

**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
NORTHWEST WATER SERVICES, 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 Northwest Water
Services, LLC (“Northwest Water Services”) to Cascadia Water (“Application”).

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

Eric W. Nelsen
NW Natural
250 SW Taylor Street
Portland OR 97204
Telephone: 503.610.7618
Email: eric.nelsen@nwnatural.com

Culley Lehman
General Manager
Cascadia Water, LLC
18181 SR 525, PO Box 549
Freeland, WA 98249
Telephone: 360.331.7388
Email: culley@cascadiawater.com

II. DISCUSSION

A. Description of the Relevant Entities.

3 Northwest Water Services is an investor-owned water company and is a public service
company subject to Commission jurisdiction. Currently owned by Kelly Wynn, Northwest
Water Services provides water service to approximately 450 residential customers near Mount
Vernon, Washington. A copy of the 2021 Annual Report of Northwest Water Services to the

Commission is attached to this Application as Exhibit 1. Mr. Wynn desires to sell Northwest Water Services to focus on contracting and consulting business. Mr. Wynn believes the sale of Northwest Water Services to Cascadia Water is in the best interests of the community and Northwest Water Services' customers.

4 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, 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 2021 Annual Report of Cascadia Water is attached to this Application as Exhibit 5.

B. Description of the Transaction.

5 The Northwest Water Services sale is structured as an asset purchase for cash consideration. The Asset Purchase Agreement among Cascadia Water, Northwest Water Services and Mr. Wynn, effective as of May 12, 2022 ("Northwest Water Services Agreement"), is filed with this Application as Confidential Exhibit 6.² In this Application, the Northwest Water Services sale will be referred to as the "Northwest Water Services 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 Northwest Water Services Agreement, pursuant to WAC 480-07-160(4)(a).

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After the Northwest Water Services Transaction is complete, Northwest Water Services will cease operating as a water company, and Cascadia Water will continue to provide water service to Northwest Water Services' customers. The water service to customers will not be interrupted by the transition of Northwest Water Services' ownership from Mr. Wynn to Cascadia Water. Cascadia Water is proposing to amend its WN U-2 Tariff by adopting Northwest Water Service Schedule Nos. 1 (Non-Metered Rate Service), Schedule No. 1.5 (Non-Metered Rate Service Skagit River Colony), Schedule No. 2 (Metered Rate Service) and Schedule No. 3 Ready to Serve Service of Northwest Water Services' WN U-3 Tariff ("Northwest Water Services Tariff"), as included in this Application as Exhibit 7. Cascadia Water is adopting these Northwest Water Services rate schedules so that customers do not experience any change in service or rates resulting from the Northwest Water Services Transaction.

C. Applicable Legal Standard.

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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 Northwest Water Services, and in accordance with RCW Section 80.12.020 and WAC 480-110-555 and 480-143-120, Northwest Water Services 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

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)).

8 In this Application, Cascadia Water presents both sides of the Northwest Water Services 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 Northwest Water Services 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, Northwest Water Services' customers will not be harmed by, and in fact will benefit from, new ownership. Thus, Cascadia Water’s acquisition of Northwest Water Services is consistent with the public interest.

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

9 Cascadia Water’s customers will not be harmed by the Northwest Water Services Transaction, and the Northwest Water Services 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.

10 *First*, the Northwest Water Services 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 Northwest Water Services Transaction is complete, Cascadia Water will continue to provide the same safe and reliable water service to its customers.

11 **Second**, the Northwest Water Services 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 Northwest Water Services' 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 Northwest Water Services will result in a stronger, and more financially sound water company in Washington.

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

12 Northwest Water Services' customers will not be harmed by the Northwest Water Services Transaction, and will in fact benefit from new ownership.

13 **First**, Northwest Water Services' customers will experience no disruption in service and will not be harmed by the Northwest Water Services Transaction. Northwest Water Services 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 Northwest Water Services 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, Northwest Water Services' customers will experience no disruption in service and the Northwest Water Services Transaction will be seamless for Northwest Water Services' customers.

14 **Second,** Northwest Water Services' customers will benefit from the utility industry experience of Cascadia Water. In particular, Northwest Water Services' 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. Northwest Water Services 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 Northwest Water Services' customers.

15 **Third,** Northwest Water Services' customers will benefit from Cascadia Water's managerial and operational support, and depth of experience with regulatory compliance.

16 **Fourth,** Northwest Water Services' 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 Northwest Water Services' currently effective tariff with no proposed modifications. Additionally, the Northwest Water Services 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 Northwest Water Services 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

17 Financial Fitness of Cascadia Water. Under the Northwest Water Services Transaction, Cascadia Water will acquire Northwest Water Services. NW Holdings, through NW Natural Water and NW Natural Water of Washington, will provide funds for Cascadia Water to complete the Northwest Water Services Transaction, and thus Cascadia Water is financially able to acquire Northwest Water Services. (See also Exhibits 2 and 3).

18 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.

19 Experience in Utility Management. Northwest Water Services will be operated by Cascadia Water, which will bring its utility expertise to Northwest Water Services.

G. Notice to Customers

20 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 Northwest Water Services' customers at least 30 days in advance of that date. The draft Northwest Water Services customer notice is filed with this Application as Exhibit 8.

H. Exhibits

21 The following exhibits are filed with this Application:

- Exhibit 1 – Northwest Water Services 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 – Northwest Water Services Agreement (Confidential)
- Exhibit 7 – Cascadia Water’s Tariff Pages Adopting Northwest Water Services’ Rate Schedules
- Exhibit 8 – Draft Northwest Water Services Customer Notice

III. CONCLUSION

22 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 Northwest Water Services Transaction will not harm Cascadia Water’s customers and will benefit Northwest Water Services’ customers. Accordingly, the Northwest Water Services Transaction is consistent with the public interest.

Respectfully submitted this 8th day of June 2022.

CASCADIA WATER, LLC

/s/ Eric W. Nelsen

Eric W. Nelsen
 NW Natural
 250 SW Taylor Street
 Portland OR 97204
 Telephone: 503.610.7618
 Email: eric.nelsen@nwnatural.com