
Technology & Economic Development Committee

HB 2839

Brief Description: Authorizing an alternative form of regulation of electrical and natural gas companies.

Sponsors: Representatives Morris, Slatter, Doglio and Fitzgibbon.

Brief Summary of Bill

- Requires electrical companies, gas companies, and the Utilities and Transportation Commission (UTC) to use a carbon planning adder when evaluating and selecting conservation policies, programs, and targets.
- Authorizes the UTC to regulate an electrical or gas company under an alternative form of regulation.

Hearing Date: 1/24/18

Staff: Nikkole Hughes (786-7156).

Background:

Utilities and Transportation Commission.

The Utilities and Transportation Commission (UTC) regulates the rates, services, and practices of investor-owned utilities and transportation companies, including electrical companies, natural gas companies, and telecommunications companies. The UTC is required to ensure that rates charged by these companies are "fair, just, and reasonable."

Traditional Regulation of Investor-Owned Utilities.

Under traditional regulation of investor-owned utilities by the UTC, rates are calculated from a utility's rate base and the rate of return allowed on its rate base. An investor-owned utility's rate

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base is the total non-depreciated value of its property and equipment used to provide utility services to ratepayers. "Rate of return" is the level of profit and the cost of debt an investor-owned 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 an alternative regulation plan with its petition. 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.

Regulation of Power-Sector Greenhouse Gas Emissions.

Under the state greenhouse gas emissions performance standard, all baseload electric generation facilities in the state with which electric utilities enter into long-term financial commitments must meet a standard of 1,100 pounds of greenhouse gas emissions per megawatt-hour or the average available greenhouse gas emissions output as determined by the Department of Commerce. In order to enforce the greenhouse gas emissions performance standard, the UTC must review any long-term financial commitment entered into by an investor-owned utility after June 30, 2008, to determine whether the baseload electric generation to be supplied under that commitment complies with the standard.

Certain fossil-fueled thermal electric generation facilities must also mitigate their carbon dioxide emissions.

Summary of Bill:

Carbon Planning Adder.

Electrical companies, gas companies, and the UTC must use a carbon planning adder when evaluating and selecting conservation policies, programs, and targets. "Carbon planning adder" means a calculation of the economic impacts associated with an incremental increase in carbon dioxide emissions in a calendar year and must be an amount equal to the greater of:

- the minimum annual carbon planning adder for such a calendar year; or
- the applicable carbon tax rate, if any, as expressed in dollars per metric ton of carbon dioxide for such a calendar year.

The minimum annual carbon planning adder for calendar year 2018 is \$40 per metric ton of carbon dioxide. This amount must be increased each January 1 by 1.25 percent, rounded to the nearest dollar.

Electrical companies must use the carbon planning adder in:

- developing and evaluating integrated resource plans; and
- evaluating and selecting long-term resource options.

Gas consisting largely of methane and other hydrocarbons derived from the decomposition of organic material in landfills, wastewater treatment facilities, and anaerobic digesters must be considered a non-emitting resource for the purpose of applying a carbon planning adder.

"Long-term resource option" means either a new ownership interest in electric plant or an upgrade to an existing electric plant, or a new or renewed contract for electricity with a term of five or more years for the provision of power to retail end-use customers in the state.

Alternative Form of Regulation.

The UTC may regulate an electrical or gas company by authorizing an alternative form of regulation. The UTC may determine the manner and extent of any alternative form of regulation as may be appropriate in the public interest, including but not limited to authorizing an alternative form of regulation for all or individual utility services.

The UTC must consider the extent to which an alternative form of regulation is expected to achieve certain objectives, including:

- align utility regulatory incentives with the public interest;
- maintain and enhance the ability of the electrical or gas company to furnish safe, adequate, and efficient service to its customers;
- support prudent and efficient use of the electrical or natural gas system and utility operations;
- maintain and enhance overall electrical or natural gas system reliability, security, and resilience; and
- allow an electrical or gas company to support and participate in market transformation for enabling technologies without harming competition.

The UTC or any person may file a complaint alleging that an electrical or gas company under an alternative form of regulation has not complied with the terms and conditions set forth in the alternative form of regulation. The complainant bears the burden of proving the allegations in the complaint.

During a declared state of emergency, the Governor may waive or suspend the operation or enforcement of an alternative form of regulation and issue any orders to facilitate the operation of state or local government or to promote and secure the safety and protection of the civilian population.

Appropriation: None.

Fiscal Note: Available.

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