

SENATE BILL REPORT

ESSB 6006

As Passed Senate, March 18, 1997

Title: An act relating to the electric utility industry.

Brief Description: Enacting the electric customer choice act.

Sponsors: Senate Committee on Energy & Utilities (originally sponsored by Senators Finkbeiner and Rossi).

Brief History:

Committee Activity: Energy & Utilities: 3/3/97, 3/5/97 [DPS, DNPS].
Passed Senate, 3/18/97, 31-17.

SENATE COMMITTEE ON ENERGY & UTILITIES

Majority Report: That Substitute Senate Bill No. 6006 be substituted therefor, and the substitute bill do pass.

Signed by Senators Finkbeiner, Chair; Hochstatter, Vice Chair; Brown, Rossi and Strannigan.

Minority Report: Do not pass substitute.

Signed by Senators Jacobsen and Swanson.

Staff: Phil Moeller (786-7445)

Background: For the last several decades, most electricity customers have not had a choice as to their supplier of electricity. Most electric utilities were considered to be monopoly suppliers.

In 1992, Congress made a significant change in electricity policy by mandating competition in the wholesale transmission of electricity. Many owners of transmission lines were required to open these lines to other entities, developing standard rates and conditions that would apply to all users, including themselves as owners. The costs of these transmission services were required to be "unbundled" from other services and accounted for separately. This set of policy changes has resulted in a vigorously competitive wholesale electricity market. Congress did not mandate competition in the retail electricity market, leaving these policy decisions to the states.

Partly as a result of new competitive pressures on the Bonneville Power Administration, the governors of Idaho, Montana, Oregon and Washington convened in January of 1996 a group to review policy options for the Northwest Energy System. The steering committee of this review released its report in December, 1996. The report contains wide-ranging recommendations for many aspects of the regional electricity system. Pertaining to retail electricity competition, the report recommends that all regional retail customers have the ability to choose their supplier of electricity by July 1, 1999.

In most cases, electricity consumers pay a set, bundled rate for their electricity, usually stated in terms of cents per kilowatt hour. Several products and services are included within this bundled rate. Separately accounting for these products and services, and showing this separation on utility bills, could facilitate consumers' ability to make competitive choices as to their supplier of electricity services.

Summary of Bill: By September 1, 1998, electric utilities are directed to unbundle and separately account for generation, transmission, and distribution assets and operations according to the costs contributed by each class of customers. Published rates are to be restated into at least the rate elements of electricity, delivery services, and local system reliability services. By October 1, 1998, electric utilities are directed to have their billing statements to customers reflect these unbundled services and costs. Electric utilities with 25,000 or fewer electric meters are given until January 1, 1999, to meet the requirements listed above.

The Washington Utilities and Transportation Commission's authority to approve banded rate tariffs is extended to residential customers.

Appropriation: None.

Fiscal Note: Requested on March 6, 1997.

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

Testimony For: (Substitute bill) Increasing competitiveness in the retail electricity industry is a nationwide trend that is based on the success of federal actions that have opened the wholesale electricity market. These actions have resulted in drastically lowered prices and increased power availability. Retail consumers have a great deal to benefit from the efficient market forces if these forces are applied to the electricity market. There is a downside to inaction in that many large users will receive the benefits of the market while commercial and residential consumers are left behind as captive customers to pick up system costs.

Testimony Against: (Substitute bill) Restructuring the electricity industry poses risks that should be considered in a study process. Conservation expenditures, low-income programs, and renewable energy sources are at risk in a restructured environment. Many details, including stranded utility investment, system reliability and consumer protection need thorough analysis and proscriptive guidelines prior to restructuring. On average, this state has low rates that could be jeopardized by a more competitive market.

Testified: Enid Layes, Dan Seligman, Industrial Customers of NW Utilities (pro); Nancy Hirsh, Northwest Conservation Act Coalition; Bennie Barnes, Jim Harding, City of Seattle (con); Tamara Warnke, IBEW #77/Advocates, Inc.; Frank J. Warnke, Advocates, Inc.; Terry Bundort, Washington PUD Association; Robert Cann, NW Renewable Energy; Mark Greenberg, Cogeneration Coalition (con); Collins Sprague, Washington Water Power Co.; Teresa Osinski, WUTC; Dave Arbaugh, Al Aldrich, Pat McGary, Washington PUD Association; Mike Tracy, Puget Power/Puget Sound Energy.