
**Technology & Economic Development
Committee**

HB 1098

Brief Description: Aligning electric utility regulation and business models with emerging customer values not realized in volumetric monetization.

Sponsors: Representative Morris.

Brief Summary of Bill

- Authorizes the Utilities and Transportation Commission to employ an alternative form of regulation for an electrical company.
- Allows a consumer-owned utility to provide other energy services and recover the cost of providing such services from its ratepayers under certain circumstances.

Hearing Date: 1/20/15

Staff: Nikkole Hughes (786-7156).

Background:

The Utilities and Transportation Commission.

The Utilities and Transportation Commission (UTC) regulates the rates, services, and practices of privately-owned utilities and transportation companies. Companies providing the following goods or services are regulated by the UTC: electricity, natural gas, certain telecommunications service, water, solid waste collection, commercial ferry service, transportation of household goods, certain auto transportation service, and transportation of petroleum through pipelines. The UTC is required to ensure that rates charged are "fair, just and reasonable."

Electrical Companies.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

"Electrical company" includes any corporation, company, association, joint stock association, partnership and person, their lessees, trustees or receivers appointed by any court whatsoever (other than a railroad or street railroad company generating electricity solely for railroad or street railroad purposes or for the use of its tenants and not for sale to others), and every city or town owning, operating or managing any electric plant for hire within the state.

Consumer-Owned Utilities.

"Consumer-owned utility" includes a municipal electric utility, a public utility district, an irrigation district, a cooperative, a mutual corporation or association, a port district, or a water-sewer district that is engaged in the business of distributing electricity to one or more retail electric customers in the state.

Traditional Regulation of Privately-Owned Utilities.

Under traditional regulation of privately-owned utilities by the UTC, rates are calculated from a utility's rate base and the rate of return allowed on its rate base. A utility's rate base is the total non-depreciated value of its property and equipment used to provide utility service to ratepayers. "Rate of return" is the level of profit and the cost of debt that a utility is allowed to return on its rate base through rates charged to utility customers.

Alternative Forms of Regulation.

The UTC is authorized to employ an alternative form of regulation of telecommunications companies if that alternative is better suited to achieve the state's policy goals than traditional rate of return, rate base regulation. A telecommunications company subject to traditional rate of return, rate base regulation may petition the UTC to establish an alternative form of regulation. A company pursuing this form of regulation must submit with the petition an alternative regulation plan. The UTC may waive regulatory requirements for a telecommunications company subject to an alternative form of regulation as may be appropriate to facilitate the implementation of the alternative form of regulation.

A number of public service commissions in the United States have initiated open proceedings to determine whether to extend alternative forms of regulation to electrical companies.

Net Metering.

Under Washington's net metering law, both electrical companies and consumer-owned utilities must offer to make net metering available to customer-generators on a first-come, first-served basis until the cumulative generating capacity available to net metering systems equals 0.5 percent of the utility's 1996 peak demand. "Customer-generators" are utility customers who generate at least a portion of their own electricity with distributed generation technologies such as fuel cells, solar panels, or small wind turbines. "Net metering" means measuring the difference between the electricity supplied by an electric utility and the electricity generated by a customer-generator over the applicable billing period.

Summary of Bill:

The Utilities and Transportation Commission.

The Utilities and Transportation Commission (UTC) may authorize an alternative form of regulation for an electrical company under the following circumstances:

- the cumulative generating capacity of net metering systems interconnected with the electrical company is equal to or exceeds 5 percent of the electrical company's 1996 peak demand; and
- the UTC determines that the alternative form of regulation is better suited than traditional rate of return, rate base regulation to help the electrical company and its customers achieve goals including energy efficiency, reliability, and affordability.

The UTC may establish requirements by rule or order for the filing of a petition by an electrical company for an alternative form of regulation. The UTC may waive such regulatory requirements for an electrical company subject to an alternative form of regulation as may be appropriate to facilitate the implementation of the alternative form of regulation.

Electrical Companies.

An electrical company that has a cumulative generating capacity of net metering systems that is equal to or exceeds 5 percent of its 1996 peak demand may file a petition with the UTC to establish an alternative form of regulation. Before petitioning for an alternative form of regulation, an electrical company must consult with customers of all rate classes in order to determine the customers' preferred performance metrics and benchmarks.

An electrical company pursuing this alternative form of regulation must submit with the petition an alternative regulation plan. A plan submitted to the UTC for an alternative form of regulation must leave current rates for each customer class unchanged for the first three years of the transition to the alternative form of regulation. Proposed changes in rates must be phased in over a period of not less than three years.

Consumer-Owned Utilities.

In addition to any existing authority to engage in the sale and distribution of electricity, a consumer-owned utility may provide other energy services and recover the cost of providing services from its ratepayers under the following circumstances:

- the cumulative generating capacity of the net metering systems interconnected with the consumer-owned utility is equal to or exceeds 5 percent of the utility's 1996 peak demand; and
- the provision of these energy services is consistent with helping the utility and its customers achieve goals such as energy efficiency, reliability, and affordability.

Any energy services approved by the governing board of a consumer-owned utility must also be approved by a majority of the voters of the utility voting upon the question at a duly noticed annual or special meeting.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.