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Sep 26, 2024

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September 26, 2024

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

**Re: Docket UW-240151, Washington Utilities and Transportation Commission, Complainant,  
v. Cascadia Water, LLC, Respondent. Company Filing**

Dear Mr. Killip,

Cascadia Water, LLC (“Cascadia Water” or the “Company”) hereby files the Direct Testimony, Exhibits and Workpapers of Matthew J. Rowell and the Direct Testimony and Exhibits of Culley J. Lehman, in accordance with Order 02 entered by the Washington Utilities and Transportation Commission (“Commission”) in this docket on September 11, 2024.

Background

On February 29, 2024, Cascadia Water filed with the Commission tariff revisions that would generate additional revenue of \$1,788,793, an incremental increase of 75 percent, with an effective date of June 1, 2024. The Company filed to keep rates separate for its Island/Mainland System, Peninsula System and Pelican Point System.

On March 26, 2024, the Public Counsel Unit of the Washington Attorney General’s Office (“Public Counsel”) filed its notice of appearance in this docket. On April 16, 2024, the Water Consumer Advocates of Olympic Peninsula (“WCAOP”) filed its notice of appearance in this docket. On April 25, 2024, Staff of the Commission (“Staff”) filed its notice of appearance in this docket.

On April 19, 2024, WCAOP submitted a motion through counsel to either continue the proceeding for at least ninety (90) days, or in the alternative, suspend the tariff revisions and set the matter for adjudication.

On May 13, 2024, Cascadia Water filed a letter extending the effective date of the tariff sheets in this docket by 30 days to July 1, 2024, to allow Staff and the Company the time needed to

complete the filing review, to enable the Public Counsel sufficient time to review the filing, and to provide time for Cascadia Water and Staff to schedule additional virtual customer outreach meetings with all of Cascadia Water's customers, including those of WCAOP.

On June 26, 2024, the Company filed a replacement tariff sheet. On June 27, 2024, Staff filed its Open Meeting Memo for the June 27, 2024 Open Meeting. The Staff Open Meeting Memo recommended that the Commission take no action, thereby allowing tariff pages filed by Cascadia Water on February 29, 2024, and revised on June 26, 2024, to become effective July 1, 2024, by operation of law, as Staff's review found the submitted rates to be fair, just, reasonable, and sufficient.

The Commission held its Open Meeting on June 27, 2024. The Commission entered Order 01 in this docket on June 28, 2024. Order 01 suspended the tariff revisions that Cascadia Water filed on February 29, 2024, and set the matter for adjudication.

On July 9, 2024, Water Consumer Advocates of Washington ("WCAOW") filed a petition to intervene in this docket. On July 16, 2024, the Commission issued a Notice of Prehearing Conference in this docket, set for August 21, 2024. On August 18, 2024, "Representatives of Water Consumer Advocates of Washington" filed their notice of appearance on behalf of WCAOW in this docket. Cascadia Water filed a response to that petition to intervene on August 19, 2024.

The Commission convened a virtual prehearing conference on August 21, 2024, before Administrative Law Judge ("ALJ") M. Hayley Callahan. The Commission, by ALJ Callahan, issued the above-referenced Order 02 on September 11, 2024. ALJ Callahan granted WCAOP counsel's motion to withdraw at the prehearing conference.<sup>1</sup> ALJ Callahan also granted the petition to intervene of WCAOW ("Intervenor") "subject to the condition that the Intervenor will not expand the issues of this proceeding, i.e. will not attempt to expand the issues beyond those that are identified in the initial filing dated April 19, 2024, and the complaint dated June 28, 2024."<sup>2</sup> Further, the ALJ "took Public Counsel's advisement that the individuals named in the petition to intervene shall only participate in this proceeding as an organized group i.e., the Intervenor."<sup>3</sup> The ALJ also granted Staff's motion to assign a mediator to this proceeding, noting that the Commission "supports the informal settlement of matters before it."<sup>4</sup> In addition, Order 02 directed that "discovery will be immediately available to the parties and shall be conducted under the Commission's discovery rules, Washington Administrative Code (WAC) 480-07-400 – 425" in order "to facilitate an efficient resolution of this matter."<sup>5</sup> Order 02 also adopted the proposed procedural schedule presented by the parties before the prehearing conference, attached as Appendix B to Order 02.<sup>6</sup>

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<sup>1</sup> Docket UW-240151, Order 02, p. 4.

<sup>2</sup> *Id.*

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

<sup>4</sup> *Id.* (noting that the Commission "will select an individual as the mediator for this matter and will issue a notice assigning that individual as the mediator subsequently").

<sup>5</sup> *Id.* at 4-5 (noting that the Commission "urges the parties to work cooperatively together to avoid having to bring discovery matters forward for formal resolution").

<sup>6</sup> *Id.* at 5.

On September 12, 2024, the Commission, by ALJ Callahan, issued Order 03, the Protective Order, in this docket. On September 13, 2024, the Commission issued a notice of Errata Correcting Appendix A and B of Order 02. Confidentiality agreements executed by the Public Counsel, Staff, the Intervenor and the Company were filed between September 18 and 23, 2024.

### Executive Summary of Company Filing

The Company files the Direct Testimony, Exhibits and Workpapers of Matthew J. Rowell and the Direct Testimony and Exhibits of Culley J. Lehman.

