

**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
AQUARIUS UTILITIES, L.L.C.	
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 Aquarius Utilities, L.L.C. (“Aquarius Utilities”) to Cascadia Water (“Application”). Communications regarding this Application should be addressed to the following:

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II. DISCUSSION

A. Description of the Relevant Entities.

2 Aquarius Utilities is an investor-owned water company and is a public service company subject to Commission jurisdiction. Currently owned by Gregory Roats and Woodleigh Hubbard, husband and wife, Aquarius Utilities provides water service to approximately 962 customers in or near Clallam, Kitsap and Mason Counties, Washington. A copy of the 2021

Annual Report of Aquarius Utilities to the Commission is attached to this Application as Exhibit 1. Mr. Roats and Ms. Hubbard desire to sell Aquarius Utilities to retire. Mr. Roats and Ms. Hubbard believe the sale of Aquarius Utilities to Cascadia Water is in the best interests of the community and Aquarius Utilities' customers.

3 Cascadia Water is an investor-owned water company and is a public service company subject to Commission jurisdiction.¹ Cascadia Water serves approximately 2,400 customers on three water systems on the Olympic Peninsula in both Clallam and Jefferson Counties, 12 water systems located on Whidbey Island in Island County, and one system near Moses Lake in Grant County. Cascadia Water is NW Natural Water's platform for regulated asset acquisitions in the State of Washington. A copy of the 2021 Annual Report of Cascadia Water is attached to this Application as Exhibit 5.

B. Description of the Transaction.

4 The Aquarius Utilities sale is structured as an asset purchase for cash consideration. The Asset Purchase Agreement among Cascadia Water, Aquarius Utilities, Mr. Roats and Ms. Hubbard, effective as of May 26, 2022 ("Aquarius Utilities Agreement"), is filed with this Application as Confidential Exhibit 6.² In this Application, the Aquarius Utilities sale will be referred to as the "Aquarius Utilities Transaction."

¹ 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 2021 and its Form 10-Q for the first quarter of 2022, filed with the Securities and Exchange Commission ("SEC") on February 25 and May 4, 2022, 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).

² Concurrently with the filing of this Application, Cascadia Water is filing in this proceeding its claim of confidentiality of the Aquarius Utilities Agreement, pursuant to WAC 480-07-160(4)(a).

5 After the Aquarius Utilities Transaction is complete, Aquarius Utilities will cease operating as a water company, and Cascadia Water will continue to provide water service to Aquarius Utilities’ customers. The water service to customers will not be interrupted by the transition of Aquarius Utilities’ ownership from Mr. Roats and Ms. Hubbard to Cascadia Water. Cascadia Water is proposing to amend its WN U-2 Tariff by adopting Aquarius Utilities Schedule Nos. 1 (Flat Rate Service), Schedule No. 2 (Metered Rate Service) and Schedule No. 3 (Ready to Serve Service) of Aquarius Water Services' WN U-1 Tariff (“Aquarius Utilities Tariff”), as included in this Application as Exhibit 7. Cascadia Water is adopting these Aquarius Utilities rate schedules so that customers do not experience any change in service or rates resulting from the Aquarius Utilities Transaction.

C. Applicable Legal Standard.

6 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 Aquarius Utilities, and in accordance with RCW Section 80.12.020 and WAC 480-110-555 and 480-143-120, Aquarius Utilities 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.³ The Commission also considers “the new company’s financial and managerial fitness to run the operations.”⁴

7 In this Application, Cascadia Water presents both sides of the Aquarius Utilities Transaction for review by the Commission. First, Cascadia Water provides an analysis of the

³ WAC 480-143-170.

⁴ *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)).

purchase 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 Aquarius Utilities 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, Aquarius Utilities' customers will not be harmed by, and in fact will benefit from, new ownership. Thus, Cascadia Water's acquisition of Aquarius Utilities is consistent with the public interest.

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

8 Cascadia Water's customers will not be harmed by the Aquarius Utilities Transaction, and the Aquarius Utilities 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.

9 *First*, the Aquarius Utilities 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 Aquarius Utilities Transaction is complete, Cascadia Water will continue to provide the same safe and reliable water service to its customers.

