



WASHINGTON WATER SERVICE

P.O. Box 336
Gig Harbor, WA 98335 Tel: (877) 408-4060

Received
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VIA E-FILING

Mr. Jeff Killip, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: Washington Water Service Company – Sheet No. 3; Sheet 30 Schedule No. 1; Sheet 30.1 Schedule No. 1.1; Sheet 31 Schedule No. 2; Sheet 31.1 Schedule No. 2.1; Sheet 33 Schedule No. 4

Dear Mr. Killip,

The purpose of this filing is to seek a general rate increase for Washington Water's Legacy and East Pierce systems. The following will provide background and a discussion of the requested rate increase.

I. Background

The East Pierce system was acquired by Washington Water Service Company ("Washington Water" or the "Company") in 2020, with Washington Utilities and Transportation Commission ("Washington UTC", "Commission", or "UTC") approval being given in Docket UW-200091¹ and the tariff revision being filed in Docket UW-200464. East Pierce serves approximately 19,600 residential and non-residential customers on 28 water systems in Pierce County and Kitsap County. Washington Water also provides water service to approximately 18,000 customers served on 190 water systems located in eight counties. These systems are referred to collectively as the "Legacy" systems.

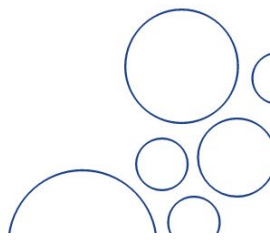
In addition to the Legacy and East Pierce systems, Washington Water also provides regulated water service to customers in the Stroh's service area and unregulated sewer service. The UTC recently approved a rate change for the Stroh's system² and only adjustments to Legacy and East Pierce customers are being requested in this filing.

As a condition of the East Pierce acquisition, the Company committed to filing its first rate case within one year of closing. In July of 2021, Washington Water filed general rate cases for its "Legacy" and East Pierce systems.³ The 2021 filing included a proposed three-year phase-in for East Pierce rates to achieve sufficient revenues to cover the cost of service for the system and,

¹ *In re the Application of Rainier View Water Co., Inc. for the Sale and Transfer of Assets to Wash. Water Serv. Co.*, Docket UW-200091, Order 01 (Mar. 26, 2020).

² *In re Wash. Water Serv. Co., Tariff Revision*, Docket UW-250186, Staff Memo (May 22, 2025).

³ *In re Wash. Water Serv. Co., Tariff Revision*, Docket UW-210560, Initial Filing (July 15, 2021).





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consistent with the Commission's direction in the acquisition case order, move East Pierce closer to parity with Washington Water. In February of 2022, Washington Water, UTC Staff and Public Counsel settled on a single year increase for East Pierce, with the understanding that Washington Water would file another general rate case within twelve to eighteen months.⁴ In April 2023, the Company filed a rate increase that went into effect on July 28, 2023.⁵ Those rates are still in effect today.

The rate change requested in this case is driven by the continued increase in costs to operate the system, investments made since the last rate case, per- and polyfluoroalkyl substances ("PFAS") expenses, and to move rates closer to a single tariff pricing schedule as directed by the Commission in the acquisition case, Docket UW-200091.

II. Discussion

The rate increase in Washington Water's last rate case for the East Pierce and the Legacy systems became effective July 2023. As is shown in the attached revenue requirement model, the current rates being charged do not allow the Company to recover reasonable operating expenses and an opportunity to earn a reasonable return on its investment.

This request reflects the increase required to allow the Company to recover operating costs and earn a return based on capital investment. In addition, the request includes recovery of PFAS expenses incurred by the Company in 2023 and 2024 for which the Commission approved deferred accounting treatment.

a. Revenue Requirement

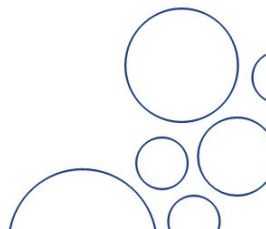
As demonstrated in the workpapers included in this filing, Washington Water's requested revenue requirement increase for the Legacy and East Pierce systems⁶ is \$4,901,712, or approximately 19.5%, compared to revenues produced in current rates. As explained in the Rate Design section below, the Company proposes to continue reducing the rate disparity between the East Pierce and Legacy systems; however, due to the desire to avoid large impacts to East Piece customer bills, closing the disparity entirely in this filing is not being proposed. It may take several more rate case cycles to achieve parity.

