

Agenda Date: October 11, 2018  
Item Numbers: A1 & A2

**Dockets:** UW-180629 and UW-180630  
Company Names: Sea View Water, LLC and Lehman Enterprises, Inc.  
Cascadia Water, LLC

Staff: Jim Ward, Regulatory Analyst  
John Cupp, Consumer Protection Staff

### **Recommendations**

1. Issue an Order granting the application for sale and transfer of assets from Sea View Water, LLC, to Cascadia Water, LLC, filed on July 17, 2018, and tariff adoption to become effective October 15, 2018, in Docket UW-180629.
2. Issue an Order granting the application for sale and transfer of assets from Lehman Enterprises, Inc., to Cascadia Water, LLC, filed on July 17, 2018, and tariff adoption to become effective October 15, 2018, in Docket UW-180630.

### **Discussion**

On July 17, 2018, Sea View Water LLC (Sea View) and Lehman Enterprises, Inc. (Lehman) (collectively, the companies), filed with the Washington Utilities and Transportation Commission (commission) applications for sale and transfer of assets pursuant to the provisions of RCW 80.12 (Transfer of Property).

Sea View serves 190 customers near Oak Harbor on Whidbey Island in Island County. The utility's system is known as Sea View Water (ID#79245N). The company's last rate increase was effective September 1, 2014, generating approximately \$13,742 (23.7 percent) additional annual revenue.

Lehman serves 904 customers on ten water systems near Freeland on Whidbey Island in Island County. The utility's systems are known as Beachcomber H2O, CAL Waterworks, T.E.L. #1, #3, #4, #5, #6, #10, #11, and WB Waterworks. The company's last rate increase was effective May 1, 2013, generating approximately \$63,649 (25.8 percent) additional annual revenue.

A newly-formed subsidiary of NW Natural Water LLC, under the name of Cascadia Water, LLC (Cascadia) is purchasing the assets of Sea View and a 20-acre lot associated with Sea View to be used as a future well site, and is also purchasing the assets of Lehman. Operations of Sea View and Lehman will be combined under Cascadia.

Cascadia is a wholly-owned subsidiary of Northwest Natural Water, LLC, which in turn is a wholly-owned subsidiary of NW Natural. NW Natural is a regulated natural gas utility headquartered in Portland, Oregon, serving Oregon and Southwest Washington with over 740,000 customers. In Docket UG-170094, NW Natural sought—and the commission approved—authorization to reorganize into a holding company structure. Once the holding company

(“HoldCo”) is formed, Cascadia’s parent, Northwest Natural Water, LLC will be transferred to HoldCo, and thereafter HoldCo will be the 100 percent owner of both NW Natural and Northwest Natural Water, LLC. At that time, NW Natural will no longer be an upstream parent of Cascadia Water, LLC.

If the commission approves the sale and transfers of Sea View and Lehman assets to Cascadia, Cascadia will be subject to any obligations the commission has imposed on Sea View and Lehman.

After the purchase is complete, both former water companies will cease operating the water systems and Cascadia will provide water service to the customers under the new Cascadia tariff but rates will remain as adopted for each system. Cascadia will retain the services of personnel from both former companies to help with the transition and ongoing operations.

The companies explained several benefits of the sale and transfer of assets. First, Cascadia desires to own and operate water systems on an ongoing basis and Sea View Water’s and Lehman’s current owners no longer desire to own and operate the water system. Second, Cascadia will be able to bring economies of scale benefits to the utility in certain areas, such as billing, collecting, and insurance. Finally, Cascadia has performed a review as outlined in their application that looks at ‘no harm’ to Sea View’s and Lehman’s customers and ‘no harm’ to Cascadia’s parent company NW Natural.

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.” The commission also looks to the new company’s financial and managerial fitness to run the operations.

Customers of both selling water companies have been noticed of the pending sale and transfer of assets in a mailing on August 30, 2018, and September 4, 2018. Cascadia notes in the customer letter that current rates and charges of Sea View and Lehman customers will not change. Any future change to rates and charges will be noticed to customers and review by the commission prior to being implemented.

Cascadia will file with the commission the journal entries by which it proposes to record on its books the transfer of water system assets authorized herein. The effective date for accounting purposes will be October 15, 2018.

Staff notes that this recommendation and approval is only for the sale and transfer of assets, and neither approves nor disapproves the reasonableness of the purchase prices or any fees, charges, rates, or accounting allocations related to the transactions. The commission reserves the right to review those fees, charges, rates, or accounting allocations in a future rate proceeding.

**Customer Comments**

On August 30, and September 4, 2018, the companies notified their customers of the proposed sale and transfer of the water systems by mail. The commission received one comment, from a customer who feels ownership should be kept local. As a result of this sale and transfer, no rate change will be made. Cascadia may at any future point file to change rates. Customers of Cascadia will be notified of any rate changes going forward.

**Rate Comparisons**

<b>Monthly Rate</b>	<b>Lehman</b>
Ready to Serve	\$17.50
Base Rate, 3/4--Inch Meter	\$26.25
Allowance With Base Charge CF*	0
0 To 750 CF, Per CCF**	\$0.75
751 - 2,250 CF, Per CCF	\$1.80
>2,250CF, Per CCF	\$4.00
Non-Metered Flat Rate	\$26.74
<b>Monthly Rate</b>	<b>Sea View</b>
Ready to Serve	NA
Base Rate, 3/4--Inch Meter	\$34.00
Allowance With Base Charge CF	0
0 To 1,070 CF, Per CCF	\$2.24
1,071 – 2,139 CF, Per CCF	\$2.62
>2,139 CF, Per CCF	\$3.37

\* CF – Cubic Feet,

\*\* CCF - 100 Cubic Feet,

**Ancillary Charge Comparison**

<b>Charge or Service</b>	<b>Lehman</b>	<b>Sea View</b>
Service Connection	\$683.26	\$300.00
Facilities Charge	\$2,200.00	NA
Reconnection Visit Charge	\$75.00	\$20.00
Disconnection Visit Charge	\$30.00	NA
Late Payment	2 % of Balance	1.5 % of Balance
Account Set-up Charge	\$48.00	NA
NSF Check Charge	\$15.00	Per Bank Charge
Water Availability Letter	\$18.00	NA

### **Conclusion**

Commission staff (staff) has reviewed the applications and determined that the companies have sufficiently demonstrated there are substantial benefits to customers in the applications of transfer. Accordingly, staff recommends the commission grant the companies' applications for the sale and transfer of assets from Lehman Enterprises, Inc. and Sea View Water Company, LLC to Cascadia Water, LLC.

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