such date will provide Staff adequate time to audit the Company’s books and records and its general rate proceeding filing, hold discussions with the Company about Staff’s findings and ultimately reach an agreed-upon revenue requirement and rate design that will become effective by operation of law on April 1, 2021.

⁶ There is one exception to this proposal. The rates and rate structure for former Del Bay customers contractually will continue to remain the same for the twelve-month period ending November 11, 2021, on which date those rates and rate structure will expire. On November 12, 2021, the rates and rate structure for the rest of the Cascadia Water Systems will be applicable to the former Del Bay customers (e.g., Phase 2 rates will become effective on November 12, 2021, and will change to Phase 3 rates, effective April 1, 2022).

⁷ In accordance with WAC 480-07-530(c), the net impact of all changes on the Company's total regulated revenue is an increase of \$418,648.

⁸ Cascadia’s test period for the Sea View and Lehman Water Systems (acquired November 2018) is the calendar year 2019, as that period is fully encompassed within the Company’s ownership of those Water Systems. Cascadia’s test period for the Estates and Monterra Water Systems (acquired May 2019) is the twelve months ended June 30, 2020, so that all twelve months capture the Company’s ownership of those Water Systems. Cascadia’s test period for the Del Bay Water System (acquired November 2020) is the calendar year 2019, as that period contains the most current estimated information for Del Bay.

Phase	Effective Date	Additional Revenue	Percent Incremental Increase
1	April 1, 2021	\$139,549	23.1%
2	October 1, 2021	\$139,549	18.8%
3	April 1, 2022	\$139,549	15.8%

Cascadia Water also is proposing that it consolidate its separate rates and rate structures that currently exist for each Water System and offer one unified set of rates and rate structure across its platform of Water Systems.⁹ Doing so will clarify the Company’s communications to its customers, promote more efficient use of the Company’s billing and collections systems, and spread costs evenly and more broadly across the entire Cascadia Water footprint. The Phase 1, Phase 2 and Phase 3 proposed rates and rate structure, and the resulting average monthly bills, are presented in the tables below. Even after the Phase 3 rates become effective to fully recover the substantial capital investment described above, Cascadia Water’s rates still will be lower than or comparable to those of larger water systems in Washington.¹⁰

Phase 1 Rates, Rate Structure and Average Monthly Bill (effective April 1, 2021)

Meter Size ¹¹	Base Rate (mo.)	1 st Block Size (cu. ft.)	1 st Block Rate ¹²	2 nd Block Size (cu. ft.)	2 nd Block Rate	3 rd Block Size (cu. ft.)	3 rd Block Rate	Avg. Monthly Bill
5/8”	\$17.50	500	\$2.51	501-1,500	\$3.25	Over 1,500	\$4.00	\$35.77
3/4”	\$25.12	750	\$2.51	751 – 2,250	\$3.25	Over 2,250	\$4.00	\$880.75
1”	\$41.77	1,250	\$2.51	1,251-3,750	\$3.25	Over 3,750	\$4.00	\$72.50
2”	\$62.26	4,000	\$2.51	4,001-12,000	\$3.25	Over 12,000	\$4.00	\$325.71
Unmetered¹³	\$34.30							\$34.30
Ready to Serve¹⁴	\$15.53							\$15.53

⁹ The same one exception discussed in footnote 6 applies to this proposal as well.

¹⁰ See Washington Water Service Company (“Washington Water Service”), WN U-2, Fourth Revision of Sheet No. 29; Northwest Water Services, LLC (“Northwest Water Services”), WN U-3, Original Sheet No. 30. Applying the Washington Water Service and Northwest Water Services rates to the average use of Cascadia Water residential customers, the average monthly residential bill for Washington Water Service is \$50.47 per month and the average monthly residential bill for Northwest Water Services is \$51.88 per month, compared with \$49.22 per month for Cascadia Water residential customers.

¹¹ “Meter Size” relates to the 5/8-inch, 3/4-inch, 1-inch and 2-inch rates under Metered Rate Service (Rate Schedule No. 2).

¹² Per one-hundred (100) cubic feet (“cu. ft.”) in 1st Block Rate, 2nd Block Rate and 3rd Block Rate. If the meter is registered in gallons, the usage blocks will be gallons divided by 7.48.

¹³ “Unmetered” means Non-Metered Flat Rate Service (Rate Schedule No. 1).

¹⁴ “Ready to Serve” means Ready To Serve Service (Rate Schedule No. 3).

Phase 2 Rates, Rate Structure and Average Monthly Bill (effective October 1, 2021)

Meter Size	Base Rate (mo.)	1 st Block Size (cu. ft.)	1 st Block Rate	2 nd Block Size (cu. ft.)	2 nd Block Rate	3 rd Block Size (cu. ft.)	3 rd Block Rate	Avg. Monthly Bill
5/8"	\$23.32	500	\$2.69	501-1,500	\$3.25	Over 1,500	\$4.00	\$42.50
3/4"	\$34.80	750	\$2.69	751 – 2,250	\$3.25	Over 2,250	\$4.00	\$1,046.17
1"	\$53.15	1,250	\$2.69	1,251-3,750	\$3.25	Over 3,750	\$4.00	\$86.08
2"	\$138.59	4,000	\$2.69	4,001-12,000	\$3.25	Over 12,000	\$4.00	\$386.88
Unmetered	\$40.74							\$40.74
Ready to Serve	\$18.45							\$18.45

Phase 3 Rates, Rate Structure and Average Monthly Bill (effective April 1, 2022)

