

HOUSE BILL REPORT

HB 1013

As Reported by House Committee On:
Technology, Telecommunications & Energy
Appropriations

Title: An act relating to the utilities and transportation commission.

Brief Description: Requiring a performance audit of the utilities and transportation commission.

Sponsors: Representative Morris.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 1/14/03, 1/22/03 [DPS];
Appropriations: 2/11/03, 2/20/03 [DPS(TTE)].

Brief Summary of Substitute Bill

- Directs the Joint Legislative Audit and Review Committee to conduct a performance audit of the Washington Utilities and Transportation Commission focused on its responsibility regarding telecommunication, energy, and natural gas.
- Establishes a surcharge for a period of 18 months to be paid by each telecommunications, electrical, and natural gas company to fund the performance audit in an amount up to \$200,000.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Morris, Chair; Ruderman, Vice Chair; Sullivan, Vice Chair; Crouse, Ranking Minority Member; Nixon, Assistant Ranking Minority Member; Anderson, Blake, Bush, DeBolt, Delvin, Hudgins, Kirby, McMahan, Romero, Tom, Wallace and Wood.

Staff: Pam Madson (786-7166).

Background:

The Washington Utilities and Transportation Commission (WUTC) is a three-member commission who, along with a staff of over 165 people, regulate the rates, services, and practices of privately-owned utilities and transportation companies. These companies include electric, telephone, natural gas distribution, private water, solid waste collection, commercial ferries, and low-level radioactive waste disposal.

Commissioners are appointed by the Governor and confirmed by the Senate for six-year terms. The staff includes accountants, auditors, economists, engineers, consumer complaint specialists, enforcement officers, and investigators. The staff is organized into three main divisions: Regulatory, advisory, and administrative services. The commission is primarily an economic regulator with some public safety responsibility for in-state pipelines and railroads.

Companies regulated by the WUTC pay the cost of regulation through fees based on a percentage of each company's gross annual operating revenue. The fee is limited to a maximum of one-tenth of 1 percent on the first \$50,000 plus two-tenths of 1 percent on any amount over \$50,000.

The Joint Legislative Audit and Review Committee (JLARC) is a statutorily created committee of eight senators and eight representatives, equally divided between the two major political parties. The JLARC staff conducts performance audits, program evaluations, sunset reviews, and other policy and fiscal studies.

Summary of Substitute Bill:

The JLARC must conduct a performance audit of the WUTC focused on its responsibilities for telecommunications, energy, and natural gas.

The JLARC must submit a preliminary report of the performance audit to the appropriate legislative committees by December 31, 2003. The preliminary report must include an analysis of the commission's functions and structure which may include a comparison with other states commissions. The final report of the performance audit must be submitted by December 1, 2004.

The performance audit is funded by a surcharge calculated as a percentage of the regulatory fee paid by telecommunications, electrical and natural gas companies regulated by the commission and may generate no more than \$200,000. The surcharge is in effect beginning July 1, 2003 through December 31, 2004.

Substitute Bill Compared to Original Bill:

The substitute bill deletes certain elements of the performance audit including an evaluation of the Commission's activities in relation to its strategic plan and

recommendations for improving the accountability and performance of the Commission. It clarifies that the Legislature will work with the Commission to identify performance measures and specifies information to be included in the analysis of the Commission's organizational structure and functions. The substitute bill also reduces the amount to be collected from a surcharge paid by regulated telecommunications, electrical, and natural gas companies to pay for the audit from \$400,000 to \$200,000.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 2003.

Testimony For: This is about the Legislature doing a better job overseeing agencies within its jurisdiction. The audit will help identify benchmarks in key areas to measure the success or failure of the WUTC. It's useful to look at the WUTC on a regular basis to see how they operate. There is also support to designate the WUTC as the National Electric Safety Code administrator for all utilities in the State of Washington, not just regulated utilities. This designation would result in improved safety and reliability in Washington as well as assist the WUTC staff in developing expertise on the National Electric Safety Code.

(Neutral) The WUTC welcomes the opportunity to be compared to other commissions and has the needed time for this inquiry. The WUTC also appreciates the Legislature's wish to better understand the Commission.

Testified: (In support) Representative Morris, prime sponsor; Marc Anderson, International Brotherhood of Electrical Workers Local 125 and 77.

(Neutral) Beth Redfield, Washington State Utilities and Transportation Commission.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Technology, Telecommunications & Energy be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Buck, Clements, Cody, Conway, Cox, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke, Sump and Talcott.

Staff: Amy Skei (786-7140).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Technology, Telecommunications & Energy:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 2003.

Testimony For: This bill addresses issues of the Competitiveness Council, particularly to ensure the costs of regulation are not burdensome to industry. The Legislature has done a poor job of overseeing the Washington Utilities and Transportation Commission (WUTC). We haven't identified benchmarks by which to measure their performance, and we do no systematic reviews of the agency. This bill would identify benchmarks so we can determine the effectiveness of the WUTC and do a better job of oversight. Last year the WUTC opposed this bill, but this year they were consulted on the language and are neutral and willing to work with us. The performance audit will do four things: 1) Look at consumer satisfaction; 2) involve interviews with regulated utilities; 3) examine the WUTC's turnaround time on decisions in comparison to other states that we compete with for investment capital; and 4) look at our costs of regulation compared to those same states. Because investment decisions happen very quickly these days, our turnaround time is critical to competing for capital investments.

Testimony Against: None.

Testified: Representative Morris, prime sponsor.