

CERTIFICATION OF ENROLLMENT  
**SECOND SUBSTITUTE HOUSE BILL 1906**

Chapter 237, Laws of 2026

69th Legislature  
2026 Regular Session

WATER COMPANIES—RATES AND CHANGES OF OWNERSHIP

EFFECTIVE DATE: June 11, 2026

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

LAURIE JINKINS

**Speaker of the House of  
Representatives**

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

DENNY HECK

**President of the Senate**

Approved March 28, 2026 11:29 AM

BOB FERGUSON

**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.

BERNARD DEAN

**Chief Clerk**

FILED

March 31, 2026

**Secretary of State  
State of Washington**

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**SECOND SUBSTITUTE HOUSE BILL 1906**

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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.

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

Passed by the House March 11, 2026.  
Passed by the Senate March 3, 2026.  
Approved by the Governor March 28, 2026.  
Filed in Office of Secretary of State March 31, 2026.

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