
HOUSE BILL 2831

State of Washington

55th Legislature

1998 Regular Session

By Representatives Crouse and Mielke

Read first time 01/21/98. Referred to Committee on Energy & Utilities.

1 AN ACT Relating to unbundling the components of electrical service;
2 creating new sections; and declaring an emergency.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** FINDINGS. The legislature finds that:

5 (1) Historically, retail electricity customers in the state have
6 purchased electrical service from vertically integrated utilities with
7 recognized service territories.

8 (2) Most retail electricity customers pay a set rate for a package
9 of electrical services, the components of which are not separately
10 identified in bills for service.

11 (3) The electricity industry is changing. This change is in part
12 due to federal legislation and regulatory decisions requiring utilities
13 and other owners of transmission facilities to provide
14 nondiscriminatory access to the transmission system, to legislation and
15 programs in other states to introduce competition into retail
16 electricity markets, and to programs within this state to allow some
17 customers either to purchase electricity from alternate suppliers or to
18 have their utility purchase electricity for them at market-based rates.
19 The change is also due to developments in technology and in the

1 electricity market that make it increasingly feasible for retail
2 electricity customers to purchase individual components of electrical
3 service separately.

4 (4) As opportunities increase to purchase electrical service
5 components separately, the importance of accurately allocating costs
6 among those components will also increase. Accurate cost allocations
7 will facilitate accurate pricing of individual components of electrical
8 service, and alleviate potential concerns about cost shifting between
9 components where one component is subject to competition and another is
10 not, and about cost shifting between customer classes or between
11 customers within a single class.

12 (5) At present, there is no uniformly applied cost allocation
13 method, and there are no uniformly accepted comprehensive definitions
14 of some components of electrical service. In part for these reasons,
15 the extent to which cost allocations currently differ from one electric
16 utility to another is unknown.

17 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this
18 section apply throughout chapter . . . , Laws of 1998 (this act) unless
19 the context clearly requires otherwise.

20 (1) "Commission" means the utilities and transportation commission.

21 (2) "Conservation" means an increase in efficiency in the use of
22 energy use that yields a decrease in energy consumption while providing
23 the same or higher levels of service. Conservation includes low-income
24 weatherization programs.

25 (3) "Consumer-owned utility" means a municipal electric utility, an
26 electric cooperative, a public utility district, an irrigation
27 district, a port district, or a water-sewer district that is engaged in
28 the business of distributing electricity to retail electric customers
29 in this state.

30 (4) "Control area services" means scheduling, reactive power,
31 spinning reserves, voltage control and regulation, load following, and
32 other related services necessary to sustain reliable delivery of
33 electricity.

34 (5) "Delivery services" means the services needed to deliver
35 electricity to a retail electric customer using transmission,
36 distribution, and related facilities. Delivery services include
37 control area services, and the real property upon which the delivery
38 plant, equipment, and other delivery infrastructure is located.

1 (6) "Electric cooperative" means a cooperative or association
2 organized under chapter 23.86 or 24.06 RCW.

3 (7) "Electric meters in service" means those meters that record in
4 at least nine of twelve calendar months in any calendar year not less
5 than two hundred fifty kilowatt hours per month.

6 (8) "Electrical company" means a company owned by investors that
7 meets the definition of RCW 80.04.010 and is engaged in the business of
8 distributing electricity to retail electric customers in the state.

9 (9) "Electric utility" means any electrical company or consumer-
10 owned utility as defined in this section.

11 (10) "Electricity" means electric energy, measured in kilowatt
12 hours, or electric capacity, measured in kilowatts.

13 (11) "Governing body" means the council of a city or town, the
14 commissioners of a municipal electric utility, an irrigation district,
15 or public utility district, or the board of directors of an electric
16 cooperative that has the authority to set and approve rates.

17 (12) "Irrigation district" means an irrigation district authorized
18 by chapter 87.03 RCW.

19 (13) "Municipal electric utility" means a city or town that owns or
20 operates an electric utility authorized by chapter 35.92 RCW.

21 (14) "Port district" means a port district within which an
22 industrial district has been established as authorized by Title 53 RCW.

23 (15) "Public utility district" means a district authorized by
24 chapter 54.04 RCW.

25 (16) "Renewable resources" means electricity generation facilities
26 fueled by: (a) Water; (b) wind; (c) solar energy; (d) geothermal
27 energy; or (e) low-emission organic nontoxic biomass energy based on
28 solid organic fuels from wood, forest, and field residues, or dedicated
29 energy crops available on a renewable basis.

30 (17) "Retail electric customer" means any person or entity,
31 including, but not limited to, a residential, commercial, or industrial
32 customer, that purchases electricity for ultimate consumption and not
33 for resale.

34 (18) "Small utility" means any consumer-owned utility with twenty-
35 five thousand or fewer electric meters in service, or that has an
36 average of seven or fewer customers per mile of distribution line.

37 (19) "State" means the state of Washington.