Washington Water receives services from its parent company, California Water Service Group, which includes management, financial, regulatory and human resources services. The allocation of costs to both entities follows Staff's recommendations made in the 2021 Washington

⁴ Docket UW-210560, Staff Memo (Feb. 7, 2022).

⁵ *In re Wash. Util. and Transp. Comm'n v. Wash. Water Serv. Co.*, Docket UW-230236, Order 01 (Aug. 18, 2023)

⁶ Includes all the Company's systems except for the Stroh's system that was addressed in Docket UW-250186 and approved on May 22, 2025. Stroh's revenues, expenses, and recoveries are excluded from this filing.





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Water rate case and followed in the 2023 rate case. The revenues and expenses associated with the Company's non-regulated operations have been removed from the requested cost of service.

Due to the current revenues being insufficient to allow the Company to achieve its authorized rate of return and to maintain the goal of eventually reaching parity in the two systems, the Company is not proposing a phase in of rates.

b. PFAS

In Docket UW-230645, the Commission granted the Company's request for deferred accounting authority for PFAS-related costs, including expenses, capital, and carrying costs.⁷ The Commission approved deferred accounting for costs incurred between January 1, 2023, and December 31, 2026.

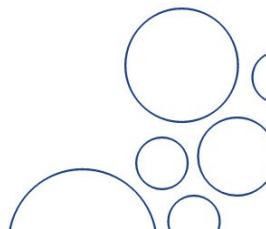
In this filing, Washington Water is requesting approval from the UTC for collection of the 2023 and 2024 PFAS expenses incurred, in compliance with Order 01 of Docket UW-230645. This represents expenses only and does not reflect any capital expenditures. These are costs incurred by the Company through the end of the Test Year, December 31, 2024. Information relating to these deferred costs, which total \$163,141, can be found in the workpapers submitted along with this application. Washington Water is also seeking a determination that the amounts incurred are reasonable, prudent, and are recoverable. The Company includes only half of the total balance in the revenue requirement ask in order to spread the recovery over a two year time period. This is being proposed in order to reduce the impact on rates and to more closely align the recovery with the time period the expenses incurred. The Company may also seek to recover additional PFAS costs in a future filing as future expenses, capital, and carrying costs are incurred.

In May 2025, the Company recovered almost \$500,000 from proceeds from settlements with certain PFAS manufacturers in the multi-district litigation, MDL No. 2873. As funds were received in May 2025 after the close of the historical rate making period of 2024, they are not included in this filing. Going forward, the settlements are to be booked against capital spend and will be reflected in future rate adjustment applications as reductions in the Company's net investment in utility plant.

c. Depreciation Study

In 2024, the Company hired the consulting firm of Sheffer Consulting LLC to perform a depreciation study of the Washington Water Service Company assets ("Sheffer Study" or "Depreciation Study"). The Sheffer Study is attached to this filing as Appendix A. The Company is asking the Washington UTC for authority to use the depreciation rates established in the Sheffer

⁷ *In re the Petition of Wash. Water Serv. Co. for an Accounting Order Authorizing Deferred Accounting Treatment for Testing and Mitigation of Per and Polyfluoroalkyl (PFAS) Substances*, Docket UW-230645, Order 01 at ¶ 4 (Sept. 14, 2023).





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Study going forward as reflected throughout this filing. While these rates are used to calculate the amount of depreciation expense included in requested rates, no change has been made to accumulated depreciation balances or depreciation expense recorded on Company books as this is a prospective change intended to take place at the same time new rates are approved.

