

SENATE BILL REPORT

SB 6006

As Reported By Senate Committee On:
Energy & Utilities, March 5, 1997

Title: An act relating to restructuring the electric utility industry.

Brief Description: Relating to restructuring the electric utility industry.

Sponsors: Senators Finkbeiner and Rossi.

Brief History:

Committee Activity: Energy & Utilities: 3/3/97, 3/5/97 [DPS, DNPS].

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: The electricity industry is undergoing transition in many nations, including in the United States. In 1992, Congress made a significant move toward promoting competition when it adopted legislation that allowed for greater competition in the wholesale electricity market. However, policies pertaining to retail electricity competition were left to the states.

Several states have adopted legislation that allows consumers to choose their electricity supplier either currently or according to a set schedule. Throughout 1996, a steering committee formed by the governors of Idaho, Montana, Oregon and Washington studied how the Northwest region should approach a newly competitive electricity market in an effort to retain the current regional electricity system benefits.

Summary of Substitute Bill: Electric utility customers are given the ability to choose electricity suppliers as of July 1, 1999. Customers of consumer-owned utilities with less than 25,000 meters or with densities of seven or fewer customers per mile of line are given the ability to choose electricity suppliers as of October 1, 2001 unless the customers of such a utility vote to open the system sooner.

If an electric utility customer does not choose an alternate supplier by July 1, 1999, the existing utility serves as the customer's supplier. Electric companies under the jurisdiction of the Washington Utilities and Transportation Commission (WUTC) are directed to offer

a fully bundled package standard offer of electricity service for each class of customers after July 1, 1999.

By July 1, 1998, each electric utility is directed to prepare and submit an implementation plan on proposed rates, identification of uneconomic utility investments and mitigation efforts toward these investments, proposed transition costs, and separated assets for generation, transmission, and distribution. Electric companies submit plans to the WUTC and consumer-owned electric utilities will present plans to their governing boards. Plans are accepted or modified by June 1, 1999.

The obligation of a utility to serve customers is clarified depending on the level of service obtained by the customer. All electric utilities are required to unbundle their rates, terms and conditions for using the distribution and control area services of the utility.

Electric utilities are allowed to serve to any retail customer in the state. Before a consumer-owned utility can serve outside its service area, its governing board must approve the action. Electric utilities located outside the state may only serve inside Washington after July 1, 1999 if the territory of the out-of-state utility is opened to access by Washington electric utilities.

A methodology is set for consumer-owned utilities to determine if they have uneconomic investments and a procedure is outlined to allocate these costs among customer classes. By January 1, 1998, the WUTC is directed to study the extent of electric company stranded investment and a mechanism to address the investments. The mechanism can become effective no earlier than July 1, 1998.

By January 1, 1999, the WUTC, with assistance from the Department of Community, Trade, and Economic Development (DCTED) is directed to study how to develop a universal electricity service fund. By January 1, 1998, the office of the Attorney General is directed to study and recommend procedures and guidelines to assure consumer protection in a more competitive electricity market, including requirements that agreements may only be offered and executed in written form.

New electricity suppliers are required to register with the WUTC and registration requirements are specified. Electric utilities are obligated to maintain the reliability of their distribution facilities. Facilities constructed to bypass a local distribution system are prohibited. An electric utility is required to construct new transmission or distribution facilities if requested by an electricity service provider or a retail electric customer. The WUTC, with the assistance of DCTED, is required to periodically report on the reliability of the electrical system in the state.

Retail consumers must be provided with proper written disclosure of the details of an offering from an electricity service supplier. Customers may cancel contracts within three business days after signing agreement offers. Changes in electricity service suppliers may only be made by written consent. Customer billing statements are required to contain specific comparable items.

The WUTC is given the authority to investigate electricity service provider market power abuse. The Consumer Protection Act is applied to electricity service transactions.

A conservation and renewable energy charge of 3 percent is placed on the bills of all electricity customers. If an electric utility chooses to raise the charge above 3 percent, the additional amount is required to be allocated to the generation portion of its electricity services. Funds collected by the charge are to be expended by service area electric utilities for conservation or renewable energy programs. Up to 18 percent of the funds may be expended for DCTED contracted low-income weatherization programs. Up to 18 percent of the funds may be expended for regional nonprofit energy market transformation activities. Up to 15 percent of the funds may be expended toward research and development projects of renewable energy resources. Consumer-owned utilities may aggregate funds for these purposes, and direct service industries may either expend funds under electric utility guidelines or contract with utilities to expend funds. Customers with large loads are allowed an option of crediting some conservation investments against the charge. All entities receiving funds are required to annually report to various state agencies on the activities supported by the funds. By December 1, 1997, the Energy and Utilities Committees of the House of Representatives and the Senate are directed to study and present recommendations on collection methods of the conservation and renewable energy charge.

By July 1, 2002, the Legislature is directed to evaluate the cost-effectiveness of the measures taken to date and the ongoing need for the conservation and renewable energy charge. The charge terminates no later than July 1, 2009.

The WUTC is directed to authorize new optional rate schedules and tariffs for electric companies. The authority of the WUTC is removed for regulating the generation assets of electric companies as of July 1, 1999. The WUTC is given the authority to approve banded rates for residential electric or natural gas service.

Customer records of consumer-owned electric utilities are exempted from public records inspection and copying.

Consumer-owned electric utilities with generating resources on the Columbia River are given flexibility to include mandated costs emanating from the Endangered Species Act on the distribution system costs. It is clarified that consumer-owned electric utilities do not have to open their distribution system if it jeopardizes its bondholders.

Substitute Bill Compared to Original Bill: The original bill contained an intent section.

Appropriation: None.

Fiscal Note: Requested on March 6, 1997.

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

Testimony For: 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: 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.