

**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
PEDERSEN FAMILY, LLC	
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 Pedersen Family, LLC (“Pedersen”) 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 Pedersen is an investor-owned water company and is a public service company subject to Commission jurisdiction. Currently owned by Jeff Pedersen, Pedersen provides water service to approximately 230 customers in or near Sequim in Clallam County. A copy of the 2021 Annual Report of Pedersen to the Commission is attached to this Application as Exhibit

1. Mr. Pedersen desires to sell Pedersen to exit the business. Mr. Pedersen believes the sale of Pedersen to Cascadia Water is in the best interests of the community and Pedersen’s 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 3,850 customers on 14 water systems in Island County; 4 water systems in Skagit County; 3 water systems in Clallam County; 2 systems in both Snohomish and Kitsap Counties; and single systems in Jefferson, Grant, and Mason Counties. 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 Pedersen sale is structured as an asset purchase for cash consideration. The Asset Purchase Agreement among Cascadia Water, Pedersen Family, LLC, and Mr. Pedersen, effective as of October 26, 2022 (“Pedersen Agreement”),² is filed with this Application as

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 third quarter of 2022, filed with the Securities and Exchange Commission (“SEC”) on February 25 and November 8, 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 Another party to the Pedersen Agreement, Cascadia Infrastructure, LLC (“Infrastructure”), is acquiring Pedersen’s wastewater business, which is not regulated by the Commission. At this time, Cascadia Water does not contemplate any affiliated interest arrangements with Infrastructure associated with the Pedersen Transaction. Should such arrangements become contemplated, Cascadia Water will file a draft of a related affiliated interest agreement with the Commission in regard to RCW Section 80.16.020 and WAC 480-110-545.

Confidential Exhibit 6.³ In this Application, the Pedersen sale will be referred to as the “Pedersen Transaction.”

5 After the Pedersen Transaction is complete, Pedersen will cease operating as a water company, and Cascadia Water will continue to provide water service to Pedersen’s customers. The water service to customers will not be interrupted by the transition of Pedersen’s ownership from Mr. Pedersen to Cascadia Water. Cascadia Water is proposing to amend its WN U-2 Tariff by adopting Pedersen Schedule Nos. 1 (Non-Metered Rate Service), Schedule No. 2 (Metered Rate Service) and Schedule No. 3 (Ready to Serve Service) of Pedersen’s WN U-3 Tariff, as included in this Application as Exhibit 7. Cascadia Water is adopting these Pedersen rate schedules so that customers do not experience any change in service or rates resulting from the Pedersen 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 Pedersen, and in accordance with RCW Section 80.12.020 and WAC 480-110-555 and 480-143-120, Pedersen 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.⁴ The Commission also considers “the new company’s financial and managerial fitness to run the operations.”⁵

³ Concurrently with the filing of this Application, Cascadia Water is filing in this proceeding its claim of confidentiality of the Pedersen Agreement, pursuant to WAC 480-07-160(4)(a).

⁴ WAC 480-143-170.

⁵ *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)).

7 In this Application, Cascadia Water presents both sides of the Pedersen Transaction for review by the Commission. First, Cascadia Water provides an analysis of the 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 Pedersen 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, Pedersen’s customers will not be harmed by, and in fact will benefit from, new ownership. Thus, Cascadia Water’s acquisition of Pedersen is consistent with the public interest.

D. Cascadia Water’s Acquisition of Pedersen Satisfies the “No Harm” Standard and Is Consistent with the Public Interest.

8 Cascadia Water’s customers will not be harmed by the Pedersen Transaction, and the Pedersen 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 Pedersen 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 Pedersen Transaction is complete, Cascadia Water will continue to provide the same safe and reliable water service to its customers.

10 *Second*, the Pedersen 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 Pedersen 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 Pedersen will result in a stronger, and more financially sound water company in Washington.

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

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

12 *First*, Pedersen customers will experience no disruption in service and will not be harmed by the Pedersen Transaction. Pedersen 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 Pedersen 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, Pedersen’s customers will experience no disruption in service and the Pedersen Transaction will be seamless for Pedersen’s customers.

13 **Second**, Pedersen’s customers will benefit from the utility industry experience of Cascadia Water. In particular, Pedersen’s 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. Pedersen 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 \$1.7 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 Pedersen customers.

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

15 **Fourth**, Pedersen’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 Pedersen’s currently effective tariff with no proposed modifications. Additionally, the Pedersen 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 Pedersen 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 Pedersen Transaction, Cascadia Water will acquire Pedersen. NW Holdings, through NW Natural Water and NW Natural Water of

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

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

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

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

H. Exhibits

20 The following exhibits are filed with this Application:

- Exhibit 1 – Pedersen Utilities 2021 Annual Report (includes Financial Statements)
- Exhibit 2 – NW Holdings' Form 10-K for 2021
- Exhibit 3 – NW Holdings' Form 10-Q for 3rd 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 – Pedersen Agreement (Confidential)
- Exhibit 7 – Cascadia Water's Tariff Pages Adopting Pedersen's Rate Schedules
- Exhibit 8 – Draft Pedersen 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 Pedersen Transaction will not harm Cascadia Water's customers and will benefit Pedersen's customers. Accordingly, the Pedersen Transaction is consistent with the public interest.

Respectfully submitted this 30th day of November 2022.

CASCADIA WATER, LLC

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