
SECOND SUBSTITUTE HOUSE BILL 1906

State of Washington

69th Legislature

2026 Regular Session

By House Appropriations (originally sponsored by Representatives Tharinger, Shavers, Parshley, and Hill)

READ FIRST TIME 02/09/26.

1 AN ACT Relating to increasing transparency and consumer
2 protection in water system rates; amending RCW 70A.125.060,
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. The legislature finds that due to
9 the many challenges facing public water systems, regional solutions
10 are a preferred alternative to ensuring economies of scale to keep
11 water supply affordable. Public ownership of water systems with a
12 competent public entity is preferred.

13 (2) The legislature finds that the utilities and transportation
14 commission, the regulating agency responsible for approving water
15 system rate changes and ensuring adequate consumer protections for
16 privately owned, for-profit public water systems, does not have
17 specific statutory standards to guide its review and approval of
18 proposed water system rate changes.

19 (3) The legislature finds that water systems are subject to a
20 number of public health standards and requirements from the
21 department of health that require comprehensive planning and capital

1 investments to ensure that residents have continuous access to safe
2 drinking water. The costs of these critical investments are reflected
3 in rate changes in order to provide a reasonable rate of return and
4 keep a water company in business. However, planning materials and
5 information supporting capital investments are not currently required
6 to be shared with the utilities and transportation commission.

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

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

23 (6) The legislature further finds that a growing number of small,
24 failing, or financially distressed water systems are unable to
25 reliably meet public health, operational, and financial requirements,
26 resulting in higher long-term costs, service disruptions, and
27 increased risks to public health and ratepayers.

28 (7) The legislature finds that consolidation of failing water
29 systems into existing, well-managed publicly owned water systems,
30 where feasible, can improve operational efficiency, enhance
31 regulatory compliance, stabilize rates over time, and better protect
32 public health and consumer interests.

33 (8) The legislature intends that for small water systems,
34 consolidation into an existing publicly owned water system is the
35 preferred outcome when addressing failing or nonviable water systems,
36 provided that such consolidation is technically feasible, financially
37 reasonable, and does not adversely impact the customers of the
38 receiving public water system.

39 (9) The legislature further finds that, in circumstances where no
40 existing publicly owned water system is reasonably able or willing to

1 assume ownership or operation of a failing system, transfer to or
2 acquisition by a regulated private water company may be an
3 appropriate alternative to ensure continuity of service and
4 protection of public health.

5 (10) The legislature intends that private acquisition of a
6 failing water system should occur only after reasonable efforts have
7 been made by the water system to evaluate consolidation with existing
8 publicly owned water systems and such options are determined by the
9 publicly owned utility to be infeasible.

10 (11) The legislature finds that successful consolidation of
11 failing water systems requires active state support, including
12 technical assistance, planning support, and financial resources, to
13 reduce barriers to consolidation and avoid undue cost impacts on
14 customers of receiving systems.

15 (12) The legislature intends that the state of Washington support
16 system consolidation efforts through coordinated technical assistance
17 and access to financial tools including, but not limited to, grants,
18 loans, and other funding mechanisms, in order to promote sustainable
19 water systems and protect public health and ratepayers statewide.

20 **Sec. 2.** RCW 70A.125.060 and 2025 c 43 s 1 are each amended to
21 read as follows:

22 (1) To assure safe and reliable public drinking water and to
23 protect the public health:

24 (a) Public water systems shall comply with all applicable
25 federal, state, and local rules((+)) and prior to a change of
26 ownership:

27 (i) Provide notification to:

28 (A) The county in which any water system is located;

29 (B) Any water district or public utility district operating water
30 systems within such county; and

31 (C) Any adjacent publicly owned water systems;

32 (ii) For transfers to a publicly owned water system, inform
33 customers of the acquisition by mailed notice or public posting; and

34 (iii) When the acquiring utility is privately owned, provide the
35 customers of the system with a right of first refusal to acquire the
36 water system;

