

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

CASCADIA WATER, LLC,

Respondent.

DOCKET UG-240151

**FULL MULTIPARTY
SETTLEMENT STIPULATION**

I. INTRODUCTION AND SETTLING PARTIES

1. Pursuant to WAC 480-07-740(3)(a), this full multiparty settlement stipulation (“Settlement Stipulation”) is entered into and submitted by Cascadia Water, LLC (“Cascadia Water” or “Company”) and the regulatory staff of the Washington Utilities and Transportation Commission (“Staff”). The parties are hereinafter collectively referred to as “Settling Parties” and each individually as “Settling Party.” The Public Counsel Unit of the Washington Attorney General’s Office (“Public Counsel”) and the Water Consumer Advocates of Washington (“WCAW”) are parties to this proceeding and are not signatories to the Settlement Stipulation.
2. The Settlement Stipulation presented to the Washington Utilities and Transportation Commission (“Commission”) in this case is a “full multiparty settlement,” as that term is defined in WAC 480-07-730(3)(a), because the Settlement Stipulation is entered into by some, but not all, parties and resolves all disputed issues among them. The Settling Parties are also filing testimony in support of their agreement, pursuant to WAC 480-07-740(3)(a).

3. The Settling Parties request that the Commission review the Settlement Stipulation and testimony and approve the terms of the Settlement Stipulation in their entirety and without condition.

4. Consistent with the requirements of WAC 480-07-740(2)(a), the Settling Parties agree that this proceeding is a general rate case and are submitting this Settlement Stipulation and supporting testimony for Commission review more than sixty days prior to the statutory deadline for Commission action in this proceeding.

5. Pursuant to WAC 480-07-740(3)(b), each Settling Party will present one or more witnesses to testify in support of the Settlement Stipulation at the hearing on February 11, 2025, if the Commission continues to believe the hearing will assist the Commission in deciding whether to approve the Settlement Stipulation.

II. BACKGROUND

6. Cascadia Water filed proposed rate tariffs on February 29, 2024, with an effective date of June 1, 2024. Over the subsequent months Cascadia Water responded to informal data requests from Staff, Public Counsel, and the Washington Consumer Advocates of Olympic Peninsula.¹ Cascadia Water subsequently extended the effective date to July 1, 2024. Cascadia Water and Staff reached an agreement that provided for a reduction in recoverable expenses, a revised capital structure, and a revised cost of debt. Revised rate tariffs consistent with that agreement were filed on June 26, 2024.

7. The Commission considered Cascadia Water's tariff filing at its June 27, 2024, Open Meeting. The Commission suspended the tariff for adjudication, so that a more robust record

¹ WCAW was previously known as the Water Consumer Advocates of Dungeness Estates and later the Washington Consumer Advocates of Olympia Peninsula. *Wash. Utils. & Transp. Comm'n v. Cascadia Water, LLC*, Docket UW-240151, Petition to intervene of Water Consumer Advocates of Washington at ¶ 4 (July 9, 2024).

could be developed. On July 9, 2024, WCAW filed a motion to intervene. The Commission held a prehearing conference on August 21, 2024, during which the WCAW motion to intervene was granted, and Staff's motion to assign a mediator was granted.

8. Pursuant to the procedural schedule established through agreement of Staff, Public Counsel, Cascadia Water, and WCAW and adopted in Order 02, Cascadia Water filed its proposed rates with supporting testimony, exhibits, and schedules on September 26, 2024. That filing incorporated many of the operating expense adjustments agreed to with Staff cited in paragraph 6 above. Staff, Public Counsel, and WCAW filed response testimony on November 20, 2024. The Settling Parties reached a settlement in principle prior to the rebuttal and cross-answering testimony deadline of January 10, 2025.

9. On October 8, 2024, the Commission assigned Administrative Law Judge ("ALJ") Amy Bonfrisco to act as mediator and settlement judge in this docket. ALJ Bonfrisco set November 12, 2024, as the date for mediation, and the parties submitted mediation briefs prior to the mediation. Settlement was not reached, but the parties continued to exchange counteroffers after the mediation. On December 13, 2024, Staff informed ALJ Bonfrisco and Cascadia Water that the noncompany parties were rejecting Cascadia Water's then-outstanding counteroffer and requested that the Commissioners sit for the hearing in this docket that was scheduled for February 4, 2025. ALJ Connor Thompson notified the parties that a new hearing date would need to be set to accommodate Commissioner participation in the hearing and polled the parties about their availability on alternate dates. All parties responded that they were available for a hearing on February 11, 2025.

