

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

SUNCADIA WATER COMPANY,
LLC,
Applicant,

For the Sale and Transfer of All Issued
and Outstanding Membership Interests of

SUNCADIA WATER COMPANY, LLC

From

NEW SUNCADIA, LLC,

to

NW NATURAL WATER OF
WASHINGTON, LLC

DOCKET UW-190953

ORDER 01

GRANTING APPLICATION FOR
SALE AND TRANSFER OF ISSUED
AND OUTSTANDING
MEMBERSHIP INTEREST;
ACKNOWLEDGING
TRANSACTIONS; ADOPTING
TARIFF

BACKGROUND

- 1 On November 15, 2019, Suncadia Water Company, LLC, (Suncadia Water or Company) and NW Natural Water of Washington, LLC, (NW Natural Water of Washington) (collectively, the Applicants) filed with the Washington Utilities and Transportation Commission (Commission) an application for sale and transfer of all issued and outstanding membership interests in Suncadia Water from New Suncadia, LLC, (New Suncadia) to NW Natural Water of Washington pursuant to the provisions of RCW 80.12 (Application). NW Natural Water of Washington also filed a tariff adoption notice.
- 2 Suncadia Water serves approximately 1,400 customers near Cle Elum in Kittitas County. The Company's system is known as Suncadia Water Company (ID#AA317E). NW Natural Water of Washington intends to acquire all the issued and outstanding membership interests of Suncadia Water. If the Commission approves the sale and transfer of Suncadia Water to NW Natural Water of Washington, NW Natural Water of Washington will be subject to any obligations the Commission previously imposed on Suncadia Water.

3 Suncadia Water is a wholly-owned subsidiary of New Suncadia, which operates the
Suncadia Resort and develops residential home sites in a planned community. NW
Natural Water of Washington is a wholly-owned subsidiary of NW Natural Water
Company, LLC, (NW Natural Water),¹ which in turn is a wholly-owned subsidiary of
Northwest Natural Holding Company (NW Natural Holdings).²

4 Suncadia Water notified its water utility customers of the sale and transfer of all issued
and outstanding membership interests by mail on November 18, 2019. NW Natural Water
of Washington will file with the Commission the journal entries by which it proposes to
record on its books the transfer of all of the issued and outstanding membership interests
of the water system, as authorized herein, within sixty (60) days of closing. The effective
date for accounting purposes will be February 1, 2020.

5 For the sake of transparency, the Suncadia Agreement includes a separate transaction
unrelated to the water system that is not subject to Commission jurisdiction under RCW
80.04.010(29)(b)³ since SCE serves customers outside the urban growth area. New
Suncadia currently owns all of the issued and outstanding membership interests in
Suncadia Environmental Company, LLC, (SCE). SCE provides sewer and wastewater
services to the Suncadia Master Planned Resort. New Suncadia is selling, and NW
Natural Water of Washington is purchasing, all of those membership interests in SCE.
The Commission does not regulate SCE.

6 New Suncadia must make an inter-company assignment of several assets that it
inadvertently neglected to move to the books of Suncadia Water or make assignments out
of the books of Suncadia Water, immediately prior to closing the Suncadia Water sale
transaction.

¹ NW Natural Water is a non-operating entity formed to serve as a corporate platform to hold water and wastewater utilities that it acquires. In addition to pursuing a strategy for growth through acquisitions of water utilities in Washington, NW Natural Water is also implementing its strategy for growth through acquisitions of water utilities in Oregon and Idaho. These acquisitions, and the continued operation of these water utilities have been seamless with no disruptions to customers' service.

² NW Natural Holdings wholly owns Northwest Natural Gas Company, d/b/a NW Natural (NW Natural), a 160-year old natural gas utility serving customers in the Pacific Northwest.

³ RCW 80.04.010(29)(b) Definitions, For purposes of commission jurisdiction, wastewater company does not include: (i) Municipal, county, or other publicly owned systems of sewerage; or (ii) wastewater company service to customers outside of an urban growth area as defined in RCW [36.70A.030](#).

