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**SUBSTITUTE HOUSE BILL 1906**

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**State of Washington**

**69th Legislature**

**2025 Regular Session**

**By** House Environment & Energy (originally sponsored by Representatives Tharinger, Shavers, Parshley, and Hill)

READ FIRST TIME 02/21/25.

1 AN ACT Relating to increasing transparency and consumer  
2 protection in water system rates; amending RCW 43.20.050, 43.20.260,  
3 80.12.020, and 80.28.022; and creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that water  
6 systems provide a critical utility service to the residents of  
7 Washington state, and due to scale economies, generally function as a  
8 natural monopoly in a given area.

9 (2) The legislature finds that the utilities and transportation  
10 commission, the regulating agency responsible for approving water  
11 system rate changes and ensuring adequate consumer protections, does  
12 not have specific statutory standards to guide its review and  
13 approval of proposed water system rate changes.

14 (3) The legislature finds that water systems are subject to a  
15 number of public health standards and requirements from the  
16 department of health that require comprehensive planning and capital  
17 investments to ensure that residents have continuous access to safe  
18 drinking water. The costs of these critical investments are reflected  
19 in rate changes in order to provide a reasonable rate of return and  
20 keep a water company in business. However, planning materials and

1 information supporting capital investments are not currently required  
2 to be shared with the utilities and transportation commission.

3 (4) The legislature further finds the current rate setting  
4 process does not provide the utilities and transportation commission  
5 sufficient structure or guidance to determine whether capital  
6 improvement costs included in a proposed water rate change are  
7 prudently incurred and will result in rates that are just, fair,  
8 reasonable, and sufficient. Likewise, the water system ratepayers  
9 subject to the change are not provided sufficient notice of planned  
10 system investments and their anticipated impacts on rates, which can  
11 lead to sudden and significant rate increases.

12 (5) The legislature intends to provide additional structure and  
13 guidance to the water system rate setting process in order to enable  
14 the utilities and transportation commission to effectively regulate  
15 in this area as a consumer protection agency. The legislature also  
16 intends to increase notice and transparency to consumers about water  
17 companies' planned investments and their impacts by leveraging the  
18 existing planning process required for safe drinking water standards.

19 **Sec. 2.** RCW 43.20.050 and 2021 c 65 s 37 are each amended to  
20 read as follows:

21 (1) The state board (~~(of health)~~) shall provide a forum for the  
22 development of public health policy in Washington state. It is  
23 authorized to recommend to the secretary means for obtaining  
24 appropriate citizen and professional involvement in all public health  
25 policy formulation and other matters related to the powers and duties  
26 of the department. It is further empowered to hold hearings and  
27 explore ways to improve the health status of the citizenry.

28 In fulfilling its responsibilities under this subsection, the  
29 state board may create ad hoc committees or other such committees of  
30 limited duration as necessary.

31 (2) In order to protect public health, the state board (~~(of~~  
32 ~~health)~~) shall:

33 (a) Adopt rules for group A public water systems, as defined in  
34 RCW 70A.125.010, necessary to assure safe and reliable public  
35 drinking water and to protect the public health. Such rules shall  
36 establish requirements regarding:

37 (i) The design and construction of public water system  
38 facilities, including proper sizing of pipes and storage for the  
39 number and type of customers;

1 (ii) Drinking water quality standards, monitoring requirements,  
2 and laboratory certification requirements;  
3 (iii) Public water system management and reporting requirements;  
4 (iv) Public water system planning and emergency response  
5 requirements;  
6 (v) Public water system operation and maintenance requirements;  
7 (vi) Water quality, reliability, and management of existing but  
8 inadequate public water systems; and  
9 (vii) Quality standards for the source or supply, or both source  
10 and supply, of water for bottled water plants;  
11 (b) Adopt rules as necessary for group B public water systems, as  
12 defined in RCW 70A.125.010. The rules shall, at a minimum, establish  
13 requirements regarding the initial design and construction of a  
14 public water system. The state board (~~(of health)~~) rules may waive  
15 some or all requirements for group B public water systems with fewer  
16 than five connections;  
17 (c) Adopt rules and standards for prevention, control, and  
18 abatement of health hazards and nuisances related to the disposal of  
19 human and animal excreta and animal remains;  
20 (d) Adopt rules controlling public health related to  
21 environmental conditions including but not limited to heating,  
22 lighting, ventilation, sanitary facilities, and cleanliness in public  
23 facilities including but not limited to food service establishments,  
24 schools, recreational facilities, and transient accommodations;  
25 (e) Adopt rules for the imposition and use of isolation and  
26 quarantine;  
27 (f) Adopt rules for the prevention and control of infectious and  
28 noninfectious diseases, including food and vector borne illness, and  
29 rules governing the receipt and conveyance of remains of deceased  
30 persons, and such other sanitary matters as may best be controlled by  
31 universal rule; and  
32 (g) Adopt rules for accessing existing databases for the purposes  
33 of performing health related research.  
34 (3) The state board shall adopt rules for the design,  
35 construction, installation, operation, and maintenance of those  
36 on-site sewage systems with design flows of less than three thousand  
37 five hundred gallons per day.  
38 (4) The state board may delegate any of its rule-adopting  
39 authority to the secretary and rescind such delegated authority.

1 (5) All local boards of health, health authorities and officials,  
2 officers of state institutions, police officers, sheriffs,  
3 constables, and all other officers and employees of the state, or any  
4 county, city, or township thereof, shall enforce all rules adopted by  
5 the state board (~~(of health)~~). In the event of failure or refusal on  
6 the part of any member of such boards or any other official or person  
7 mentioned in this section to so act, he or she shall be subject to a  
8 fine of not less than fifty dollars, upon first conviction, and not  
9 less than one hundred dollars upon second conviction.

