

HOUSE BILL REPORT

HB 2261

As Reported by House Committee On:
Technology & Economic Development

Title: An act relating to protecting utility customers by modifying the authority of utilities to backbill customers for charges missed due to utility error.

Brief Description: Protecting utility customers by modifying the authority of utilities to backbill customers for charges missed due to utility error.

Sponsors: Representatives Shea, Reykdal, Taylor, Scott and Van Werven.

Brief History:

Committee Activity:

Technology & Economic Development: 1/19/16, 1/26/16 [DPS].

Brief Summary of Substitute Bill

- Allows a consumer-owned utility to backbill customers for charges missed due to the utility's billing error for no longer than six months from the date the billing error occurred.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Morris, Chair; Smith, Ranking Minority Member; DeBolt, Assistant Ranking Minority Member; Magendanz, Nealey, Rossetti, Santos and Young.

Minority Report: Do not pass. Signed by 4 members: Representatives Tarleton, Vice Chair; Fey, Hudgins and Wylie.

Staff: Jasmine Vasavada (786-7301).

Background:

Billing Error.

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.

"Backbilling" generally refers to the practice of a business, such as a utility, of issuing a corrected bill to a customer to address charges that were incorrectly stated in previous billing cycles. A utility may issue a corrected bill to correct undercharges or overcharges. Undercharges may result from human error on the part of the utility, mechanical or system failure, or unauthorized use. Errors attributable to a failure of the utility may include incorrect meter reads; clerical errors; incorrect billing calculations, including the application of the wrong daily billing factor; and non-registering or incorrectly registering meters.

Consumer-Owned Utilities.

Consumer-owned utilities who provide electricity in Washington include municipal electric utilities, public utility districts, irrigation districts, rural electric cooperatives, port districts, and water sewer districts. Consumer-owned utilities are regulated by their own boards of directors and are not subject to oversight by the Washington Utilities and Transportation Commission (Commission).

Oversight of Investor-Owned Utilities.

The Commission regulates, in the public interest, the rates, services, facilities, and practices of investor-owned utilities. The Commission's rules for the state's three regulated electric companies and four regulated natural gas companies address billing issues resulting from billing errors, inaccurate energy usage metering, and unidentified energy usage that results in corrected billing. In 2015 the Commission proposed to modify existing rules to limit the period of time for which a regulated utility may issue a corrected bill.

Summary of Substitute Bill:

A consumer-owned utility may not collect amounts underbilled due to the utility's billing error for any period greater than six months from the date the billing error occurred.

"Billing error" means an error arising from non-registering, incorrectly registering, or crossed meters; other faulty equipment; and administrative error, including incorrect meter reads, clerical errors, incorrect billing calculations, and application of an incorrect daily billing factor.

Legislative findings are made concerning the impact on residential customers of utility backbilling.

Substitute Bill Compared to Original Bill:

The substitute bill applies the backbilling limitation to all consumer-owned utilities who provide electricity in Washington. The time limitation on backbilling is changed, so that instead of a customer not being liable for amounts underbilled for more than one billing cycle from notice of the underbilling, the utility may not collect amounts underbilled due to the utility's billing error for any period greater than six months from the date the billing error occurred. Legislative findings are limited to residential customers and fewer legislative findings are made.

Appropriation: None.

Fiscal Note: Requested on January 27, 2016.

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

Staff Summary of Public Testimony:

(In support) This came to the Legislature's attention because a constituent received a bill for more than \$3,000 due to no fault of his own and he could not afford to make the payments for missed charges by the utility. The proposed substitute is more consistent with the Commission rule that was recently adopted, which provides a six-month period for which underbilled charges may be collected. The intent is for the limitation on backbilling to apply only to residential customers.

(Opposed) It is difficult for some municipal utilities to identify billing errors within six months of the error. Ratepayers will end up absorbing the cost of the mistakes, and the overall costs will go up if this bill is enacted. If one customer is relieved of the burden, other customers will pay. For utilities that have only a small number of meters, it is even more inequitable to socialize the costs. Customer tampering can cause error and is hard to distinguish from utility error. There are always failure rates when new technology is rolled out.

(Other) Investor-owned utilities regulated by the Commission will be subject to new rules that relate to backbilling that provide a limited, six-month "lookback" period during which a utility may collect amounts underbilled.

Persons Testifying: (In support) Representative Shea, prime sponsor.

(Opposed) Dave Warren, Washington Public Utilities Districts Association; and Victoria Lincoln, Association of Washington Cities.

(Other) Christine Brewer, Avista Corporation.

Persons Signed In To Testify But Not Testifying: None.