Meter Size	Base Rate (mo.)	1 st Block Size (cu. ft.)	1 st Block Rate	2 nd Block Size (cu. ft.)	2 nd Block Rate	3 rd Block Size (cu. ft.)	3 rd Block Rate	Avg. Monthly Bill
5/8"	\$27.61	500	\$3.00	501-1,500	\$3.75	Over 1,500	\$4.50	\$49.22
3/4"	\$41.22	750	\$3.00	751 – 2,250	\$3.75	Over 2,250	\$4.50	\$1,211.67
1"	\$63.01	1,250	\$3.00	1,251-3,750	\$3.75	Over 3,750	\$4.50	\$99.75
2"	\$162.27	4,000	\$3.00	4,001-12,000	\$3.75	Over 12,000	\$4.50	\$448.08
Unmetered	\$47.19							\$47.19
Ready to Serve	\$21.36							\$21.36

Cascadia Water’s New Consolidated Tariff, WN U-2

Cascadia Water’s current tariff, WN U-1, is more than 90 pages. Each Water System has its own Rules and Regulations, Service Area designations and Service Schedules. The Company is using this general rate proceeding filing as an opportunity to consolidate those separate sections of each Water System into a unified set of Rules and Regulations, Service Area designations and Service Schedules applicable across the entire Cascadia Water platform.

Cascadia Water’s new consolidated tariff, WN U-2, is 31 pages. Upon Cascadia Water’s WN U-2 tariff becoming effective on April 1, 2021, the Company’s current WN U-1 tariff will be superseded and cancelled.

The Company’s new consolidated tariff, WN U-2, reflects the Generic Tariff (June 2020) available on the Commission’s website.

Turning to the Service Schedules, in addition to the Non-Metered Flat Rate Service (Schedule No. 1), Metered Rate Service (Schedule No. 2) and Ready To Serve Service (Rate Schedule No. 3) covered above, Cascadia Water is proposing to continue its Water System Facilities Charge (Schedule No. 4), Service Connection Charge (Schedule No. 5), Fire Flow Installation (Schedule No. 6), Fire Flow Service (Schedule No. 7) and Ancillary Charges (Schedule X). The rates shown in the Service Schedules are supported by: (i) the information provided in the Commission’s GRC workbook that is part of this general rate proceeding filing, (ii) being previously approved by the Commission, or (iii) being based on a “time and materials” cost.

For ease of reference, the Ancillary Charges identified in Schedule X are listed below.¹⁵

SCHEDULE X
ANCILLARY CHARGES

Rule 5	Disconnection Visit Charge (each visit)	\$30.00
Rule 6	Reconnection Visit Charge (each visit)	\$50.00
Rule 11	Service Visit Charge (each visit)	\$30.00
Rule 14	Late Payment Charge of unpaid balance at time of billing	2%
Rule 20	Account Set-Up Charge (each account)	\$20.00
Rule 21	NSF Check Charge (each check)	\$15.00
Rule 22	Water Availability Letter Charge (each letter)	\$15.00
Rule 23	Premises Inspection Charge	\$25.00 per hour prorated for time spent.
Rule 26	Damage and Repairs Charge	Labor plus materials
Rule 27	Fire Hydrant Meter Rental (Security Deposit)	\$500.00

¹⁵ It is worth noting that, for the benefit of its customers, the Company is proposing to eliminate its Reconnection Visit Charge and Disconnection Visit Charge for instances in which a customer requests disconnection.

In accordance with WAC 480-80-105(3), this general rate proceeding filing includes information sufficient to determine that the proposed new consolidated WN U-2 tariff is fair, just, and reasonable.

The Company is filing its new consolidated WN U-2 tariff electronically, so the tariff sheets are being submitted without a “wet” signature. In accordance with WAC 480-80-103(4)(a) and 480-80-104(8), the person submitting this general rate proceeding filing hereby certifies that he has the authority to issue tariff revisions on behalf of Cascadia Water.

Shared Services and Common Costs

In accordance with WAC 480-07-530(i), the Company’s workpapers include information about affiliated interest services (“shared services”) and common costs that directly or indirectly affect the proposed rates, including a description and quantification of the types of costs from the 2020 operating budget.

Through the formation of NW Holdings on October 1, 2018, shared services are provided by NW Natural employees to NWN Water and its subsidiaries, including Cascadia Water. Common costs that may benefit the subsidiaries of NWN Water may also be indirectly assigned. An allocation of the shared services and common costs are allocated from NWN Water to Cascadia Water using allocation factors designed to equitably allocate costs among NWN Water and its affiliates. The general corporate allocator used is a Massachusetts Formula using an average of plant, operating revenues, and payroll expense for the preceding year-ended December 31st of the affiliates.

Provided with this filing are the 2019 Form 10-K and the third quarter 2020 Form 10-Q for NW Holdings, the holding company that enables NW Natural employees to provide shared services to NWN Water and its subsidiaries, including Cascadia Water. Those publicly available documents include income statements and balance sheets for NW Holdings.

Additional Information

Please address correspondence on this matter as follows:

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Sincerely,

Cascadia Water, LLC

/s/ Culley Lehman

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Attachments

NEW-Cascadia-GRC-Checklist-12-08-2020.pdf
NEW-Cascadia-GRC-Consolidated-Trf-12-08-2020.pdf
NEW-Cascadia-GRC-Customer-Notice-12-08-2020.pdf
NEW-Cascadia-GRC-Work-Book-Bi-Monthly-12-08-2020.xlsx
NEW-Cascadia-GRC-Rate Design-12-08-2020.xlsx
NEW-Cascadia-GRC-Rate Design-12-08-2020.pdf
NEW-Cascadia-GRC-Affiliated Services-12-08-2020.xlsx
NEW-Cascadia-GRC-Affiliated Services-12-08-2020.pdf
NEW-Cascadia-GRC-NW-Holdings-2019-10-K-12-08-2020.pdf
NEW-Cascadia-GRC-NW Holdings-Q3-2020-10-Q-12-08-2020.pdf