7 The Suncadia Agreement shows that New Suncadia currently holds certain water rights and a water delivery agreement that Suncadia Water relies on to provide water service. Suncadia Water provided notice to the Commission pursuant to RCW 80.16.020 for the transfer of those water rights and agreement between affiliated interests (and subsequent transfer to NW Natural Water), and requests that the Commission concur that no determination of reasonableness is required for those transfers. Similarly, the transfer agreement shows that Suncadia Water currently owns a back-up generator and structure that are not included in its utility rate base. SCE uses the back-up generator to provide wastewater services that are not actively regulated by the Commission, and New Suncadia uses the structure for its golf course. Suncadia Water requests that the Commission determine that the structure is not necessary or useful pursuant to WAC 480-143-180(4).

8 Suncadia Water also owns and operates the non-potable water system used to deliver irrigation water to the lakes that store water used to irrigate the Resort's golf courses. Suncadia Water currently provides this service at certain agreed-upon rates, but the Suncadia Water tariff does not include rates and charges for this service based upon the Commission's Order 02 in Docket UW-081226, Suncadia Water's 2008 rate case. Under the present agreement, Suncadia Water will continue to provide this service. The Commission does not actively regulate the rates and charges for this service. Any future tariff revisions for this service will be subject to review in a future rate proceeding.

9 Commission staff (Staff) has reviewed the joint Application and determined that the Applicants have sufficiently demonstrated there are substantial benefits to the transfer. Accordingly, Staff recommends the Commission grant the Application.

10 Additionally, Staff has determined that the transitions described above in paragraphs 5 and 6 that will occur prior to the sale and transfer of all issued and outstanding membership interest are appropriate and consistent with regulatory practices.

DISCUSSION

11 We agree with Staff's recommendation and approve the Application. Pursuant to RCW 80.12.020 and WAC 480-143-170, applicants proposing a transaction of this sort must "at least demonstrate no harm to the public interest."⁴ The Commission also looks to the new

⁴ *In Re Application of PacifiCorp & Scottish Power, LLC*, Docket UE-981627, Third Supplemental Order on Prehearing Conference at 2-3 (April 2, 1999).

Company's financial and managerial fitness to run the operations.⁵

- 12 We find that the transaction exceeds the “no harm” standard and is therefore in the public interest. The Application explains several benefits of the sale and transfer of all issued and outstanding membership interests. First, NW Natural Water of Washington desires to own and operate water systems on an ongoing basis, while Suncadia Water's current owners no longer desire to own and operate the water system. Second, NW Natural Water of Washington will be able to bring enhanced access to capital investment to Suncadia Water. Third, both the water distribution and gas distribution businesses are largely regulated by public utility commissions—a regulatory environment with which NW Natural Water, NW Natural Water of Washington, and NW Natural are familiar. Fourth, NW Natural Water of Washington will maintain the current Suncadia Water staff who have performed operations and billing, and its staff is familiar with the Company's operations. Finally, water service to customers will not be interrupted by the transition of Suncadia Water's ownership from New Suncadia to NW Natural Water of Washington.
- 13 We also agree with Staff that that the transactions described above in paragraphs 5 and 6 that will occur prior to the sale and transfer of all issued and outstanding membership interests are appropriate and consistent with regulatory practices, and concur with Suncadia Water that no determination of reasonableness is required for those transfers.
- 14 Finally, we determine that the back-up generator for the provision of wastewater services is not necessary or useful pursuant to WAC 480-143-180(4). Because the back-up generator and structure are not included in Suncadia Water's rate base, they are not necessary or useful for Suncadia Water to perform its regulated water utility service.
- 15 We note that this Order approves only the sale and transfer of all issued and outstanding membership interests, and neither approves nor disapproves the reasonableness of the purchase price or any fees, charges, rates, or accounting allocations related to the transaction. The Commission reserves the right to review those fees, rates, or accounting allocations in a future rate proceeding.

FINDINGS AND CONCLUSIONS

- 16 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts,

⁵ *Id.*

securities, transfers of property and affiliated interests of public service companies, including water companies.

