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February 29, 2024

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

Re: General Rate Proceeding Filing

Dear Mr. Killip,

Cascadia Water, LLC (“Cascadia Water” or the “Company”)<sup>1</sup> 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 Company is requesting to make new rates effective June 1, 2024, that will reflect additional revenue of \$1,788,793, an incremental increase of 75%. The filing includes:

- This filing letter;
- Cascadia Water’s new Tariff, WN U-3, superseding and cancelling the Company’s current Tariff WN U-2, effective June 1, 2024;
- The Company’s completed Commission General Rate Case (“GRC”) checklist;
- The Company’s completed GRC workbooks;
- Work papers, including rate design determination, documents containing applicable income statements and balance sheets, and affiliated interest services costs; and
- Customer Notice.

### Background

Cascadia Water currently serves approximately 4,000 connections across the state of Washington. It is headquartered on Whidbey Island with a satellite office in Poulsbo. Cascadia Water’s last general rate proceeding was filed on December 8, 2020.<sup>2</sup> Per the Commission’s order, the increase in revenue requirement for that rate case was separated into two different rate structures. The first rate structure was for customers served by the Company’s Olympic Peninsula system (“Peninsula System”). The second rate structure was for customers served by the Company’s Island County system (“Island System”).<sup>3</sup>

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<sup>1</sup> 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 in Schedule 5.4 of NW Holdings’ attached Form 10-K for calendar year 2023.

<sup>2</sup> *Wash. Util. & Trans. Comm’n v. Cascadia Water, LLC*, Docket UW-200979, Order 01, (June 28, 2021).

<sup>3</sup> *Id.*

Previously, Cascadia Water had separate rate structures for each individual system it acquired since its formation in 2018.<sup>4</sup>

Since its last general rate proceeding, Cascadia Water has continued to expand. In September 2021, Cascadia Water acquired the assets of Discovery Bay Village Water, Inc. (“Discovery Bay”), a system in Discovery Bay, Washington, on the Olympic Peninsula.<sup>5</sup> In August 2021, the Commission approved Cascadia Water’s acquisition of the assets of Pelican Point Water Company (“Pelican Point”), a system serving customers near Moses Lake in Grant County.<sup>6</sup> In July 2022, the Commission approved Cascadia Water’s acquisition of the assets of Northwest Water Services, LLC (“Northwest Water Services”), a system serving customers in portions of Skagit, Snohomish and Island Counties,<sup>7</sup> and Cascadia Water’s acquisition of the assets of Aquarius Utilities, LLC (“Aquarius”), a system serving customers in Clallam, Kitsap, and Mason Counties.<sup>8</sup> Finally, in January 2023, the Commission approved Cascadia Water’s acquisition of the assets of Pedersen Family, LLC (“Pedersen”), a system serving customers in Sequim in Clallam County.<sup>9</sup> Each of these newly acquired systems currently has its own rates and rate structures.

In this general rate proceeding, Cascadia Water proposes to maintain separate rate structures for its Peninsula System, and for its Island system that now includes portions of Skagit and Snohomish Counties (“Island/Mainland System”). Based on the geographic location of each system it has acquired since its last general rate proceeding, the Company proposes to consolidate the Discovery Bay, Aquarius and Pedersen systems into its Peninsula System rate structure, and to consolidate the Northwest Water Services system into its Island/Mainland System rate structure. Cascadia Water believes that the incremental consolidation of newly added systems will provide long-term benefits for all of its customers by developing larger customer bases from the very fractured nature of small water systems in Washington. For purposes of this proceeding, the Company proposes to maintain a separate rate structure for the Pelican Point system (“Pelican Point System”), which is located across the Cascade Mountains near Moses Lake and its proposed rates do not align with either the Peninsula System or Island/Mainland System rate structures for consolidation at this time.

Except for the Pelican Point System, revising and consolidating the rates and rate structures of these newly acquired systems is appropriate not only due to their geographic location. In addition, the existing rates and rate structures became effective more than seven years ago for Aquarius (Docket UW-160337), more than four years ago for Northwest Water Systems (Docket UW-190798), about three years ago for Pedersen (Docket UW-210123) and were never under the jurisdiction of the Commission for Discovery Bay.

