
Environment & Energy Committee

HB 1906

Brief Description: Increasing transparency and consumer protection in water system rates.

Sponsors: Representatives Tharinger, Shavers, Parshley and Hill.

Brief Summary of Bill

- Provides that water system plans submitted to the Department of Health must include all capital improvement projects necessary for the system for at least the next 10 years and each public water system must submit a current water system plan at least every three years.
- Requires the Utilities and Transportation Commission (UTC) to adopt certain rules for determining rates of water companies.
- Prohibits the UTC from approving any transaction that changes the controlling interest in a water company unless the transaction provides net benefits to customers of the company and the company has notified the customers of the company and provided them with a right of first refusal to purchase the water system.

Hearing Date: 2/13/25

Staff: Matt Sterling (786-7289).

Background:

Regulation of Public Water Systems.

The State Board of Health adopts rules, administered by the Office of Drinking Water (ODW) under the Department of Health (DOH), that pertain to the operations of public water systems. Local governments are authorized to establish operating permit requirements for public water systems, provided these requirements receive approval from the DOH and lead to an enhanced

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level of service for the public water system.

The ODW has received delegated primary authority from the United States Environmental Protection Agency to administer and enforce federal regulations for primary drinking water requirements from the federal Safe Drinking Water Act. The ODW may impose penalties for noncompliance with public water system laws and regulations, and may direct water system owners and operators to resolve known or suspected public health threats. These regulations establish primary drinking water requirements for larger public water systems, known as Group A public water systems. Group A public water systems are public water systems that:

- have 15 or more service connections;
- serve an average of 25 or more people per day for at least 60 days within a calendar year, regardless of the number of service connections; or
- serve 1,000 or more people for two or more consecutive days.

In contrast, Group B public water systems encompass all other public water systems.

For Group B public water systems, there is an additional requirement that the local operating permit requirements must be at least as strict as the state regulations. The rules set drinking water standards and requirements for monitoring, reporting, and responding to emergencies.

Satellite Management Agencies.

The Secretary of the DOH adopts rules establishing criteria for designating individuals or water purveyors as qualified satellite system management agencies. A satellite system management agency is a person or entity that is certified by the Secretary to own or operate more than one public water system on a regional or countywide basis, without the necessity for a physical connection between such systems. The criteria establishes minimum standards for designation as a satellite system management agency qualified to assume ownership or operation of an existing or proposed public water system.

Water System Rate Regulation.

The Utilities and Transportation Commission (UTC) regulates the rates and charges of privately-owned water companies that serve more than 100 customers or have charges that exceed an average of \$557 per customer per year. The UTC does not regulate the rates or services of city, town or county water systems, Public Utility Districts, or cooperative or homeowners' associations.

The UTC may provide for the funding of a reserve account by a regulated water company to perform construction or maintenance required by the Department of Ecology to secure safety to life and property. Expenditures from the fund shall be subject to prior approval by the UTC, and shall be treated for rate-making purposes as customer contributions.

The UTC may not approve any transaction that would result in a person acquiring a controlling interest in a gas or electrical company without finding that the transaction would provide a net benefit to customers of the company.

Water System Plans.

Water system plans are intended to demonstrate system capacity and demonstrate how the system will address present and future needs. Water system plans must address several elements, including:

- description of the water system;
- basic planning data;
- demand forecasts;
- system analysis;
- water resource analysis; and
- other plans and documents.

Summary of Bill:

Regulation of Public Water Systems.

The DOH must allow the owner or operator of a water system to have their water samples checked by the jurisdictional health department without the requirement of hiring or contracting for services with a satellite management agency.

Water system plans submitted to the DOH must include all capital improvement projects necessary for the system for at least the next 10 years and each public water system must submit a current water system plan at least every three years.

Water System Rate Regulation.

In determining the rates to be charged by each water company, the UTC must adopt rules that:

- establish a return on equity ceiling and rate of return ceiling of 7 percent;
- require a detailed analysis and justification for any proposed return on equity or rate of return greater than 5 percent;
- account for any federal, state, or other external funding sources for system improvements;
- require all capital improvement projects to be included in the water system plan that has been approved by the DOH;
- consider the extent to which the company provided notice of planned capital projects to consumers and the impact of the projects on rates;
- promote rate smoothing and the avoidance of excessive or sudden rate changes; and
- require any capital improvement costs for a consolidated system that are attributable to one system that exceed the capital improvement costs of a dissimilar system within the consolidated system by more than 5 percent to not be included in single tariff pricing for the entire consolidated system.

The UTC may not approve any transaction that would result in a person acquiring a controlling interest in a water company without finding that the transaction would provide a net benefit to customers of the company. Prior to approving any such transaction, the UTC must verify that the water company has provided notification to the customers of the company and provided the customers with a right of first refusal to purchase the water system.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.