10 (6) The state board may advise the secretary on health policy  
11 issues pertaining to the department of health and the state.

12 (7) The state board must allow the owner or operator of a water  
13 system to have their water samples checked by the jurisdictional  
14 health department without the requirement of hiring or contracting  
15 for services with a satellite management agency, as defined in WAC  
16 246-294-010 as it existed as of January 1, 2025.

17 **Sec. 3.** RCW 43.20.260 and 2003 1st sp.s. c 5 s 8 are each  
18 amended to read as follows:

19 (1) In approving the water system plan of a public water system,  
20 the department shall ensure that (~~(water)~~): (a) Water service to be  
21 provided by the system under the plan for any new industrial,  
22 commercial, or residential use is consistent with the requirements of  
23 any comprehensive plans or development regulations adopted under  
24 chapter 36.70A RCW or any other applicable comprehensive plan, land  
25 use plan, or development regulation adopted by a city, town, or  
26 county for the service area; and (b) the plan submitted includes all  
27 capital improvement projects necessary for the system for at least  
28 the next 10 years. The department may require a public water system  
29 to update its water system plan on an interval of less than 10 years  
30 and may exempt public water systems owned and operated by a special  
31 purpose district from the requirement to include all capital  
32 improvement projects in their water system plan.

33 (2) A municipal water supplier, as defined in RCW 90.03.015, has  
34 a duty to provide retail water service within its retail service area  
35 if: (~~(1)~~) (a) Its service can be available in a timely and  
36 reasonable manner; (~~(2)~~) (b) the municipal water supplier has  
37 sufficient water rights to provide the service; (~~(3)~~) (c) the  
38 municipal water supplier has sufficient capacity to serve the water  
39 in a safe and reliable manner as determined by the department of

1 health; and ~~((4))~~ (d) it is consistent with the requirements of any  
2 comprehensive plans or development regulations adopted under chapter  
3 36.70A RCW or any other applicable comprehensive plan, land use plan,  
4 or development regulation adopted by a city, town, or county for the  
5 service area and, for water service by the water utility of a city or  
6 town, with the utility service extension ordinances of the city or  
7 town.

8 **Sec. 4.** RCW 80.12.020 and 2009 c 24 s 3 are each amended to read  
9 as follows:

10 (1) No public service company shall sell, lease, assign or  
11 otherwise dispose of the whole or any part of its franchises,  
12 properties or facilities whatsoever, which are necessary or useful in  
13 the performance of its duties to the public, and no public service  
14 company shall, by any means whatsoever, directly or indirectly, merge  
15 or consolidate any of its franchises, properties or facilities with  
16 any other public service company, without having secured from the  
17 commission an order authorizing it to do so. The commission shall not  
18 approve any transaction under this section that would result in a  
19 person, directly or indirectly, acquiring a controlling interest in a  
20 gas, water, or electrical company without a finding that the  
21 transaction would provide a net benefit to the customers of the  
22 company. Prior to approving any transaction under this section that  
23 would result in a change of a controlling interest in a water  
24 company, the commission shall verify that the company has provided  
25 notification to the county in which any water system of the company  
26 is located, any water district or public utility district operating  
27 water systems within such county, any adjacent water systems, and  
28 customers of the company and provided the customers with a right of  
29 first refusal to purchase the water system.

30 (2) This section shall not apply to any sale, lease, assignment  
31 or other disposal of such franchises, properties or facilities to a  
32 special purpose district as defined in RCW 36.96.010, city, county,  
33 or town.

34 **Sec. 5.** RCW 80.28.022 and 1991 c 150 s 1 are each amended to  
35 read as follows:

36 In determining the rates to be charged by each water company  
37 subject to its jurisdiction, the commission ~~((may))~~ :

1 (1) Must adopt rules that establish a structure for incorporating  
2 the allowable cost of capital in the determination of rates or  
3 charges under this chapter that:

4 (a) Establishes a return on equity ceiling and total rate of  
5 return ceiling of seven percent, respectively;

6 (b) Requires a detailed analysis and justification for any  
7 proposed return on equity or total rate of return greater than five  
8 percent;

9 (c) Accounts for any federal, state, or other external funding  
10 sources for system improvements;

11 (d) Requires all capital improvement projects to be included in  
12 the water system plan approved by the department of health and  
13 provides for a waiver process for emergency improvements that are  
14 necessary for public health and safety;

15 (e) Considers the extent to which the water company provided  
16 notice of planned capital projects to consumers and the impact of the  
17 projects on rates;

18 (f) Promotes rate smoothing and the avoidance of excessive or  
19 sudden rate changes;

20 (g) Requires that, for a consolidated system, any capital  
21 improvement costs that are attributable to one system that exceed the  
22 capital improvement costs of a dissimilar system within the  
23 consolidated system by more than five percent may not be included in  
24 single tariff pricing for the entire consolidated system; and

25 (h) Considers the extent to which a public water system that is  
26 owned and operated by a special purpose district is able to comply  
27 with the planning requirements given the size and capability  
28 restraints of the system; and

29 (2) May provide for the funding of a reserve account exclusively  
30 for the purpose of making capital improvements approved by the  
31 department of health as a part of a long-range plan, or required by  
32 the department to assure compliance with federal or state drinking  
33 water regulations, or to perform construction or maintenance required  
34 by the department of ecology to secure safety to life and property  
35 under RCW 43.21A.064(2). Expenditures from the fund shall be subject  
36 to prior approval by the commission, and shall be treated for rate-  
37 making purposes as customer contributions.

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