

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

ESTATES WATER SYSTEMS, INC.,

Applicant,

For the Sale and Transfer of Assets to
CASCADIA WATER, LLC

DOCKET UW-190117

ORDER 01

APPROVING APPLICATION FOR
SALE AND TRANSFER OF ASSETS;
ADOPTING TARIFF AND
APPROVING CORPORATE
RESTRUCTURING

BACKGROUND

- 1 On February 21, 2019, Cascadia Water, LLC (Cascadia Water) filed with the Washington Utilities and Transportation Commission (Commission) an application for sale and transfer of assets pursuant to the provisions of Title 80.12 RCW (Application).
- 2 Cascadia Water is purchasing the assets of Estates Water Systems, Inc. (Estates Water or Company; collectively with Cascadia Water, the Companies). Estates Water serves 365 customers near Sequim in Clallam County. The Company's system is known as Estates Water (ID#081669).
- 3 Cascadia Water explains several benefits of the sale and transfer of assets. First, Cascadia Water desires to own and operate water systems on an ongoing basis and Estates Water's current owners no longer desire to own and operate the water system. Second, Cascadia Water will be able to bring economies-of-scale benefits to the Company in certain areas, such as billing, collecting, and insurance. Cascadia performed a review as outlined in its Application that looks at "no harm" to Estates Water customers and "no harm" to Cascadia's parent company, Northwest Natural Gas Company. Finally, Cascadia Water has performed operations and billing, and its staff is familiar with the Company's operations.
- 4 Estates Water notified its customers of the sale and transfer of assets in a mailing on March 8, 2019. Cascadia Water filed 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 April 15, 2019.

5 Cascadia also requests:

Commission approval pursuant to RCW 80.12.020 for a reorganization of Cascadia's corporate structure—one which will have no practical impact on Cascadia's operations or its customers. Cascadia is currently a wholly-owned subsidiary of NW Natural Water Company, LLC ("NWN Water"), which in turn is a wholly-owned subsidiary of Northwest Natural Holding Company ("NW Natural Holdings"). Under the proposed reorganization, Cascadia will become a direct subsidiary of NWN Water of Washington, LLC ("Washington Water")—another NWN Water subsidiary. NWN Water and NW Natural Holdings would remain Cascadia's parent companies with the addition of Washington Water as an intermediate entity.¹

6 Commission staff (Staff) has reviewed the application and determined that the Companies have sufficiently demonstrated there are substantial benefits to the transfer. Accordingly, Staff recommends the Commission approve the Application.

DISCUSSION

7 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."² The Commission also looks to the new Company's financial and managerial fitness to run the operations.³

8 We agree with Staff's recommendation and approve the Application. We find that the transaction exceeds the "no harm" standard and is consistent with the public interest. We note that this Order approves only the sale and transfer of assets, 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.

¹ Application at 1-2, ¶ 2 (internal citations omitted).

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

³ *Id.*

FINDINGS AND CONCLUSIONS

- 9 (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, securities, transfers of property and affiliated interests of public service companies, including water companies.
- 10 (2) Estates Water is an investor-owned water company and is a public service company subject to Commission jurisdiction.
- 11 (3) Cascadia Water is an investor-owned water company and is a public service company subject to Commission jurisdiction.
- 12 (4) Estates Water notified its customers of the sale and transfer of assets in a mailing on March 8, 2019.
- 13 (5) Cascadia Water will acquire the water system assets of Estates Water.
- 14 (6) As a result of this sale and transfer of water systems assets, Cascadia Water will adopt Estates Water's rates into its tariff rates.
- 15 (7) This matter was brought before the Commission at its regularly scheduled meeting on April 11, 2019.
- 16 (8) The proposed transfer and tariff rate adoption will have an effective date of April 15, 2019. For accounting purposes, the Company's accounting records will be transferred and effective on April 15, 2019.
- 17 (9) The Application meets the requirements of RCW 80.12 and the rules and regulations of the Commission. See Chapter 480-143 WAC.
- 18 (10) After reviewing the Application Estates Water filed in Docket UW-190117 on February 21, 2019, as revised on March 11, 2019, and giving due consideration, the Commission finds that the Application of the Sale and Transfer of Assets by Estates Water to Cascadia Water is consistent with, and demonstrates no harm to, the public interest and should be approved.

- 19 (11) The request for approval of restructuring will have no practical impact on customers or operations, demonstrates no harm to the public interest, and should be approved.

ORDER

THE COMMISSION ORDERS:

- 20 (1) The Commission authorizes the Sale and Transfer of the assets of Estates Water Systems, Inc., to Cascadia Water, LLC, consistent with the joint application filed on February 21, 2019, as revised on March 11, 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.
- 21 (2) The Commission approves Cascadia Water, LLC's adoption of the tariff of Estates Water Systems, Inc., to be effective on the date of the transfer, April 11, 2019.
- 22 (3) The Commission approves the adjustment of Cascadia Water, LLC's corporate structure under RCW 80.12.020, to make Cascadia Water, LLC, a direct subsidiary of NWN Water of Washington, LLC – another NWN Water subsidiary.
- 23 (4) 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. This Order shall not be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

- 24 (5) The Commission retains jurisdiction over the subject matter and Estates Water Systems, Inc., and Cascadia Water, LLC, to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective April 11, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON, Executive Director and Secretary