

**SENATE BILL REPORT**

**SB 5260**

**AS REPORTED BY COMMITTEE ON ENERGY & UTILITIES, FEBRUARY 12, 1991**

**Brief Description:** Regulating certain nonmunicipal water systems.

**SPONSORS:** Senators Thorsness, Madsen and Barr; by request of Utilities & Transportation Commission.

**SENATE COMMITTEE ON ENERGY & UTILITIES**

**Majority Report:** That Substitute Senate Bill No. 5260 be substituted therefor, and the substitute bill do pass.

Signed by Senators Thorsness, Chairman; Saling, Vice Chairman; Jesernig, Nelson, Patterson, Roach, Stratton, Sutherland, and Williams.

**Staff:** David Monthie (786-7198)

**Hearing Dates:** February 1, 1991; February 8, 1991; February 12, 1991

**BACKGROUND:**

The jurisdiction of the Utilities and Transportation Commission over water companies is limited to those serving 100 or more customers, or having average annual customer revenues of \$300 or more, that otherwise meet the statutory criteria for regulation. The Legislature in 1989 also required the commission to exercise audit and accounting supervision or to initiate a formal complaint against any water system for hire if the commission received an administrative order from the Department of Health or the city or county where the system was located that found the system to be in violation of drinking water system standards adopted by the Board of Health or the Department of Health. The latter provision has not been utilized by either the Department of Health or a local government to invoke commission jurisdiction, and it is unclear to the commission what actions it is to take under the language added in 1989. Its general jurisdictional criteria for water systems have also created problems in determining whether to assert or maintain jurisdiction over water systems whose number of customers and annual revenues may fluctuate.

**SUMMARY:**

Water companies that are subject to Utilities and Transportation Commission regulation cannot be removed from regulation unless the commission approves. Regulated companies whose customer number falls below 100, or whose average annual customer revenues fall below \$300, may petition

the commission for removal from regulation. The commission may retain jurisdiction over such companies where it finds that the public interest requires it.

The commission's jurisdiction over substandard water systems referred to it by the Department of Health or a city or county under RCW 80.04.110 is limited to nonmunicipal systems, and only for auditing purposes. The commission is to provide the results of the audit to the requesting party. The number of such companies referred to the commission in any calendar year is not to exceed 20 percent of the total number of companies subject to commission regulation. Companies referred to the commission for such an audit are required to pay a fee in the same amount as the commission requires on an annual basis from its regulated utilities. These audited companies are not required to sign a statement under oath as to their operating revenue.

**EFFECT OF PROPOSED SUBSTITUTE:**

The minimum number of persons required to file a complaint against a UTC regulated water company with regard to rates or charges is changed from 25 customers to either 25 customers or 25 percent of the company's customers. Provisions regarding the fees to be charged by the commission for audits of nonmunicipal water systems are added to RCW 80.04.110 and deleted from RCW 80.24.101.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested on January 31, 1991

**TESTIMONY FOR:**

The bill is needed to remedy the administrative problems of regulating systems whose size fluctuates and whose status as a regulated company may change from year to year. It will also clarify the auditing role of the UTC with regard to nonregulated companies referred to it by the Department of Health or a city or county, and assist in providing those companies with realistic financial information.

**TESTIMONY AGAINST:** None

**TESTIFIED:** PRO: Senator Ken Madsen; Senator Scott Barr; Carol Monohon, UTC; Fred Ottavelli, UTC; Bill Liechty, Dept. of Health; Eric Slagle, Dept. of Health; Richard Siffert, Dept. of Health; Barbara "Pat" Wiles, Investor-Owned Utility Assoc.