

SENATE BILL REPORT

SB 6206

As of January 18, 2024

Title: An act relating to receivership of public water systems.

Brief Description: Concerning receivership of public water systems.

Sponsors: Senators Short and Dozier.

Brief History:

Committee Activity: Local Government, Land Use & Tribal Affairs: 1/18/24.

Brief Summary of Bill

- Requires the court, under the receivership process of public water systems, to appoint the public utility district or water-sewer district in which the water system is located if there is no other person willing and able to be named as receiver.
- Requires the court to appoint the county in which the water system is located as the receiver if no public utility district or water-sewer district operates in the county where the water system is located.

SENATE COMMITTEE ON LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS

Staff: Karen Epps (786-7424)

Background: Public Water Systems. A public water system is any system providing water for human consumption through pipes or other means of transfer, except for a system which provides service to only one single-family residence or that provides fewer than four connections to residences on a single farm. Such a system includes any collection, treatment, and storage either under the control of the owner or operator of the public water system. It also includes collection and pretreatment storage facilities not under the control

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of the owner or operator but primarily used in connection with the system.

Water-Sewer Districts. Water-sewer districts provide water and sewer services to incorporated and unincorporated areas. Districts are established through a petition, public hearing, and voter approval process and are each managed by a board of elected commissioners. District powers include the authority to purchase, construct, maintain, and supply waterworks to furnish water to inhabitants, and to develop and operate systems of sewers and drainage.

Public Utility Districts. A public utility district (PUD) is a type of special-purpose district authorized for the purpose of generating and distributing electricity, providing water and sewer services, and providing telecommunications services. PUDs are authorized to establish rates and charges for providing water and sewer services.

Receivership of a Public Water System. In an action brought by the Secretary of Health or by a local health officer to place a public water system in receivership, the petition must include the name of at least one candidate for receiver who has consented to assume operation of the water system. The Department of Health (DOH) must maintain a list of interested and qualified individuals and entities with experience of providing water service and a satisfactory operation history.

If no receiver is willing or able to be named, the court must appoint the county in which the water system is located as the receiver. The county may name a county agency or contract with an outside individual or group to operate the water system. If the county is appointed as receiver, the Secretary of Health and the county health officer must provide regulatory oversight for the operation of the water system.

In any receivership action, the DOH must recommend the receiver be granted full authority to act in the best interests of the customers served by the water system. The receiver must assess the system's capability, in conjunction with the DOH and local government, for the system to operate in compliance with health and safety standards and must report to the court recommendations for the water system's future operation. These recommendations can include the formation of a water-sewer district or other public entity, or for ownership by another existing water system capable of providing service.

The court must authorize the receiver to impose reasonable assessments on the water system's customers to recover expenditures for improvements necessary for public health and safety.

No later than 12 months after appointment of a receiver, the petitioning agency, in conjunction with the county and state and local health agencies, must present a plan to the court for the disposition of the water system that includes all reasonable and feasible alternatives. The court will then conduct hearings as necessary, order the implementation of one or more of the options, and provide a date for the termination of the receivership.

The court cannot require a city, town, public utility district, water-sewer district, or irrigation district to accept a water system in receivership unless the entity agrees to the terms and conditions outlined in the plan.

The court may not terminate the receivership and return the water system to its owners unless the DOH approves the transfer. If the system is returned, the court may impose conditions on the owner, including the posting of a bond, compliance with audits, or other measures to ensure the ongoing proper operation of the system.

Summary of Bill: If there is no other person willing and able to be named as receiver, the court must appoint the public utility district or water-sewer district in which the water system is located. If no public utility district or water-sewer district operates in the county where the water system is located, the court must appoint the county as the receiver.

The court cannot require a city, town, or irrigation district to accept a water system in receivership unless the entity agrees to the terms and conditions outlined in the plan.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill is designed to address an issue across the state with older, smaller water systems. Older, smaller water systems need help with new conditions, new rules, new technologies. The bill is considering what would be an appropriate entity to take over these smaller systems. There are several old systems that could go into receivership and counties are not set up to operate water systems, handle utility billing, or have staff to do water testing. PUDs have the staff, capabilities, and billing systems. These systems often serve vulnerable or senior populations and this will raise the cost of their water. This bill is looking at how best to keep costs down, keep people in their homes, and deliver good water. This bill is about public health and wellbeing and the most efficient use of public dollars. Counties do not have the expertise and the systems to support this work. For one system in receivership, Clallam County invested almost 1000 hours of staff time over the last year and over \$400,000 in expenses and the users of the system are still boiling their water. This bill supports public health by ensuring that these failing systems are put into receivership where the expertise exists.

CON: This bill raises the importance of continued funding to support water system consolidation and rehabilitation. Receiverships are rare and often present unique challenges. Counties are appropriately empowered to serve in this capacity as they have greater resources and capacity to serve in this role. Many PUDs are limited in staffing and

resources and not all provide water services, so it would be outside their expertise. If a small PUD had to assume responsibility of a failing system, it could overwhelm their capabilities and resources and possibly lead to increased rates for customers. The county is better suited with greater capacity and resources to serve as the receiver of last resort. It is important for local governments to work cooperatively to deliver essential services.

Persons Testifying: PRO: Senator Shelly Short, Prime Sponsor; Wes McCart, Stevens County - Commissioner; Mark Ozias.

CON: Darrel Hawes, Stevens PUD; Liz Anderson, Washington PUD Association.

Persons Signed In To Testify But Not Testifying: No one.