

SENATE BILL REPORT

ESJM 8012

As Passed Senate, March 12, 2001

Brief Description: Requesting a reduction of wholesale energy costs.

Sponsors: Senators Fraser, Morton, Regala, McDonald, Honeyford, Patterson, Rasmussen, Hale, Winsley, Oke and Kohl-Welles.

Brief History:

Committee Activity: Environment, Energy & Water: 2/22/01, 2/23/01 [DP].

Passed Senate: 3/12/01, 48-0.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

Majority Report: Do pass.

Signed by Senators Fraser, Chair; Regala, Vice Chair; Eide, Hale, Honeyford, Jacobsen and Morton.

Staff: Richard Rodger (786-7461)

Background: A number of factors, including the recent deregulation of energy in California and the shortage of water for power generation in the Northwest, have contributed to increased wholesale prices of electricity.

Many of the state's largest businesses, who purchase power at rates tied to wholesale price indices, have been forced to curtail operations and lay off employees due to high energy costs. In addition, the wholesale price increases have led to significantly higher retail power costs for agriculture, residential consumers, state entities, and local governments.

On December 14, 2000, and January 11, 2001, the United States Secretary of Energy issued orders requiring certain energy entities to generate, deliver, interchange, and transmit electric energy when requested by the California Independent System Operator. These orders have been extended on repeated additional occasions. Several of the companies that received the energy from these entities are in an unstable financial condition, and there are serious questions about their ability to meet their obligations to pay for this electricity.

Summary of Bill: The President, the Department of Energy, and the Federal Energy Regulatory Commission are requested to implement short-term measures to reduce wholesale energy costs.

The President and the new administration are requested to: (a) develop and implement a long-term strategy to reform the wholesale energy market to avoid continued price spikes; (b) provide necessary assistance to low-income citizens in paying for their high energy bills; (c) allow western states to work out their own energy supply needs; and (d) refrain from issuing additional orders to Northwest energy suppliers requiring them to transmit electricity to California.

Congress is requested to assure that the Northwest utilities that sent power to the state of California under federal mandates will be fully compensated for the electricity sent in response to that mandate, through federal guarantees or guarantees through the state of California.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: This memorial will encourage the federal administration to develop and implement short-term and long-term solutions to stabilize the wholesale energy markets. It also requests federal assistance to help low-income citizens in paying their high energy bills and requests payment guarantees for NW energy facilities that sent electricity to California under federal mandates.

Testimony Against: None.

Testified: Senator Karen Fraser, prime sponsor.