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<sup>4</sup> 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); Docket UW-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).

<sup>5</sup> Docket UW-210763, *Tariff filing to update service area and add Discovery Bay Water System to include new tariff page with existing rates and service connection charges* (tariff allowed to go into effect without Commission action on October 14, 2021).

<sup>6</sup> Docket UW-210564, *In the Matter of the Application of Pelican Point Water Co., Applicant, for the Sale and Transfer of Assets to Cascadia Water, LLC*, Order 01 (served August 26, 2021).

<sup>7</sup> Docket UW-220425, *In the Matter of the Application of Northwest Water Services, LLC, Applicant, for the Sale and Transfer of Assets to Cascadia Water, LLC*, Order 01 (served July 14, 2022).

<sup>8</sup> Docket UW-220469, *In the Matter of the Application of Aquarius Utilities, LLC's, Applicant, for the Sale and Transfer of Assets to Cascadia Water, LLC*, Order 01 (served July 28, 2022).

<sup>9</sup> Docket UW-220900, *In the Matter of the Application of Pedersen Family, LLC, Applicant, For the Sale and Transfer of Assets to Cascadia Water, LLC, Order 01* (served January 12, 2023).

Revising and consolidating rates and rate structures in this manner 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 each rate structure.

#### Purpose of General Rate Proceeding Filing

The purpose of this filing is to recover costs associated with water service on the Company's rate tariff 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 prior general rate proceeding, Cascadia Water has prudently managed its operating expenses. Many of these expenses have nonetheless increased due to high inflation that is beyond the Company's control. Cascadia Water has also made substantial investment system-wide and completed several key infrastructure projects that enhance service for the benefit of its customers. To date, this includes:

- Continuing to install standby generators on most systems to minimize service disruptions due to power outages, often experienced by residents during the winter storm season and to add resiliency in case of natural disasters.
- Continuing to install SCADA (telemetry) systems, which allow our operators to view and monitor the water systems in real time and is critical to ensuring safe and reliable system operations. This also gives advance warning to operators and allows the ability to respond effectively to issues before they become outages.
- Installing new submersible pumps, booster pumps, pressure tanks, and control boxes throughout several well sites, helping to ensure reliable water delivery to our customers.
- Ongoing meter replacement to allow us to more accurately track the water that is pumped throughout the system, which in effect helps prevent unnecessary leakage, and provides the ability to read meters remotely.
- Upgrading the CAL Waterworks system (Island) pumphouse, including electrical and pump upgrades, and completing a system loop which provides fire flow.
- Consolidating the Del Bay system (Island) into a larger, more reliable gravity feed system, which also provides fire flow.
- Replacing two pressure reducing valves to achieve constant pressure and increase flow on the WB Waterworks system (Island).
- Extending the main line on the Bacus Road system (Mainland) over a culvert/creek crossing.
- Installing chlorine analyzers on the Pelican Point system, which helps streamline chlorine levels and cut down operational costs.

The Company also is undertaking other key infrastructure projects, which include:

- Installing a new above-ground reservoir on the Estates system (Peninsula) to replace the old below-ground reservoir that is leaking and experiencing root infiltration. This will improve water quality by removing manganese, iron, and some arsenic through process. Also installing new booster pumps to improve constant system pressure and more robust fire flow capability throughout the system.
- Installing a new reservoir on the WB Waterworks system (Island) to replace leaking reservoirs and add capacity to the system, as well as a filter plant to ensure water quality, removing manganese, iron and arsenic through process.

- Installing disinfection on the Rolf Bruun system (Mainland) due to persistent water quality issues, as well as the addition of a second booster pump to maintain constant system pressure.
- Preparing for a new well to come online for the Sea View system (Island).

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-3 tariff, effective June 1, 2024,<sup>10</sup> is fair, just, and reasonable.

Description of Filing and Requested Rate Change

As summarized above, Cascadia Water seeks recovery of its investments that are critical in maintaining safe, adequate, and reliable water service for its customers served under its Island/Mainland, Peninsula and Pelican Point rate structures, as well as recovering incremental operating costs that have increased due to high inflation. Although this rate request is significant, it is necessary given the investments and expenses it must incur to continue to provide this essential service to customers.

Cascadia Water’s proposed rates and rate structure, and the resulting average monthly bill impact, for its Island/Mainland System are as follows:

**Island/Mainland System Proposed Rates (effective June 1, 2024)**

Meter Size <sup>11</sup>	Base Rate (mo.)	1 <sup>st</sup> Block Size (cu. ft.)	1 <sup>st</sup> Block Rate <sup>12</sup>	2 <sup>nd</sup> Block Size (cu. ft.)	2 <sup>nd</sup> Block Rate	3 <sup>rd</sup> Block Size (cu. ft.)	3 <sup>rd</sup> Block Rate
5/8” or 3/4”	\$56.00	0-500	\$5.52	501-1,000	\$8.72	Over 1,000	\$11.04
1”	\$112.00	0-1,250	\$5.52	1,251-2,500	\$8.72	Over 2,500	\$11.04
2”	\$448.00	0-4,000	\$5.52	4,001-8,000	\$8.72	Over 8,000	\$11.04
<b>Unmetered<sup>13</sup></b>	\$89.60						
<b>Ready to Serve<sup>14</sup></b>	\$56.00						

<sup>10</sup> 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 June 1, 2024. 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 and Public Counsel about Staff’s findings and ultimately reach an agreed-upon revenue requirement and rate design that will become effective by operation of law on June 1, 2024.

<sup>11</sup> “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).

<sup>12</sup> 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.

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

<sup>14</sup> Includes Skagit River Colony. “Ready to Serve” means Ready To Serve Service (Rate Schedule No. 3).

**Island/Mainland System (for Sea View/Lehman/Del Bay) – Average Monthly Bill Impact from Proposed Rates (effective June 1, 2024)**

Meter Size	Avg. Bill -- Current	Avg. Bill -- Proposed	Dollar Increase	Percentage Increase
5/8"	\$49.81	\$103.28	\$53.47	107%
1"	\$161.55	\$329.13	\$167.59	104%
2"	1,017.34	\$2,371.83	\$1,354.49	133%

**Island/Mainland System (for Northwest Water Services) – Average Monthly Bill Impact from Proposed Rates (effective June 1, 2024)**

Meter Size	Avg. Bill -- Current	Avg. Bill -- Proposed	Dollar Increase	Percentage Increase
3/4"	\$56.72	\$104.41	\$47.69	84%
1"	\$71.79	\$112.52	\$40.73	57%

This increase in rates reflects substantial upgrades to Cascadia Water’s Island/Mainland System since its previous general rate proceeding. These include CAL pumphouse upgrades to increase pressure and hydraulic capability on Whidbey Island, as well as installing back-up generation and SCADA at Cedarheath, Silver Lake, and Lake Alyson, among other projects.

Cascadia Water’s proposed rates and rate structure, and the resulting average monthly bill impact for its Peninsula System are as follows:

**Peninsula System Proposed Rates (effective June 1, 2024)**

Meter Size <sup>15</sup>	Base Rate (mo.)	1 <sup>st</sup> Block Size (cu. ft.)	1 <sup>st</sup> Block Rate <sup>16</sup>	2 <sup>nd</sup> Block Size (cu. ft.)	2 <sup>nd</sup> Block Rate	3 <sup>rd</sup> Block Size (cu. ft.)	3 <sup>rd</sup> Block Rate
5/8" or 3/4"	\$44.00	0-500	\$2.83	501-1,000	\$4.47	Over 1,000	\$5.66
1"	\$88.00	0-1,250	\$2.83	1,251-2,500	\$4.47	Over 2,500	\$5.66
2"	\$352.00	0-4,000	\$2.83	4,001-8,000	\$4.47	Over 8,000	\$5.66
<b>Unmetered<sup>17</sup></b>	\$70.40						
<b>Ready to Serve<sup>18</sup></b>	\$44.00						

<sup>15</sup> “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).

