

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

Washington Water Service Company

Petitioner,

For An Accounting Order authorizing
deferred accounting treatment for testing
and mitigation of Per and Polyfluoroalkyl
(PFAS) Substances.

DOCKET UW-230645

ORDER 01

GRANTING ACCOUNTING
PETITION

BACKGROUND

- 1 On August 8, 2023, Washington Water Service Company (Washington Water or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under WAC 480-07-370(3)(b) authorizing Washington Water to defer costs for monitoring, testing, possible implementation of capital improvements or other mitigation measures based on monitoring results to ensure public health and safety of Per and Polyfluoroalkyl (PFAS) substances (Petition). 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 costs for separate ratemaking treatment.
- 2 In accordance with the Washington Department of Health (DOH) and the United States Environmental Protection Agency (EPA) requirements and regulations, the Company will incur costs associated with PFAS testing and mitigation. Effective January 1, 2022, DOH established State Action Levels (SALs) for five PFAS compounds. DOH requires Group A community and non-transient non community water systems to begin monitoring for PFAS beginning January 1, 2023. The EPA is expected to finalize the Maximum Contaminant Level (MCL) for PFAS by the end of 2023 with a three-year compliance period, which means water companies must comply by December 31, 2026. Washington Water is testing approximately 400 Group A wells and 100 Group B wells for PFAS. In docket UW-230236, the Commission allowed deferred accounting treatment for implementation of a conservation program where Commission Staff, Public Counsel, and the Company agreed that Washington Water should apply a carrying cost on the deferred accounting balance of prime rate plus 2 percent interest. Washington Water requests this same level of carrying costs be applied to costs in the PFAS account.

3 Commission Staff (Staff) has reviewed the Company’s Petition and recommends that it
be granted. Staff submits that the company initially expects to incur approximately
\$600,000 in costs related to PFAS, in addition to other capital costs. These include all
PFAS related costs, including expense, capital, and carrying costs. Washington Water
will apply a carrying cost on the deferred accounting balance of prime rate plus 2 percent
interest related to PFAS. These expenses should be tracked and preserved under deferred
accounting treatment to ensure the benefit is for Washington Water customers.

DISCUSSION

4 The Commission grants the Company’s Petition for deferred accounting treatment of
PFAS related costs. This will track and preserve these costs for review in a future
proceeding. The Commission therefore grants the Company deferred accounting
treatment for PFAS related costs to include expenses, capital, and carrying costs. The
period for recovery of these costs will be between January 1, 2023, and December 31,
2026. The Company’s proposed carrying cost is consistent with the rate approved by the
Commission in Docket UW-230236 and should likewise be approved. Washington Water
may therefore apply a carrying cost on the deferred accounting balance of the prime rate
plus 2 percent interest.

FINDINGS AND CONCLUSIONS

- 5 (1) The Commission is an agency of the State of Washington vested by statute with
the authority to regulate the rates, rules, regulations, practices, accounts,
securities, transfers of property and affiliated interests of public service
companies, including water companies.
- 6 (2) Washington Water is a water company and a public service company subject to
Commission jurisdiction.
- 7 (3) WAC 480-07-370(3)(b) allows companies to file petitions including that for
which Washington Water seeks approval.
- 8 (4) Staff has reviewed the Petition in Docket UW-230645 including related work
papers.
- 9 (5) Staff believes the proposed accounting deferral Washington Water requests is
reasonable and should be granted.

- 10 (6) This matter came before the Commission at its regularly scheduled meeting on September 14, 2023.
- 11 (7) After reviewing Washington Water’s Petition filed in Docket UW-230645 on August 8, 2023, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed should be granted subject to the requirements noted in paragraph 4 of this Order.

ORDER

THE COMMISSION ORDERS:

- 12 (1) Washington Water Service Company’s Petition for deferred accounting treatment for testing and mitigation of PFAS substances is granted subject to the requirements noted in paragraph 4 of this Order.
- 13 (2) This Order shall not affect the Commission’s authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 14 (3) The Commission retains jurisdiction over the subject matter and Washington Water Service Company to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective September 14, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

KATHY HUNTER
Acting Executive Director and Secretary