10 *Second*, the Aquarius Utilities 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 has the regulatory, financial, operational, and engineering knowledge and expertise to effectively oversee Aquarius Utilities ownership through Cascadia Water. 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 is already regulated by the Commission. For these reasons, Cascadia Water believes that its ownership of Aquarius Utilities will result in a stronger, and more financially sound water company in Washington.

E. The Sale of Aquarius Utilities Satisfies the “No Harm” Standard and Is Consistent with the Public Interest.

11 Aquarius Utilities customers will not be harmed by the Aquarius Utilities Transaction and will in fact benefit from new ownership.

12 *First*, Aquarius Utilities’ customers will experience no disruption in service and will not be harmed by the Aquarius Utilities Transaction. Aquarius Utilities will be managed by Cascadia Water, which will provide operations and management support for the water system and customer service support for the benefit of customers. After the close of the Aquarius Utilities Transaction, customers will interface with Cascadia Water for billing. To help ensure a smooth transition, Cascadia Water will send bill inserts describing the transaction. As a result of these efforts, Aquarius Utilities’ customers will experience no disruption in service and the Aquarius Utilities Transaction will be seamless for Aquarius Utilities’ customers.

13 **Second**, Aquarius Utilities’ customers will benefit from the utility industry experience of Cascadia Water. In particular, Aquarius Utilities customers will benefit from Cascadia Water’s experience and expertise in planning for, building, and maintaining safe and reliable pipeline infrastructure and in providing exemplary customer service. Aquarius Utilities 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 \$1.9 billion, and it has revolving credit facilities totaling approximately \$200 million in the aggregate. Cascadia Water, through its parent companies, will be able to provide this investment over time, therefore benefiting Aquarius Utilities customers.

14 **Third**, Aquarius Utilities’ customers will benefit from Cascadia Water’s managerial and operational support, and depth of experience with regulatory compliance.

15 **Fourth**, Aquarius Utilities’ 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 Aquarius Utilities currently effective tariff with no proposed modifications. Additionally, the Aquarius Utilities 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 Aquarius Utilities 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

16 Financial Fitness of Cascadia Water. Under the Aquarius Utilities Transaction, Cascadia Water will acquire Aquarius Utilities. NW Holdings, through NW Natural Water

and NW Natural Water of Washington, will provide funds for Cascadia Water to complete the Aquarius Utilities Transaction, and thus Cascadia Water is financially able to acquire Aquarius Utilities. (See also Exhibits 2 and 3).

17 Financial Statements. NW Holdings' Form 10-K for 2021 and Form 10-Q for the first quarter of 2022, filed with the SEC, are attached to this Application as Exhibits 2 and 3.

18 Experience in Utility Management. Aquarius Utilities will be operated by Cascadia Water, which will bring its utility expertise to Aquarius Utilities.

G. Notice to Customers

19 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 Aquarius Utilities customers at least 30 days in advance of that date. The draft Aquarius Utilities customer notice is filed with this Application as Exhibit 8.

H. Exhibits

20 The following exhibits are filed with this Application:

- Exhibit 1 – Aquarius Utilities 2021 Annual Report (includes Financial Statements)
- Exhibit 2 – NW Holdings' Form 10-K for 2021
- Exhibit 3 – NW Holdings' Form 10-Q for 1st Quarter 2022
- Confidential Exhibit 4 – Relevant Part of NW Holdings' Organizational Chart (Confidential)
- Exhibit 5 – Cascadia Water 2021 Annual Report (includes Financial Statements)
- Confidential Exhibit 6 – Aquarius Utilities Agreement (Confidential)
- Exhibit 7 – Cascadia Water's Tariff Pages Adopting Aquarius Utilities' Rate Schedules
- Exhibit 8 – Draft Aquarius Utilities Customer Notice

III. CONCLUSION

21 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 Aquarius Utilities Transaction will not harm Cascadia Water's customers and will benefit Aquarius Utilities' customers. Accordingly, the Aquarius Utilities Transaction is consistent with the public interest.

Respectfully submitted this 24th day of June 2022.

CASCADIA WATER, LLC

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