37 (b) Group A public water systems shall:

38 (i) Protect the water sources used for drinking water;

1 (ii) Provide treatment adequate to assure that the public health
2 is protected;

3 (iii) Provide and effectively operate and maintain public water
4 system facilities;

5 (iv) Plan for future growth and assure the availability of safe
6 and reliable drinking water;

7 (v) Provide the department with the current names, addresses, and
8 telephone numbers of the owners, operators, and emergency contact
9 persons for the system, including any changes to this information,
10 and provide to users the name and (~~twenty-four~~) 24 hour telephone
11 number of an emergency contact person; (~~and~~)

12 (vi) Submit water system plans, small water system management
13 plans, or engineering documents as required by the department; and

14 (vii) Take whatever investigative or corrective action is
15 necessary to assure that a safe and reliable drinking water supply is
16 continuously available to users.

17 (2) No new group A public water system may be approved or created
18 unless: (a) It is owned or operated by a satellite system management
19 agency established under RCW 70A.100.130 and the satellite system
20 management system complies with financial viability requirements of
21 the department; or (b) a satellite management system is not available
22 and it is determined that the new system has sufficient management
23 and financial resources to provide safe and reliable service. The
24 approval of any new system that is not owned by a satellite system
25 management agency shall be conditioned upon future management or
26 ownership by a satellite system management agency, if such management
27 or ownership can be made with reasonable economy and efficiency, or
28 upon periodic review of the system's operational history to determine
29 its ability to meet the department's financial viability and other
30 operating requirements. The department and local health jurisdictions
31 shall enforce this requirement under authority provided under this
32 chapter, chapter 70A.100(~~7~~) or 70.05 RCW, or other authority
33 governing the approval of new water systems by the department or a
34 local jurisdiction.

35 (3) (a) No new group B public water systems that are described by
36 any of the criteria in (a) (i) through (iv) of this subsection may be
37 approved or created unless it is owned or operated by a satellite
38 system management agency consistent with the requirements applicable
39 to group A public water systems:

1 (i) The group B public water system is required to provide
2 treatment to meet water quality standards;

3 (ii) The group B public water system provides fire flow;

4 (iii) The group B public water system has atmospheric storage; or

5 (iv) The group B public water system serves 10 or more service
6 connections.

7 (b) The local board of health may adopt, under RCW 70.05.060 or
8 70.46.060, more stringent satellite management system requirements
9 than the requirements of (a) of this subsection.

10 (c) For group B water systems, the department and local health
11 jurisdictions shall enforce the requirements of this subsection under
12 authority provided under this chapter, chapter 70A.100 RCW(~~(, — or~~
13 ~~chapter)~~) or 70.05 RCW, or other authority governing the approval of
14 new water systems by the department or a local jurisdiction.

15 (4) The department and local health jurisdictions shall carry out
16 the rules and regulations of the state board of health adopted
17 pursuant to RCW 43.20.050(2) (a) and (b) and other rules adopted by
18 the department relating to public water systems.

19 **Sec. 3.** RCW 80.12.020 and 2009 c 24 s 3 are each amended to read
20 as follows:

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

1 customers of the company and provided the customers with a right of
2 first refusal to purchase the water system.

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

7 **Sec. 4.** RCW 80.28.022 and 1991 c 150 s 1 are each amended to
8 read as follows:

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

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

14 (a) Accounts for any federal, state, or other external funding
15 sources for system improvements;

16 (b) Requires all capital improvement projects to be included in
17 the water system plan approved by the department of health and
18 provides for a waiver process for emergency improvements that are
19 necessary for public health and safety;

20 (c) Considers the extent to which the water company provided
21 notice of planned capital projects to consumers and the impact of the
22 projects on rates;

23 (d) Promotes rate smoothing and the avoidance of excessive or
24 sudden rate changes; and

25 (e) 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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