

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

WASHINGTON WATER SERVICE COMPANY

For an Accounting Order Authorizing Deferred Accounting
Treatment for Testing and Mitigation of Per and
Polyfluoroalkyl Substances

DOCKET NO. UW-_____

PETITION

Pursuant to WAC 480-07-370(3)(b), Washington Water Service Company (“Washington Water” or the “Company”) petitions the Washington Utilities and Transportation Commission (the “Commission”) for an order authorizing the deferred accounting treatment for costs pertaining to the testing for and mitigation of per and polyfluoroalkyl substances (“PFAS”) in accordance with Washington Department of Health (“DOH”) and United States Environmental Protection Agency (“EPA”) requirements and regulations. These include all PFAS-related costs, including expense, capital, and carrying costs. Washington Water seeks to defer these costs from January 1, 2023 going forward, to track and preserve them for separate ratemaking treatment. The Company will file a proposal to amortize the deferred costs where the prudence of these costs will be reviewed.

In support of this Petition, Washington Water states as follows:

I. NAME OF PETITIONER

Washington Water is a water company and public service company doing business in the State of Washington and is subject to the regulatory authority of the Commission as to its rates, service, facilities, and practices.

II. COMMUNICATIONS

Communications regarding this Petition should be addressed to the service list for Docket UW-230236.

III. SUPPORT FOR THE PETITION

A) Legal Authority

The Commission is vested by the statute with the authority to regulate, among other things, the rates and accounts of public service companies, including water companies.¹ WAC 480-07-370(3)(b) allows public service companies to file petitions, including petitions for deferred accounting.² The Commission grants petitions for deferred accounting where “good cause” is shown.³

B) Factual Background

Effective January 1, 2022, the Washington Department of Health (“DOH”) established State Action Levels (SALs) for five PFAS compounds.⁴ The DOH requires Group A community and non-transient non-community (“NTNC”) water systems to begin monitoring for PFAS beginning January 1, 2023. Group B systems are regulated by local health jurisdictions (e.g., county public health agencies), which must adopt regulations no less stringent than those of the DOH. Washington Water will be sampling all of its Group A and Group B wells. Included in this request is a proposed initial PFAS monitoring expense amount of approximately \$600,000. Washington Water also anticipates a capital program to mitigate the effects of PFAS, where appropriate. The EPA is expected to finalize the MCL for PFAS by the end of 2023 with a three-

¹ RCW 80.01.040, RCW 80.04.160, RCQ 80.28.020; *see also In the Matter of the Petition of Washington Water Service Company, Petitioner, For An Accounting Order to Defer Severe Weather Expenditure*, Docket UW-072431, Order 01 (May 15, 2008).

² See UW-072431, Order 01 ¶ 8.

³ UW-072431, Order 01 ¶ 12.

⁴ For the purposes of this petition, “PFAS” includes all pre and polyfluoroalkyl substances contemplated under both state and federal drinking water rulemakings and/or regulations.

year compliance period, meaning water systems must comply by December 31, 2026. The estimated PFAS capital program costs will not be known until all required testing is complete and the PFAS MCL is published by the EPA.

C) Reasons for Deferral

Deferred accounting treatment is required due to the ongoing monitoring for PFAS and uncertainty over the size and scope of the PFAS capital program. Washington Water has already initiated (and starting incurring costs for) a PFAS testing program in accordance with DOH and EPA requirements. Also, Washington Water will proceed promptly with executing its PFAS capital program in the near future to achieve safe and compliant drinking water service for its customers. Finally, there are potential funding sources available from third parties that if obtained would offset the financial investment by Washington Water. Any such funds obtained should also be tracked and preserved under deferred accounting treatment to ensure the benefit for Washington Water's customers.

D) Estimated Amounts Subject to Deferral

Washington Water estimates initial PFAS testing costs to total approximately \$600,000. A cost estimate for the PFAS capital program will be unknown until testing is complete and an MCL finalized by the EPA. Carrying costs of prime rate plus 2% interest will be applied to the deferred accounting balance related to PFAS.

E) Proposed Accounting

Washington Water initiated its testing for PFAs in January 2023, therefore, beginning on January 1, 2023, and until authorize for recovery by the Commission, the Company proposes to account for the PFAS-related costs in a dedicated general ledger account.

IV. RELIEF REQUESTED

Washington Water requests authorization to defer and track and preserve the PFAS program costs for separate ratemaking treatment, as described above, plus prime rate plus 2% interest.