<sup>16</sup> 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.

<sup>17</sup> “Unmetered” means Non-Metered Flat Rate Service (Rate Schedule No. 1).

<sup>18</sup> “Ready to Serve” means Ready To Serve Service (Rate Schedule No. 3).

**Peninsula System (for Estates/Monterra)– Average Monthly Bill Impact from Proposed Rates (effective June 1, 2024)**

<b>Meter Size</b>	<b>Avg. Bill -- Current</b>	<b>Avg. Bill -- Proposed</b>	<b>Dollar Increase</b>	<b>Percentage Increase</b>
5/8"	\$39.55	\$76.71	\$37.16	94%
2"	\$325.50	\$658.22	\$332.72	102%

**Peninsula System (for Discovery Bay) – Average Monthly Bill Impact from Proposed Rates (effective June 1, 2024)**

<b>Meter Size</b>	<b>Avg. Bill -- Current</b>	<b>Avg. Bill -- Proposed</b>	<b>Dollar Increase</b>	<b>Percentage Increase</b>
5/8"	\$48.58	\$65.51	\$16.92	35%
2"	\$67.13	\$69.54	\$2.41	4%

**Peninsula System (for Aquarius) – Average Monthly Bill Impact from Proposed Rates (effective June 1, 2024)**

<b>Meter Size</b>	<b>Avg. Bill -- Current</b>	<b>Avg. Bill -- Proposed</b>	<b>Dollar Increase</b>	<b>Percentage Increase</b>
3/4"	\$49.33	\$61.40	\$12.07	24%
1"	\$85.94	\$128.55	\$42.61	50%

**Peninsula System (for Pedersen) – Average Monthly Bill Impact from Proposed Rates (effective June 1, 2024)**

<b>Meter Size</b>	<b>Avg. Bill -- Current</b>	<b>Avg. Bill -- Proposed</b>	<b>Dollar Increase</b>	<b>Percentage Increase</b>
3/4"	\$38.67	\$63.76	\$25.08	65%

The proposed increase in rates is to recover substantial upgrades made to the Peninsula System, including the booster and reservation project on the Estates water system that is necessary to continue to provide safe and reliable service, as well as installing back-up generation and SCADA at Diamond Point, Lynch Cove, Island Lake, Agate West, Discovery Bay, Estates, and Monterra, among other projects.

Cascadia Water’s proposed rates and rate structure, and the resulting average monthly bill impact for its Pelican Point System are as follows:

**Pelican Point System Proposed Rates (effective June 1, 2024)**

Meter Size <sup>19</sup>	Base Rate (mo.)	1 <sup>st</sup> Block Size (cu. ft.)	1 <sup>st</sup> Block Rate <sup>20</sup>	2 <sup>nd</sup> Block Size (cu. ft.)	2 <sup>nd</sup> Block Rate	3 <sup>rd</sup> Block Size (cu. ft.)	3 <sup>rd</sup> Block Rate
5/8" or 3/4"	\$51.00	0-900	\$0.68	901-5,500	\$1.20	Over 5,500	\$2.00
1"	\$51.00	0-900	\$0.68	901-5,500	\$1.20	Over 5,500	\$2.00
2"	\$51.00	0-900	\$0.68	901-5,500	\$1.20	Over 5,500	\$2.00
<b>Unmetered<sup>21</sup></b>	\$81.60						
<b>Ready to Serve<sup>22</sup></b>	\$51.00						

**Pelican Point System – Average Monthly Bill Impact for Proposed Rates (effective June 1, 2024)**

Meter Size	Avg. Bill - Current	Avg. Bill -- Proposed	Dollar Increase	Percentage Increase
5/8" or 3/4"	\$43.95	\$84.27	\$40.32	92%
1"	\$43.43	\$82.07	\$38.64	89%
2"	\$62.23	\$126.43	\$64.20	103%

