

SENATE BILL REPORT

SB 5333

As Reported By Senate Committee On:
Energy, Technology & Telecommunications, March 2, 1999

Title: An act relating to low-income rate discounts by gas, electric, and water companies.

Brief Description: Authorizing low-income rate discounts by gas, electric, and water companies.

Sponsors: Senators Brown, Fairley, Fraser, Goings, Winsley, Costa and Kohl-Welles.

Brief History:

Committee Activity: Energy, Technology & Telecommunications: 1/28/99, 3/2/99 [DPS].

SENATE COMMITTEE ON ENERGY, TECHNOLOGY & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5333 be substituted therefor, and the substitute bill do pass.

Signed by Senators Brown, Chair; Goings, Vice Chair; Fairley, Fraser, Hochstatter and Rossi.

Staff: Andrea McNamara (786-7483)

Background: In 1998, the Legislature authorized municipal utilities and public utility districts to offer rate discounts to low-income utility customers. Prior to 1998, low-income rate discounts from consumer-owned utilities were authorized only for low-income senior citizens or disabled persons.

Low-income rate discounts may be offered at the discretion of the utility, so long as they are uniformly available to all eligible low-income customers served by the utility. Participating local governments may define the income eligibility standards through an appropriate ordinance or resolution of their governing bodies. Participating public utility districts must apply the same income eligibility standards that are used in qualifying customers for low-income residential weatherization services, which is a household income that is at or below 125 percent of the federally established poverty level.

Some ambiguity exists in current law as to whether investor-owned utilities may offer similar low-income rate discounts under their regulatory requirements. Private utilities that are regulated by the Washington Utilities and Transportation Commission (WUTC), including gas companies, electrical companies, and water companies are prohibited from offering free or reduced rates except to "indigent and destitute persons" (among others). No definition of "indigent and destitute persons" is provided, and no tariffs are currently in place offering such discounts.

Summary of Substitute Bill: Legislative findings and intent are included to state that discounts on rates and services by electrical and gas companies facilitate uninterrupted basic

service to low-income customers, are a cost-effective mechanism to reduce utilities' cost of service, and assist in the achievement of the state's energy conservation goals.

Upon the request of an electrical or gas company, the Washington Utilities & Transportation Commission (WUTC) may approve rates, charges, and services at a discount for low-income citizens.

The costs associated with offering such discounts must be included in a company's cost of service and recovered in rates to other customers.

Substitute Bill Compared to Original Bill: The substitute bill adds finding and intent language that discounts can help low-income customers, the utilities that offer them, and the state.

The substitute bill clarifies that costs and expenses for providing discounted rates and services are to be included in the company's cost of service and recovered in rates to other customers, but that it is not the Legislature's intent that the WUTC allow substantial cost shifts.

The substitute bill clarifies that the discounts may be offered for charges and services such as fuel conversions, in addition to rate discounts.

References to codified definitions of "low-income senior citizens" and "low-income citizen" are removed in the substitute so that companies may apply their own definitions.

Water companies are removed from the provisions of the bill.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The Legislature has extended this authority to public utilities last session, but the authority for investor-owned utility companies to offer the same discounts is unclear. Low-income families spend a substantially larger proportion of their income on energy than other families, and federal cuts in energy assistance programs have created a need to look for alternative approaches to addressing the need.

Testimony Against: Even though the discount program would be voluntary, this bill would result in undue pressure being placed on companies to create such programs. The bill is not clear about who bears the cost of offering the discounts, other ratepayers or the shareholders. More appropriate mechanisms exist for helping low-income customers' with their energy needs than a program funded by other ratepayers' money.

Testified: Mina Apacible, CTED (pro); Chuck Eberdt, WSACCA Energy Project (pro); Dini Duclos, South King County Multi Service Center (pro); Maureen Linehan, Snohomish County Human Services Department (pro); Majken Ryherd-Keira, WA State Assn. of Community Action Agencies (pro); Al Aldrich, Snohomish PUD; Liz Klumpp, CTED (pro);

Will Graham, CTED; Danielle Dixon, NVEC (pro); Collins Sprague, Tom Dukich, AVISTA Corporation; Kathleen Collins, Pacificorp; Teresa Osinski, WUTC.