In addition to the updated rates, the Company is requesting the UTC allow the Company to use “group depreciation” on the Washington assets going forward. Group depreciation is a common utility accounting approach where similar assets—such as pipelines, meters, or pumps—are grouped together and depreciated as a single ‘pool’ over an average useful life, rather than tracking the net investment in each individual asset. This approach simplifies accounting and asset management. Group depreciation ultimately better reflects the actual usage and retirement patterns of infrastructure-intensive operations like water utilities, as service lives can be developed more predictably for a pool of assets than at the individual asset level.

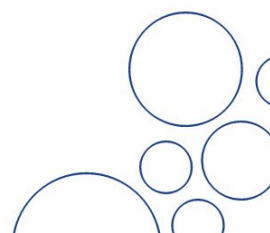
d. Return on Equity (“ROE”) and Capital Structure

In the third quarter of 2024, the Washington UTC directed Commission Staff to open a docket around water cost of capital, including capital structure, cost of debt, and return on equity. That docket, UW-240589, was the result of continuing discussions about the reasonableness of the ‘standard’ twelve percent (12%) ROE included in the UTC’s general rate case model. In July 2025, a workshop was held with interested parties. Washington Water participated in those discussions and has offered ideas, suggestions, and possible solutions to this issue.

Currently, the Commission has not made a decision as to a specific approach to be used for determining a reasonable ROE. However, the Company understands that any resolution of this request will more than likely result in a ROE lower than 12% given current macroeconomic conditions. While we believe a higher ROE can reasonably be justified, the Company is proactively proposing an ROE of 10.2% in this filing in an attempt to remove points of contention.

The 10.2% matches the settled ROE used to set rates in the recent Stroh’s application for a rate change (Docket UW-250186). The Company is also using the Capital Structure approved in the Stroh’s filing, that amounts to a weighted average cost of capital (“WACC”) of 7.71%. While settlement negotiations and agreements in one case are not binding in another case, the Company feels that not enough has changed in the financial markets from May 2025, when Docket UW-250186 was approved and therefore the 10.2% ROE and 7.71% WACC should still be considered a reasonable outcome.

Additional support for the reasonableness of the proposed ROE is provided by the authorized ROE of 10.27% used for California Water Services Company, the larger affiliate in the California Water Service Group. Washington Water does not issue its own equity in external markets and relies on its parent company for equity financing.





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The capital structure, cost of debt, and corresponding WACC are likewise based on those approved by the Commission in the Docket UW-250186 settlement.

III. Rate Design

The Company proposes a 19.5% increase in revenues from present rates: East Pierce customers would see a 36.7% increase in revenues and Legacy system customers would see a 6.6% increase, effective November 15, 2025. Washington Water provides the following example of impacts to a median household to summarize the proposed rate increase:

- **East Pierce.** The median bill usage for the East Pierce's most populous customer class is 761 cubic feet ("cf"). Under current rates, the median East Pierce household experiences a bill of \$33.65. Under the Company's proposal, the median East Pierce household bill would be \$48.36, a 43.7% increase.
- **Legacy.** The median bill usage for the other Washington Water systems' (i.e., non-East Pierce) most populous customer class is 633 cf. Under current rates, the median Washington Water household experiences a bill of \$47.63. Under the Company's proposal, the median Washington Water household bill would be \$52.43, a 10.1% increase.

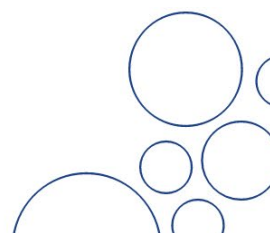
Under the Company's proposal, fixed monthly meter charges for customers taking service from 5/8" and 3/4" meters will be \$26.18 in East Pierce and \$29.15 in other Legacy systems. This represents an increase of \$6.50 over the current monthly fixed charge of \$19.68 in East Pierce and an increase of \$4.43 over the current fixed charge of \$24.72 in the other Legacy systems.

