

SENATE BILL REPORT

SB 6258

As Reported by Senate Committee On:
Environment, Water & Energy, January 27, 2010

Title: An act relating to peak and off-peak electric rates.

Brief Description: Directing the utilities and transportation commission to study peak and off-peak electric rates.

Sponsors: Senator Honeyford.

Brief History:

Committee Activity: Environment, Water & Energy: 1/12/10, 1/27/10 [DPS].

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

Majority Report: That Substitute Senate Bill No. 6258 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rockefeller, Chair; Honeyford, Ranking Minority Member; Delvin, Fraser, Holmquist, Marr, Morton, Oemig and Ranker.

Staff: William Bridges (786-7416)

Background: Under time-of-use rates, the price of electricity is based on when it is used with the intent of inducing customers to shift their consumption away from peak demand periods. Electricity in Washington is typically priced on a flat rate basis, mainly because hydro-electric resources can be used to follow demand.

In 2001 the Washington Utilities and Transportation Commission (WUTC) allowed Puget Sound Energy to offer a pilot program using time-of-use rates. About 300,000 customers agreed to be charged one of three different rates based on their electricity usage during peak, mid-day, and off-peak hours. The WUTC terminated the program in 2002 after it determined, among other things, 94 percent of the participating customers paid more under time-of-use rates than they would have paid under a standard flat rate.

In 2007 as part of a review mandated by the federal Public Utility Regulatory Policies Act, the WUTC issued an interpretive and policy statement reaffirming its position that time-of-use rates are appropriate only if cost-justified. The commission explained that time-of-use

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proposals would be examined on a case-by-case basis taking into consideration the varying circumstances of each utility and its customer classes.

No investor-owned utility is presently offering or requesting approval for time-of-use rates. According to the Washington Public Utility District Association, three public utility districts (PUDs) offer time-of-use rates to large commercial, industrial, or irrigation customers: Benton PUD, Lewis PUD, and Mason PUD. Only Benton PUD, however, has any customers using the rates. Of the municipal electric utilities in the state, at least one uses time-of-use rates for large industrial customers: Seattle City Light.

Summary of Bill (Recommended Substitute): The WUTC must study and make recommendations on developing optional time-of-use electric rates, which must be submitted to the appropriate legislative committees by January 1, 2012.

EFFECT OF CHANGES MADE BY ENVIRONMENT, WATER & ENERGY COMMITTEE (Recommended Substitute): The WUTC must study optional time-of-use rates. The study deadline is extended by one year to January 1, 2012.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: The prime sponsor learned about time-of-use pricing during a webinar on energy issues for legislators and considers it an idea worthy of studying. The prime sponsor will consider limiting the scope of the study to residential ratepayers and extending the study period an extra year. Hydroelectric generation in the state can easily follow the peaks and valleys of daily electricity use, so there is less need to use time-of-use rates to control customer behavior. The WUTC allowed time-of-use pricing in 2001 but discovered that customers were not shifting their energy use, probably because the price difference between peak and off-peak rates was not significant. But studying time-of-use rates could be useful to understanding how future carbon regulations and new technologies, such as electric cars and battery storage, will affect the transmission grid.

Persons Testifying: PRO: Senator Honeyford, prime sponsor; Dave Danner, WUTC; Collins Sprague, Avista.