

CERTIFICATION OF ENROLLMENT
SECOND SUBSTITUTE HOUSE BILL 1906

69th Legislature
2026 Regular Session

Passed by the House March 11, 2026
Yeas 94 Nays 2

**Speaker of the House of
Representatives**

Passed by the Senate March 3, 2026
Yeas 49 Nays 0

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE HOUSE BILL 1906** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

SECOND SUBSTITUTE HOUSE BILL 1906

AS AMENDED BY THE SENATE

Passed Legislature - 2026 Regular Session

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. Ownership of water systems by a competent
12 public entity or state-regulated private water company 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 public water systems, where
30 feasible, can improve operational efficiency, enhance regulatory
31 compliance, stabilize rates over time, and better protect public
32 health and consumer interests.

33 (8) The legislature intends that for small water systems,
34 consolidation into an existing public water system is the preferred
35 outcome when addressing failing or nonviable water systems, provided
36 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 intends that acquisition of a failing water
40 system that does not involve consolidation with an existing public

1 water system should occur only after reasonable efforts have been
2 made by the water system to evaluate consolidation with existing
3 public water systems and such options are determined to be
4 infeasible.

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

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

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

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

19 (a) Public water systems shall comply with all applicable
20 federal, state, and local rules(~~+~~) and prior to a change of
21 ownership:

22 (i) Provide notification to:

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

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

26 (C) Any adjacent public water systems, as defined in RCW
27 70A.125.010; and

28 (ii) For any change in ownership of a water system, inform
29 customers of the acquisition by mailed notice or public posting at
30 least 90 days prior to the acquisition, and provide customers with a
31 good faith estimate of future capital improvements and water system
32 rate changes;

33 (b) Group A public water systems shall:

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

35 (ii) Provide treatment adequate to assure that the public health
36 is protected;

37 (iii) Provide and effectively operate and maintain public water
38 system facilities;

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

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

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

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

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

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

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

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

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

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

3 (b) The local board of health may adopt, under RCW 70.05.060 or
4 70.46.060, more stringent satellite management system requirements
5 than the requirements of (a) of this subsection.

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

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

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

17 (1) No public service company shall sell, lease, assign or
18 otherwise dispose of the whole or any part of its franchises,
19 properties or facilities whatsoever, which are necessary or useful in
20 the performance of its duties to the public, and no public service
21 company shall, by any means whatsoever, directly or indirectly, merge
22 or consolidate any of its franchises, properties or facilities with
23 any other public service company, without having secured from the
24 commission an order authorizing it to do so. The commission shall not
25 approve any transaction under this section that would result in a
26 person, directly or indirectly, acquiring a controlling interest in a
27 gas, water, or electrical company without a finding that the
28 transaction would provide a net benefit to the customers of the
29 company. Prior to approving any transaction under this section that
30 would result in a change of a controlling interest in a water
31 company, the commission shall verify that the company has provided
32 notification to the county in which any water system of the company
33 is located, any water district or public utility district operating
34 water systems within such county, and any adjacent water systems, and
35 that customers of the company have been provided 90 days' notice of
36 the acquisition and a good faith estimate of future capital
37 improvements and water system rate changes.

38 (2) This section shall not apply to any sale, lease, assignment
39 or other disposal of such franchises, properties or facilities to a

1 special purpose district as defined in RCW 36.96.010, city, county,
2 or town.

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

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

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

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

12 (b) Requires a showing that the water company is following its
13 water system plan approved by the department of health and provides
14 for a waiver process in the rate setting process for emergency
15 improvements that are necessary for public health and safety;

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

19 (d) Promotes rate smoothing and the avoidance of excessive or
20 sudden rate changes; and

21 (e) Considers the extent to which a public water system, as
22 defined in RCW 70A.125.010, is able to comply with the planning
23 requirements given the size and capability restraints of the system;

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

33 (3) Must allow any water company filing a general rate case,
34 beginning January 1, 2027, to include a proposal for a multiyear rate
35 plan. The commission may, by order after an adjudicative proceeding
36 as provided by chapter 34.05 RCW, approve, approve with conditions,
37 or reject, a multiyear rate plan proposal made by a water company or
38 an alternative proposal made by one or more parties, or any
39 combination thereof. The commission's consideration of a proposal for

1 a multiyear rate plan is subject to the same standards applicable to
2 other rate filings made under this title, including the public
3 interest and fair, just, reasonable, and sufficient rates.

4 (a) The commission may approve, disapprove, or approve with
5 modifications any proposal to recover from ratepayers up to five
6 percent of the total revenue requirement approved by the commission
7 for each year of a multiyear rate plan for tariffs that reduce the
8 water burden of low-income residential customers including, but not
9 limited to: (i) Bill assistance programs; or (ii) one or more special
10 rates.

11 (b) If it approves a multiyear rate plan, the commission shall
12 separately approve rates for each of the initial rate year, the
13 second rate year, and if applicable, the third rate year, and the
14 fourth rate year.

15 (i) The commission shall ascertain and determine the fair value
16 for rate-making purposes of the property of any water company that is
17 or will be used and useful under RCW 80.04.250 for service in this
18 state by or during each rate year of the multiyear rate plan. For the
19 initial rate year, the commission shall, at a minimum, ascertain and
20 determine the fair value for rate-making purposes of the property of
21 any water company that is used and useful for service in this state
22 as of the rate effective date. The commission may order refunds to
23 customers if property expected to be used and useful by the rate
24 effective date when the commission approves a multiyear rate plan is
25 in fact not used and useful by such a date.

26 (ii) The commission shall ascertain and determine the revenues
27 and operating expenses for rate-making purposes of any water company
28 for each rate year of the multiyear rate plan.

29 (iii) In ascertaining and determining the fair value of property
30 of a water company pursuant to (b)(i) of this subsection and
31 projecting the revenues and operating expenses of a water company
32 pursuant to (b)(ii) of this subsection, the commission may use any
33 standard, formula, method, or theory of valuation reasonably
34 calculated to arrive at fair, just, reasonable, and sufficient rates.

35 (c) The commission may by order establish terms, conditions, and
36 procedures for a multiyear rate plan and ensure that rates remain
37 fair, just, reasonable, and sufficient during the course of the plan.

1 (d) Nothing in this section precludes any water company from
2 making filings required or permitted by the commission.

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