38 (20) "Unbundle" means to separately identify, and allocate costs
39 to, different components of electrical service.

1 (21) "Water-sewer district" means a water-sewer district authorized
2 by Title 57 RCW.

3 NEW SECTION. **Sec. 3.** UNBUNDLING COMPONENTS OF ELECTRICAL SERVICE
4 AND RELATED PRODUCTS. (1) Except as provided in section 5 of this act,
5 by September 30, 1998, every electric utility shall unbundle the costs
6 of its assets and operations, to accurately allocate the costs of
7 utility functions in serving each class of retail electric customer,
8 and to allow for fair and accurate pricing of unbundled services and
9 products. However, nothing in chapter . . ., Laws of 1998 (this act)
10 shall be construed as requiring an electric utility to set new rates.

11 (2) At a minimum, an electric utility shall allocate costs
12 separately for generation capacity and energy supply, delivery
13 services, metering, customer account services including billing,
14 programs to support conservation or renewable resources other than
15 hydroelectric power, marketing and sales, general administration and
16 overhead, and other products and services. Within the category of
17 delivery services, an electric utility shall allocate costs separately
18 for transmission, distribution, and control area services.

19 (3)(a) By September 30, 1998, each electrical company shall submit
20 a cost study described in subsection (4) of this section to the
21 commission. The commission shall review each cost study in an open
22 public meeting to determine whether the filing meets the requirements
23 of this section, and to identify any issues in dispute.

24 (b) Except as provided in section 5 of this act, by September 1,
25 1998, each consumer-owned utility shall submit a cost study described
26 in subsection (4) of this section to its governing body in an open
27 public meeting. The governing body shall determine whether the study
28 meets the requirements of this section. By October 1, 1998, each
29 consumer-owned utility shall submit the cost study to the department of
30 community, trade, and economic development.

31 (4) The cost study required of each electric utility under
32 subsection (3) of this section shall include the following information:

33 (a) A description of the fundamental cost study theory proposed,
34 such as fully embedded costs, marginal or incremental costs, or some
35 combination thereof;

36 (b) A detailed description of the functions of electrical service
37 unbundled;

1 (c) The cost accounts allocated to each of these functions, and, if
2 proportional allocation of accounts between functions is necessary, the
3 proposed methodology;

4 (d) For utilities that operate in more than one state, the
5 allocation of total costs attributable to operations in Washington;

6 (e) For each class of retail electric customers, the method by
7 which the utility calculated and allocated costs among the functions;

8 (f) The principles and theory that form the basis for the
9 allocations under (c) through (e) of this subsection;

10 (g) If the utility proposes to use marginal costs for any
11 functions, a clear description of those functions and the rationale for
12 this choice; and

13 (h) The time period over which cost data was compiled.

14 NEW SECTION. **Sec. 4.** ANALYSIS OF REPORTS--REPORT TO THE
15 LEGISLATURE. (1) The department of community, trade, and economic
16 development shall receive, analyze, and summarize the studies required
17 of consumer-owned utilities under section 3 of this act.

18 (2) By December 1, 1998, the department and commission shall
19 prepare a joint report on the results of the cost studies required
20 under section 3 of this act, and shall submit the report to the energy
21 and utilities committees of the senate and house of representatives.
22 The report shall include the following information:

23 (a) A summary of the cost studies submitted by electric utilities;
24 and

25 (b) Observations regarding the consistency or lack of consistency
26 among utilities in cost-allocation methods and in descriptions of
27 unbundled functions.

28 In the report, the commission shall also describe any issues
29 arising from the cost studies submitted by electrical companies.

30 NEW SECTION. **Sec. 5.** REQUIREMENTS FOR SMALL UTILITIES. (1) The
31 legislature finds that: (a) Small utilities operate on a nonprofit
32 basis, and typically serve rural areas where the cost of providing
33 service exceeds that of urban areas; (b) most small utilities are full-
34 requirements customers of the Bonneville power administration and do
35 not purchase electricity and related products and services individually
36 for resale to utility customers; and (c) the additional expense of

1 unbundling is likely to significantly outweigh the potential benefits
2 to small utilities.

3 (2) The provisions of section 3 of this act do not apply to a small
4 utility. However, nothing in this section prohibits the governing body
5 of a small utility from determining the utility should unbundle and
6 comply with any or all of the provisions of section 3 of this act
7 applicable to other consumer-owned utilities.

8 (3) A small utility whose governing body has determined the utility
9 should unbundle is encouraged, but not required, to submit a cost study
10 described in section 3(4) of this act to the department of community,
11 trade, and economic development.

12 NEW SECTION. **Sec. 6.** CAPTIONS. Captions used in this act are not
13 any part of the law.

14 NEW SECTION. **Sec. 7.** EMERGENCY CLAUSE. This act is necessary for
15 the immediate preservation of the public peace, health, or safety, or
16 support of the state government and its existing public institutions,
17 and takes effect immediately.

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