Mr. Rowell is the Manager of Water Rates and Regulatory Affairs of Northwest Natural Gas Company dba NW Natural, an affiliate of Cascadia Water. Mr. Rowell's Direct Testimony, Exhibit MJR-1T, describes his over 20 years of experience in utility rate regulation, as further presented in his curriculum vitae provided as Exhibit MJR-2. Mr. Rowell's Direct Testimony addresses the following topics: Rate case schedules including rate base, income statements, and billing data; pro forma adjustments to rate base, revenue, and expenses (including rate case expense); computation of the revenue requirement; rate design and rate consolidation; benefits of utility acquisitions and their relation to rates; and cost of capital, including cost of debt, capital structure, and cost of equity.

Mr. Lehman is the General Manager of Cascadia Water, and a certified Water Distribution Manager level 2, Water Treatment Plant Operator level 2 and Cross Connection Control Specialist, among other qualifications. Mr. Lehman's Direct Testimony, Exhibit CJL-1T, describes his over 20 years of experience operating the Company's water systems. Mr. Lehman's Direct Testimony provides background information about Cascadia Water, its acquisitions and its approach to customer service, and describes in detail the capital investments that are included as plant in this rate case and why those investments were prudently incurred and necessary for Cascadia Water to continue to deliver safe and adequate drinking water to its customers. Mr. Lehman also describes Cascadia Water's approach to being a regulated utility and working with its regulators, especially the Commission, Washington State Department of Health and Washington State Department of Ecology.

Mr. Rowell's Direct Testimony, Exhibit MJR-7, and Workpapers identify the need for additional revenue of \$1,818,611; however, as the Company's filing on February 29, 2024, would have generated additional revenue of \$1,788,793, Cascadia Water proposes to forgo for the purposes of this rate case any revenue in excess of the originally requested revenue requirement related to each system that generated the proposed rates about which the Company provided notice to its customers of the Island/Mainland System, the Peninsula System and the Pelican Point System on March 14, 2024. By doing so, the Company is honoring the proposed rates that it noticed to customers, even though the Company's cost to serve its customers has increased with the passage of time during this extended proceeding. Table 1, below, shows the impact of this proposal.

**TABLE 1**

<b>(in \$)</b>	<b>Test Year Revenue</b>	<b>Revenue Increase</b>	<b>Revenue Requirement</b>	<b>Revenue Requirement Capped by Filing</b>	<b>Foregone Revenue</b>
Island System	1,035,375	960,113	1,995,488	2,057,680	NA
Peninsula System	1,051,471	568,252	1,619,723	1,547,253	(72,470)
Pelican Point System	294,299	290,246	584,545	565,003	(19,542)

Specifically, the Company proposes to forgo (as related to the revised supported revenue requirement) for the purposes of this rate case \$72,470 of annual revenue for the Peninsula System and \$19,542 of annual revenue for the Pelican Point System. Also, the Company proposes the lesser updated revenue increase of \$960,113 rather than the initially proposed \$1,035,375 revenue increase for the Island System. In the event that adjustments are made to revenue requirement in processing this rate case, such adjustments will be applied to the revenue requirements provided in this updated filing, but the maximum resulting revenue requirement for any of the three systems will be the amounts included in the original filing.

As a result, the Company’s updated revenue requirement increase is \$62,193 less than the increase that the Company filed in February 2024. Because Cascadia Water is forgoing an amount of revenue increase for the purposes of this rate case for the Peninsula System, and because a computational error was recognized in the development of the rates for the Peninsula System in the original filing, it is proposing slightly lower usage rates for that system in this filing. Because the Company is proposing to cap the revenue requirement for the Pelican Point System at the amount of the original filing, it is proposing the same rates for customers in that system as it did in February 2024. Further, because the Company is accepting an updated revenue increase less than the initially calculated revenue increase for the Island/Mainland System, it is proposing slightly lower rates for customers in that system than it did in February 2024.

The updated revenue requirement results from several factors, as described in Mr. Rowell’s Direct Testimony. Cascadia Water has incorporated the cost of debt adjustment and many of the operating expense adjustments reflected in the Staff Open Meeting Memo filed on June 27, 2024. The Company also lowered its requested cost of equity and used its actual capital structure. In addition, it added new plant assets that are in service or will be in service by the rate effective date of this case, and we have reflected the estimated expense of prosecuting this rate case to be recovered over two years. Cascadia Water also incorporated Public Counsel’s requested adjustment to correct an error that had undercounted metered revenue generated under proposed rates. Further, the Company also updated its payroll expense to reflect a known and measurable adjustment that will be effective before the end of the suspension period on May 1, 2025.

Conclusion

Cascadia Water appreciates the substantial time and effort that the Commission and stakeholders have taken in this proceeding to date, commits to continue working fairly and transparently with the parties during its ongoing adjudication, and welcomes the opportunity to discuss the case before a mediator during the settlement conference scheduled for October 15, 2024.

Sincerely,

Cascadia Water, LLC

/s/ Culley Lehman

Culley Lehman  
General Manager  
Cascadia Water, LLC  
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Attachments

240151-Cascadia-Exh-MRJ-1T-09-26-24  
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240151-Cascadia-Exh-CJL-11-09-26-24

240151-Cascadia-Exh-CJL-12-09-26-24

Cc: Pamela J. Anderson and Byron C. Starkey (Perkins Coie LLP)