10. The Settling Parties ultimately reached a settlement in principle, and on December 20, 2024, counsel for Cascadia Water informed the presiding officer and all parties that the

Settling Parties had reached a settlement in principle and proposed a procedural schedule to address the settlement. On Tuesday January 7, 2025, the Commission suspended the procedural schedule, pending its review of the Settlement Stipulation to be filed on January 10, 2025, and supporting testimony to be filed on January 13, 2025. The Commission preserved the January 13 and 14, 2025, public hearing dates, and set a date for: (a) responsive testimony on the Settlement Stipulation of January 22, 2025; (b) rebuttal testimony of January 28, 2025; (c) a date for an evidentiary hearing of February 11, 2025; and (d) dates for post-hearing briefing of February 25, 2025, and March 11, 2025.

III. AGREEMENT

11. **Revenue Requirement:** Settling Parties agree to a revenue requirement increase of \$1.67 million. This increase will be split between the Western water systems, defined as the Island and Peninsula water systems, and the Pelican Point water system in the same proportion as filed by Cascadia Water in September 2024. The Western water systems and the Pelican Point water system were shown in separate workbooks, and the Settling Parties agree that the proportions allocated to each workbook are appropriate.
12. **Phase In:** Settling Parties agree that the revenue requirement increase will be phased in over three phases through a rate mitigation mechanism. Half of the revenue requirement increase will be implemented through a rate mitigation mechanism starting on the rate effective date. The rate mitigation mechanism will be removed on the first anniversary of the effective date. The costs associated with one half of the revenue requirement increase implemented through a rate mitigation mechanism for the first year after the effective date will be deferred as a regulatory asset and recovered equally through a surcharge in the second and third year after the effective date. Specifically, the costs deferred will relate to

actual costs incurred included in the Company's cost of service. The mechanism and recovery of the regulatory asset will be reflected as changes in the base rate. Please see Attachment A for the rate charts associated with the phase in.

13. **Black Box.** The Settling Parties agree that the plant investment included within this case shall be deemed prudent. Prudence for any future assets not included in this case shall be determined in a later general rate case. Settling Parties agree that the revenue requirement increase includes unspecified carrying costs related to the phased in rates.
14. **Effective Date:** Settling Parties request that the Commission issue an order in this case such that the effective date will be April 1, 2025. Settling Parties understand that the suspension deadline in this matter is May 1, 2025, but Settling Parties have agreed to an earlier effective date if the Commission is able to accommodate such effective date.
15. **Stay Out:** Settling Parties agree that Cascadia Water may file a new general rate case during the phase-in period with rates going into effect no earlier than 36 months after the effective date.
16. **Aquarius Surcharge:** Settling Parties agree to eliminate the Aquarius water system surcharge approved in Order 01 Docket UW-081416. The surcharge was based on a loan to fund certain plant additions that were ordinary in nature. The net book value of the plant funded by the loan will be fully reflected in Cascadia Water's rate base without any offsets. All offsets recorded to comply with Order 01 Docket UW-081416 Finding and Conclusion (8), b) will be removed from Cascadia Water's accounting books.
17. **Capital Plan:** Settling Parties agree that Cascadia Water will publish a capital plan identifying its projected major capital improvements (projects with total costs estimated to be \$150,000 or more) that are reasonably expected to be in-service by the next Company

rate case effective date, and will hold a virtual customer meeting (one for the consolidated Western water systems and another one for the Pelican Point water system) on or about the first anniversary of the effective date in this proceeding. This meeting is to allow customers to provide feedback to the Company. The Settling Parties agree the capital plan does not create any presumptions regarding the prudence of capital expenditures.