The Non-Meter Rate, found in the tariffs on Sheet No. 30.2 Schedule 1.2, would increase from \$41.91 per month to \$54.80 per month in East Pierce and from \$64.35 per month to \$74.59 per month in other Legacy systems.

In this filing, the Company is continuing the three-volume-block structure established in the prior rate case. Using a multiple-tier structure promotes conservation as higher usage customers will pay more on a per-gallon or per-cubic-foot basis as their consumption increases.

IV. Proposed Revenue Impact Tables

This filing affects the East Pierce system and the Legacy systems. As discussed above, the rate impacts will be different between East Pierce and the other systems while the Company moves toward one tariff. The requested rate increase will result in rates that more closely reflect the cost of service for the Company's systems. Table 1A and Table 1B below provides the revenue increases and median cost on a per bill basis with a 3/4" meter for the systems in this filing. Even with the 2025 rate changes, the East Pierce system rates will remain below the "Legacy" Washington Water Systems.





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TABLE 1A

	East Pierce Rates / Revenues		
	Present	Change	Proposed
Revenues	\$ 10,922,196	\$ 4,004,230	\$ 14,926,426
Median Monthly Change - 3/4" Residential	33.65	14.70	48.36
Flat Rate	19.68	6.86	26.18
Non-Metered Change	41.91	14.60	54.80

TABLE 1B

	Wash. Water "Legacy" Rates / Revenues		
	Present	Change	Proposed
Revenues	\$ 13,649,786	\$ 897,482	\$ 14,547,268
Median Monthly Change - 3/4" Residential	47.63	4.80	52.43
Flat Rate	24.72	4.43	29.15
Non-Metered Change	64.35	10.24	74.59

Table 2 below provides the revenue increases designed for this rate change for all services.

TABLE 2

Revenue Category	Current Rate	East Pierce			Wash. Water "Legacy"		
	Revenues	Revenue	Increase - \$	Increase - %	Revenue	Increase - \$	Increase - %
Metered Sales	\$ 24,529,272	\$ 14,917,061	\$ 4,001,950	36.7%	\$ 14,505,403	\$ 891,242	6.4%
Unmetered Sales	9,548	3,397	799	30.7%	8,055	1,106	15.9%
Ready to Serve	33,162	5,968	1,481	33.0%	33,810	5,134	17.9%
Other Revenues	511,150	-	-	0%	-	-	0%
Total Regulated Revenues	\$ 25,083,132	\$ 14,926,426	\$ 4,004,230	36.7%	\$ 14,547,268	\$ 897,482	6.6%

V. Other Regulatory Matters

a. Service Line Inventory

The Company is requesting authorization to establish a regulatory asset to track and ultimately recover the costs associated with planning and developing a comprehensive service line inventory, as required by the U.S. Environmental Protection Agency's Lead and Copper Rule Revisions (LCRR). These expenses are not part of the utility's routine operations; rather, they are driven by a federal regulatory mandate intended to identify and mitigate lead exposure risks in drinking water systems nationwide. By allowing these costs to be deferred and recorded as a



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regulatory asset, the utility can comply with the EPA's deadlines without creating immediate pressure on rates or compromising other critical operations.

The development of a service line inventory involves extensive data gathering, field verification, public outreach, and coordination with customers—particularly in systems with limited historical records of service line materials. These activities are essential for regulatory compliance and form the foundation for future lead service line replacements. Treating these expenditures as a regulatory asset is appropriate because they provide long-term value, support public health objectives, and were incurred in response to external legal requirements, not discretionary utility action.

Similar treatment has been granted in other jurisdictions. For example, in 2022, the Pennsylvania Public Utility Commission approved a request by The York Water Company (Docket No. M-2022-3029983) to defer and track expenses related to the preparation of its lead service line inventory and replacement plan. The Commission recognized that these were necessary, non-recurring compliance costs that would benefit both customers and the utility over the long term, and that deferring them would avoid undue rate impacts in a single year. This decision illustrates a growing regulatory consensus that utilities should not be penalized for taking timely and necessary actions to comply with evolving water quality standards.