Cascadia Water’s Proposed New Consolidated Tariff, WN U-3

The Company is filing its proposed new consolidated tariff, WN U-3, electronically, so the tariff sheets are being submitted without a “wet” signature. The Company is proposing a clean version of its new tariff WN U-3, as well as a redlined version showing revisions to its to-be-cancelled tariff WN U-2. The redlined versions update the rates and rate structures, consolidate systems consistent with this cover letter and conform to the Generic Tariff on the Commission’s website (dated September 2023). 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 2023 operations.<sup>23</sup>

<sup>19</sup> “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).

<sup>20</sup> 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.

<sup>21</sup> “Unmetered” means Non-Metered Flat Rate Service (Rate Schedule No. 1).

<sup>22</sup> “Ready to Serve” means Ready To Serve Service (Rate Schedule No. 3).

<sup>23</sup> Cascadia Water submits this claim of confidentiality pursuant to WAC 480-07-160(4)(a) in connection with confidential information contained in the shared services workpaper, NEW-Cascadia-GRC-Affiliated-Services-02-28-2024 (C). That workpaper discloses certain information that is confidential and constitutes “valuable commercial information” as defined by WAC 480-07-160(2) and is protected under WAC 480-07-160 and RCW Section 80.04.095. The specific confidential information that Cascadia Water disclosed is: (1) specific wages and benefits information.

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 Method using an average of plant, operating revenues, and payroll expense by affiliate for the preceding year-ended December 31st.

Provided with this filing are the 2023 Form 10-K for NW Holdings, the holding company that enables NW Natural employees to provide shared services to NWN Water and its subsidiaries, including Cascadia Water. That publicly available document includes income statements and balance sheets for NW Holdings.

### PFAS

Last year, the Commission granted Cascadia Water deferred accounting treatment for the monitoring, testing, and possible implementation of capital improvements or other mitigation measures to ensure public health and safety due to per- and polyfluoroalkyl substances (“PFAS”).<sup>24</sup> PFAS are a group of man-made chemicals that includes PFOA, PFOS, GenX, and many other chemicals. PFAS have been manufactured and used in a variety of industries around the globe, including in the United States since the 1940s. There is evidence that exposure to PFAS can lead to adverse human health effects.

Cascadia Water has begun its testing with systems located nearest to known PFAS hotspots. Of these ten systems (nine in Island County and the Estates system on the Peninsula System), there has been no PFAS detected.<sup>25</sup>

### Additional Information

Please address correspondence on this matter as follows:

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<sup>24</sup> Docket UW-230784, *In the Matter of the Application of Cascadia Water, For an Accounting Order Authorizing Deferred Accounting Treatment for Testing and Mitigation of PFAS Substances*, Order 01 (served Oct. 12, 2023).

<sup>25</sup> One system falsely tested equal to the limit; however, a follow-up sample accurately reported that PFAS was not detected.



Cascadia Water, LLC Rate Case and New Tariff

February 29, 2024

Page 9

Sincerely,

Cascadia Water, LLC

/s/ Culley Lehman

Culley Lehman

General Manager

Cascadia Water, LLC

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Freeland, WA 98249

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Attachments

NEW-Cascadia-GRC-Checklist-02-29-2024

NEW-Cascadia-GRC-Consolidated-Trf-REDLINED-02-29-2024

NEW-Cascadia-GRC-Consolidated-Trf-CLEAN-02-29-2024

NEW-Cascadia-GRC-Customer-Notice-02-29-2024

NEW-Cascadia-GRC-Work-Book-Pelican-Point-02-29-2024

NEW-Cascadia-GRC-Work-Book-Cascadia-Western-Systems-02-29-2024

NEW-Cascadia-GRC-Affiliated Services-02-29-2024 (C)

NEW-Cascadia-GRC-Affiliated Services-02-29-2024 (R)

NEW-Cascadia-GRC-NW-Holdings-2023-10-K-02-29-2024