18. **Prioritization:** Settling Parties agree that Cascadia Water will review known future major projects (projects with total costs estimated to be \$150,000 or more) and assign a priority level based on necessity, Department of Health requirements, and engineer review. This provision may be met by Cascadia Water filing its Master Plans along with a summary of the projects that are anticipated through one year after the stay-out period referenced in paragraph 15 above. The summary should indicate what the project is, what the priority level is, a definition of the priority level, and why the project has been assigned the priority level it is assigned. Cascadia Water will file its Master Plans once they have been approved by the Department of Health and summary within 15 business days of approval by the Department of Health. If the Master Plans have not been approved by the Department of Health within 90 days of the Commission's order in this docket, Cascadia Water will file an update regarding the status of the Master Plans. The Settling Parties agree the Master Plans do not create any presumptions regarding the prudence of capital expenditures.

19. **Consolidated Rates:** Settling Parties agree that the Commission should consolidate rates for Cascadia Water's Western water systems into a single tariff and retain a separate tariff for Cascadia Water's Pelican Point water system, consistent with Staff witness Scott Sevall's testimony in Exhibit SS-1T.

IV. MISCELLANEOUS PROVISIONS

20. The Settling Parties agree to support the terms and conditions of this Settlement Stipulation as a settlement of all contested issues between them in the above-captioned proceeding.
21. This Settlement Stipulation represents an integrated resolution of all issues in Cascadia Water's general rate proceeding. Accordingly, the Settling Parties recommend that the Commission adopt and approve this Settlement Stipulation in its entirety, without conditions.
22. This Settlement Stipulation supersedes any and all prior oral and written understandings and agreements on such matters that previously existed or occurred in this proceeding, and no such prior understanding or agreement or related representations will be relied upon by the Settling Parties to interpret this Settlement Stipulation or for any other reason.
23. The Settling Parties shall cooperate in submitting this Settlement Stipulation promptly to the Commission for approval of the terms contained in Section III Agreement above. The Settling Parties shall cooperate in developing supporting testimony as required in WAC 480-07-740(3)(a). The Settling Parties agree to support the Settlement Stipulation throughout this proceeding, provide witnesses to sponsor such Settlement Stipulation at a Commission hearing, and recommend that the Commission issue an order adopting the Settlement Stipulation in its entirety.
24. In the event the Commission rejects Section III Agreement of the Settlement Stipulation, the provisions of WAC 480-07-750(2)(c) shall apply. In the event the Commission approves Section III Agreement subject to conditions not proposed herein, each

Settling Party reserves the right, upon written notice to the Commission and all other Settling Parties to this proceeding within ten (10) days of the Commission order, to state its rejection of the conditions. In such event, the provisions of WAC 480-07-750(2)(b)(ii) shall apply. In any further proceedings triggered by this paragraph, the Settling Parties agree to cooperate in development of a hearing schedule that concludes such proceeding at the earliest possible date. Any further proceedings triggered by this paragraph shall not delay any compliance filing of Cascadia Water ordered by the Commission and such compliance filing shall remain in effect pending any further proceeding.

25. Settling Parties enter into this Settlement Stipulation to avoid further expense, uncertainty, and delay associated with continued litigation. By executing this Settlement Stipulation, no Settling Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, arguments, or theories employed in arriving at the terms of this Settlement Stipulation except to the extent expressly set forth in this Settlement Stipulation.

26. The Settling Parties agree that this Settlement Stipulation represents a compromise in the Settling Parties' positions. As such, conduct, statements, and documents disclosed during the negotiation of this Settlement Stipulation are not admissible in this or any other proceeding and will remain confidential. Notwithstanding the foregoing, the Settlement Stipulation itself and its terms do not fall within the scope of this confidentiality provision, and each Settling Party is free to publicly disclose the basis for its own support of the Settlement Stipulation.

27. No Settling Party shall be deemed to have agreed that this Settlement Stipulation is appropriate for resolving any issues in any other proceeding. No Settling Party shall

represent that any of the facts, principles, methods, or theories employed by any Settling Party in arriving at the terms of this Settlement Stipulation are precedents in any other proceeding.

28. The Settling Parties agree to the admission into evidence of all pre-filed written testimony and exhibits filed to date in this proceeding.
29. This Settlement Stipulation will be deemed fully executed when all Settling Parties have signed it. This Settlement Stipulation may be executed in counterparts, through original and/or electronic signature, and each signed counterpart shall constitute an original document.

DATED this 10th day of January 2025.

Respectfully submitted,

ROBERT W. FERGUSON
Attorney General

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