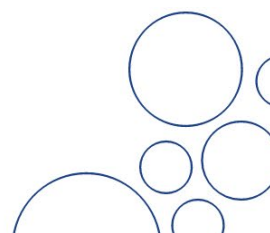
In conclusion, authorizing a regulatory asset for the planning and development of the service line inventory is a fair and necessary step. It ensures that the utility can meet its regulatory obligations under the LCRR without creating rate volatility or delaying compliance. This approach protects customers, supports public health, and maintains the utility's financial stability as it responds to one of the most significant regulatory changes in the water sector in recent years.

The Company anticipates spending just over \$2 million for the inventory of 3,319 service lines over the 2025-2027 horizon. Recovery would be sought in the next rate case filing or subsequent filings as needed.

b. Conservation Costs

The Washington UTC granted the Company the authority to set up deferred accounting for implementation of a conservation program.⁸ The regulatory account is set up to record the costs of the conservation effort that is not already approved in rates. The cost items approved in rates include costs associated with implementation, outreach, and consultation. Other costs, such as providing plumbing fixtures and water efficient appliances, were not known and measurable at the time and therefore were approved to be tracked in the new regulatory account. The Company asks at this time to continue the regulatory treatment of these expenses including the prime rate plus 2% interest.

⁸ Docket UW-230236, Order 01 at ¶ 23.





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In this proceeding, the Company has not included the recovery of any of the conservation regulatory asset account, but has included approximately \$35,000 in expenses for the 2024 spend on public outreach, consistent with the prior general rate case. The Company does not believe that the dollar value in the separate regulatory account is sufficient to seek recovery at this time and will instead seek recovery in a future rate case. Order 01 in Docket UW-230236 allows for this account to “receive deferred accounting treatment until the Company has collected historical data for the Commission’s consideration in future rate case proceedings.”⁹

c. Tariff Clean-up

In the submitted tariff pages, the Company is cleaning up the Index Page. While the Stroh’s system is not included in this filing, the Company realized that when the Stroh’s tariff pages were accepted and approved, a corresponding change to the Index Page was not included. The Company is looking to rectify that now and is including new line items for Schedule 1.2 Non-Metered Rate Service – Stroh, Schedule 2.2A Metered Rate Service – Stroh, and 2.2B Metered Rate Service – Stroh in the new Substitute First Revision of Sheet No. 3.

VI. Conclusion

Washington Water respectfully requests that the Commission approve this rate change, the Depreciation Rates, Group Depreciation, the PFAS recovery, and a regulatory asset for Service Line Inventory expenses. Washington Water requests a rate effective date of November 15, 2025, for the increase requested in this filing. This would allow more than 30 days for Commission Staff and interested parties to produce inquiries, if needed, and to address the Company’s request at an Open Meeting in either late October or in the first weeks of November.

This filing affects all customers that Washington Water serves by connection, with the exception of the customers in the Stroh’s system.

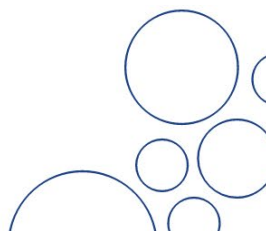
Along with this cover letter, the Company is attaching new tariff pages for Sheet No. 3, Sheet 30 Schedule No. 1, Sheet 30.1 Schedule No. 1.1, Sheet 31 Schedule No. 2, Sheet 31.1 Schedule No. 2.1, and Sheet 33 Schedule No. 4, as well as the Customer Notice that will be sent out to all affected customers 30 days prior to any rate change and the workpapers supporting this filing as required by WAC 480-07-530.

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⁹ Docket UW-230236, Order 01 at ¶ 20.





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If there are any questions concerning this filing, please do not hesitate to contact me.

Yours Truly,

A handwritten signature in blue ink, appearing to read "Matt Brown", with a long horizontal flourish extending to the right.

Matt Brown
General Manager
Washington Water Service Company
September 25, 2025

