



# Water Rates FAQs

The Washington Utilities and Transportation Commission regulates the rates and services of investor-owned water utilities that serve more than 100 customers or bill customers more than \$557 a year.

The UTC regulates privately or investor-owned water companies, but does not regulate the rates or services of city, town, or county water systems, cooperative or homeowners' associations, or public utility districts.

In reviewing rate-increase requests, the UTC functions like a court and must decide the case based on the evidence. Regulated water companies can propose rate increases at any time, for any amount. Before a proposed rate

increase takes effect, companies must file with the UTC and notify customers. Commission staff review the request and present a recommendation to the three governor appointed commissioners for a decision.

Water companies request rate increases for a variety of reasons, including replacing old pipes, installing new storage tanks, and upgrading treatment equipment. Higher operating costs, such as the price of electricity or gas for repair trucks, also can trigger a water

company to ask for a rate hike.

State law requires rates to be fair and reasonable for customers but high enough to allow the utility to earn a return on its investment. The commission can set service standards and penalize companies for poor service, but it cannot deny rates that cover legitimate costs. Rates are based on each company's specific cost structure and not on what customers of other water companies pay. Therefore, rates vary widely among water companies.



**UTC**  
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### How do I learn about rate increases?

Water companies regulated by the commission must give customers a minimum of 30 days' advance notice for any rate increase request. The notice must explain to customers how the company's proposal could affect them and how to comment on the proposal before the commission takes action. Once a rate increase is proposed, the commission can keep you updated on the decision-making status as an interested person.

### What are the steps of a rate case?

1. First the company files a rate-increase proposal and necessary financial documentation with the commission and notifies customers. Rates may go into effect in 30 days unless the UTC suspends the increase for further investigation.
2. Commission staff review the company's financial records, making adjustments for expenses that are unreasonable. One-time expenditures also are disallowed and not charged to customers. If, after commission staff members review the company's request, and find it to be reasonable, they will recommend the UTC allow the increase.
3. If UTC staff believe the company has not proven its need for more money, staff may recommend a revised, lower rate or that the commission suspend the rate increase and hold hearings. Before the 30-day period ends, the UTC decides whether to approve the increase at one of its regularly scheduled public meetings. At the public meeting, staff present their recommendations and a summary of customer comments. Representatives from the company and other agencies such as the Department of Health may comment and customers are invited to speak on the rate-hike proposal.

### What does commission staff review during a company's rate-increase proposal?

Commission staff looks at these five main issues:

- The actual cost to provide service based on 12 months of financial information, excluding items for which money cannot be recovered from customers (e.g., political contributions and fines);
- The company's total investment in equipment used to provide service (called rate base);
- The appropriate profit level (called rate of return) the company should be allowed for its investments;
- The appropriate amount that each customer class (residential, commercial, or industrial) should pay;
- The rate design. Monthly rates are either flat-rated service (unlimited water usage) or metered service (customers pay for what they use). Metered rates include a base charge, which may or may not include an amount of water, and usage blocks.

### What is a surcharge?

A surcharge is a tool a water company can use to fund specific capital projects or to improve water quality and quantity as required by the Department of Health. A surcharge is a temporary charge to customers. The surcharge is removed from customers' bills when the project is paid in full.

### My water is fine, so why should I pay to repair a water system that does not supply water to me?

Customers benefit from economies of scale. More customers paying for the necessary repairs results in a lower cost for each customer. The commission sets a single rate that applies to all customers on all water systems that a company owns. This is known as single tariff pricing.

An important exception to single tariff pricing occurs when customers on a system vote to pay for voluntary services. These include items such as a surcharge for a backup generator if DOH does not require one or

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installation of a fire flow mechanism when the fire marshal says it's not necessary. To implement voluntary surcharges, the company must send ballots to all affected customers. If the majority of voting customers are in favor, then the company will file a proposal with the commission and only those customers on the affected water system will pay the surcharge.

Can a company seek a rate increase if the water quality is not up to Dept. of Health's standards?

Yes. The company can seek a rate increase to recover its reasonable costs of doing business.

If a water company is fined by the commission or Dept. of Health, can the company recover the fine in customer rates?

No. Any fines or penalties levied on a water company are removed from expenses used to set water rates.

What can I do if I'm experiencing water service problems such as rate, billing, meter, or service connections?

You should first notify your company and ask to speak with a supervisor if necessary. It is important to give your company a chance to fix the problem. If you are not satisfied with the company's response, you may contact the commission's Consumer Protection Help Line at 1-888-333-WUTC (9882) or [consumer@utc.wa.gov](mailto:consumer@utc.wa.gov).

How can I submit a comment?

The UTC carefully considers public comments before making decisions. Public comments can identify issues that need to be addressed, including safety concerns and the way rates are set. To comment email [comments@utc.wa.gov](mailto:comments@utc.wa.gov), call 1-888-333-WUTC (9882) or leave a comment online at [www.utc.wa.gov/comment](http://www.utc.wa.gov/comment).