- 17 (2) Suncadia Water is an investor-owned water company and is a public service company subject to Commission jurisdiction.
- 18 (3) NW Natural Water of Washington is an investor-owned water company and is a public service company subject to Commission jurisdiction.
- 19 (4) Suncadia Water notified its customers of the sale and transfer of all issued and outstanding membership interests in a mailing on November 18, 2019. NW Natural Water of Washington will file with the Commission the journal entries by which it proposes to record on its books the transfer of water system all issued and outstanding membership interests authorized herein within sixty (60) days of closing.
- 20 (5) New Suncadia currently owns all of the issued and outstanding membership interests in Suncadia Environmental Company, LLC (SCE), SCE provide sewer and wastewater services to the New Suncadia's Suncadia Master Planned Resort. New Suncadia is selling, and NW Natural Water of Washington is purchasing, all of those membership interests in SCE. SCE is not subject to jurisdiction by the Commission under RCW 80.04.010(29)(b).
- 21 (6) New Suncadia needs to make an inter-company assignment of certain water rights and water delivery agreements immediately prior to closing the Suncadia Water Transaction. Suncadia Water hereby provides notice to the Commission pursuant to RCW Section 80.16.020 for the transfer of those water rights and agreement between affiliated interests.
- 22 (7) The Commission concurs with Suncadia and concludes that no determination of reasonableness is required for those transfers.
- 23 (8) SCE uses the back-up generator for the provision of wastewater services not actively regulated by the Commission, and New Suncadia uses the structure for its golf course.
- 24 (9) The back-up generator and structure are not necessary or useful pursuant to WAC 480-143-180 (4).

- 25 (10) NW Natural Water of Washington will acquire all issued and outstanding membership interests of Suncadia Water.
- 26 (11) As a result of this sale and transfer of all issued and outstanding membership interests, NW Natural Water of Washington will not change or alter Suncadia Water's current rates and charges under its tariff rates and will adopt in whole the Suncadia Water tariff.
- 27 (12) This matter came before the Commission at its regularly scheduled meeting on December 19, 2019.
- 28 (13) The proposed transfer and tariff rate adoption will have an effective date of February 1, 2020. For accounting purposes, the Company's accounting records will be transferred and effective on February 1, 2020.
- 29 (14) The Application meets the requirements of RCW 80.12 and the rules and regulations of the Commission. *See* WAC 480-143.
- 30 (15) After reviewing the Application filed in Docket UW-190953 on November 15, 2019, and giving due consideration, the Commission finds that the Application for the Sale and Transfer of all Issued and Outstanding Membership Interests of Suncadia Water by New Suncadia to NW Natural Water of Washington is consistent with, and demonstrates no harm to, the public interest, and should therefore be approved.

ORDER

THE COMMISSION ORDERS:

- 31 (1) The Commission authorizes the Sale and Transfer of the all issued and outstanding membership interests of Suncadia Water Company, LLC, from New Suncadia, LLC, to NW Natural Water of Washington, LLC, consistent with the joint application filed on November 15, 2019, and consistent with RCW 80.12.020. No material change, revision, or amendment to the joint application and agreement shall become effective without the Commission's prior written approval.
- 32 (2) New Suncadia, LLC, currently owns all the issued and outstanding membership interests in Suncadia Environmental Company, LLC. Suncadia Environmental

Company, LLC, provides sewer and wastewater services to the Suncadia Master Planned Resort. New Suncadia, LLC, is selling, and NW Natural Water of Washington is purchasing, all those membership interests in Suncadia Environmental Company, LLC. Suncadia Environmental Company, LLC is not subject to jurisdiction by the Commission. Those transfers do not require a determination of reasonableness.

- 33 (3) Suncadia Environmental Company, LLC, uses the back-up generator for the provision of wastewater services and New Suncadia, LLC, uses the structure for its golf course. The back-up generator and structure are not necessary or useful for the provision of water service pursuant to WAC 480-143-180(4).
- 34 (4) The Commission approves NW Natural Water of Washington, LLC's adoption of the tariff of Suncadia Water Company, LLC, to be effective on the date of the transfer, February 1, 2020.
- 35 (5) NW Natural Water of Washington will file with the Commission the journal entries by which it proposes to record on its books the transfer of water system all issued and outstanding membership interests authorized herein within sixty (60) days of closing.
- 36 (6) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 37 (7) The Commission retains jurisdiction over the subject matter and Suncadia Water Company, LLC, and NW Natural Water of Washington, LLC, to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective January 9, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner