

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2831**

55th Legislature  
1998 Regular Session

Passed by the House March 10, 1998  
Yeas 86 Nays 12

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**Speaker of the  
House of Representatives**

Passed by the Senate March 6, 1998  
Yeas 42 Nays 5

\_\_\_\_\_  
**President of the Senate**

Approved

\_\_\_\_\_  
**Governor of the State of Washington**

CERTIFICATE

I, Timothy A. Martin, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2831** as passed by the House of Representatives and the Senate on the dates hereon set forth.

\_\_\_\_\_  
**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2831

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AS AMENDED BY THE SENATE

Passed Legislature - 1998 Regular Session

State of Washington                      55th Legislature                      1998 Regular Session

By House Committee on Appropriations (originally sponsored by  
Representatives Crouse and Mielke)

Read first time . Referred to Committee on .

1            AN ACT Relating to unbundling the components of electrical service;  
2 creating new sections; and declaring an emergency.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            NEW SECTION.    **Sec. 1.**    The definitions in this section apply  
5 throughout chapter . . . , Laws of 1998 (this act) unless the context  
6 clearly requires otherwise.

7            (1) "Commission" means the utilities and transportation commission.

8            (2) "Conservation" means an increase in efficiency in the use of  
9 energy use that yields a decrease in energy consumption while providing  
10 the same or higher levels of service. Conservation includes low-income  
11 weatherization programs and programs that result in overall reductions  
12 of electrical system requirements.

13            (3) "Consumer-owned utility" means a municipal electric utility, an  
14 electric cooperative, a public utility district, an irrigation  
15 district, a port district, or a water-sewer district that is engaged in  
16 the business of distributing electricity to retail electric customers  
17 in this state.

18            (4) "Control area services" means scheduling, reactive power,  
19 spinning reserves, nonspinning reserves, voltage control and

1 regulation, load following, and other related services necessary to  
2 sustain reliable delivery of electricity.

3 (5) "Delivery services" means the services needed to deliver  
4 electricity to a retail electric customer using transmission,  
5 distribution, and related facilities. Delivery services include  
6 control area services, and the real property upon which the delivery  
7 plant, equipment, and other delivery infrastructure is located.

8 (6) "Electric cooperative" means a cooperative or association  
9 organized under chapter 23.86 or 24.06 RCW.

10 (7) "Electric meters in service" means those meters that record in  
11 at least nine of twelve calendar months in any calendar year not less  
12 than two hundred fifty kilowatt hours per month.

13 (8) "Electrical company" means a company owned by investors that  
14 meets the definition of RCW 80.04.010 and is engaged in the business of  
15 distributing electricity to more than one retail electric customer in  
16 the state.

17 (9) "Electric utility" means any electrical company or consumer-  
18 owned utility as defined in this section.

19 (10) "Electricity" means electric energy, measured in kilowatt  
20 hours, or electric capacity, measured in kilowatts.

21 (11) "Governing body" means the council of a city or town, the  
22 commissioners of a municipal electric utility, an irrigation district,  
23 a port district, a water-sewer district, or a public utility district,  
24 or the board of directors of an electric cooperative that has the  
25 authority to set and approve rates.

26 (12) "Irrigation district" means an irrigation district authorized  
27 by chapter 87.03 RCW.

28 (13) "Municipal electric utility" means a utility providing  
29 electrical service that is operated by a city or town as authorized by  
30 chapter 35.92 RCW.

31 (14) "Port district" means a port district within which an  
32 industrial district has been established as authorized by Title 53 RCW.

33 (15) "Public utility district" means a district authorized by  
34 chapter 54.04 RCW.

35 (16) "Renewable resources" means electricity generation facilities  
36 fueled by: (a) Water; (b) wind; (c) solar energy; (d) geothermal  
37 energy; (e) landfill gas; or (f) biomass energy based on solid organic  
38 fuels from wood, forest, or field residues, or dedicated energy crops  
39 that do not include wood pieces that have been treated with chemical

1 preservatives such as creosote, pentachlorophenol, or copper-chrome-  
2 arsenic.

3 (17) "Retail electric customer" means any person or entity,  
4 including, but not limited to, a residential, commercial, or industrial  
5 customer, that purchases electricity for ultimate consumption and not  
6 for resale.

7 (18) "Small utility" means any consumer-owned utility with twenty-  
8 five thousand or fewer electric meters in service, or that has an  
9 average of seven or fewer customers per mile of distribution line.

10 (19) "State" means the state of Washington.

11 (20) "Unbundle" means to separately identify, and publish the  
12 accounting, functionalization, classification, and assignment or  
13 allocation of the costs of electrical service.

14 (21) "Water-sewer district" means a water-sewer district authorized  
15 by Title 57 RCW.

16 NEW SECTION. **Sec. 2.** (1)(a) By September 30, 1998, each  
17 electrical company shall submit a cost study described in subsections  
18 (2) and (3) of this section, and a service quality and reliability  
19 report described in subsection (4) of this section, to the commission.  
20 The commission shall review each cost study and each service quality  
21 and reliability report in an open public meeting to determine whether  
22 the filings meet the requirements of this section, and to identify any  
23 issues in dispute. Nothing in chapter . . ., Laws of 1998 (this act)  
24 shall be construed as either increasing or limiting the authority of  
25 the commission to conduct hearings on disputed issues.

26 (b) Except as provided in section 4 of this act, by September 1,  
27 1998, each consumer-owned utility shall submit a cost study described  
28 in subsections (2) and (3) of this section, and a service quality and  
29 reliability report described in subsection (4) of this section, to its  
30 governing body in an open public meeting. The governing body shall  
31 determine whether the study and report meet the requirements of this  
32 section. By October 1, 1998, each consumer-owned utility shall submit  
33 the cost study and service quality and reliability report to the state  
34 auditor.

35 (2) Except as provided in section 4 of this act, by September 30,  
36 1998, every electric utility shall unbundle. At a minimum, an electric  
37 utility shall include in such unbundling the accounting treatment for  
38 generation and energy supply, delivery services separately identifying

1 transmission, distribution, and control area services, metering and  
2 billing, customer account services, programs to support conservation or  
3 renewable resources other than hydroelectric power, fish and wildlife  
4 mitigation, general administration and overhead, and taxes; the  
5 functionalization of costs separately for generation and energy supply,  
6 transmission, distribution, and other; the classification of costs  
7 separately to include, but not be limited to, energy and capacity; and  
8 the assignment or allocation of costs separately to include, but not be  
9 limited to, residential, small commercial, industrial, and other. For  
10 the purpose of chapter . . . , Laws of 1998 (this act), as directed by  
11 the commission for an electrical company or the governing body of a  
12 consumer-owned utility, the electric utility shall use the data from  
13 either the cost study used to formulate the retail rates in effect as  
14 of the effective date of this act, or a more recent cost study.

15 (3) The cost study required of each electric utility under  
16 subsection (1) of this section shall include the following  
17 documentation:

18 (a) A description of the fundamental cost study theory used, such  
19 as fully embedded costs, marginal or incremental costs, or some  
20 combination thereof;

21 (b) A detailed description of the classifications, functions, and  
22 assignments or allocations of electrical service unbundled;

23 (c) The costs attributed to each of these classifications,  
24 functions, and assignments or allocations and, if proportional  
25 attribution of costs between classifications, functions, and  
26 assignments or allocations is necessary, the proposed method of  
27 attribution;

28 (d) For utilities that operate in more than one state, the costs  
29 attributable to operations in Washington;

30 (e) For each class of retail electric customers, the method by  
31 which the utility calculated costs, and classified, functionalized, and  
32 assigned or allocated costs;

33 (f) If the utility used marginal costs for the classifications, or  
34 assignments or allocations, a clear description of those  
35 classifications, or assignments or allocations, and the rationale for  
36 this choice; and

37 (g) The time period over which cost data were compiled.

38 (4) The service quality and reliability report required of each  
39 electric utility under subsection (1) of this section shall include, to

1 the extent such data are currently collected and reasonably available,  
2 the following information:

3 (a) The level of satisfaction of the utility's customers as  
4 measured by customer surveys;

5 (b) The number of customer complaints filed during a calendar year  
6 with the commission if the utility is an electrical company or with the  
7 governing body if the utility is a consumer-owned utility;

8 (c) The number of minutes the average customer or feeder line is  
9 without electricity during a calendar year; and

10 (d) The number of times the average customer or feeder line is  
11 without power during a calendar year.

12 If available, the report shall include a copy of the survey  
13 instrument or script used to collect the information described in (a)  
14 of this subsection.

15 NEW SECTION. **Sec. 3.** (1) The state auditor shall receive,  
16 analyze, and summarize the studies and reports required of consumer-  
17 owned utilities under section 2 of this act. The state auditor may  
18 consult with the commission, the department of community, trade, and  
19 economic development, the electric utilities, and others in analyzing  
20 and summarizing the studies and reports.

21 (2) By December 1, 1998, the state auditor and commission shall  
22 prepare a joint report on the results of the cost studies and service  
23 quality and reliability reports required under section 2 of this act,  
24 and shall submit the joint report to the energy and utilities  
25 committees of the senate and house of representatives. The joint  
26 report shall include the following information:

27 (a) A summary of the cost studies submitted by electric utilities;

28 (b) Observations regarding the consistency or lack of consistency  
29 among utilities in methods of classification, functionalization, and  
30 assignment or allocation, and in descriptions of unbundled costs;

31 (c) A summary of the service quality and reliability reports  
32 submitted by electric utilities;

33 (d) Observations regarding the consistency or lack of consistency  
34 among utilities in the amount and kinds of information available  
35 regarding service quality and reliability; and

36 (e) An examination of alternative formats for simple, standardized  
37 disclosure of fuel mix, air emissions, and other environmental impacts  
38 of coal, hydroelectric, natural gas, nuclear, wind, and other

1 generating resources, including the approaches used by utilities that  
2 have offered pilot programs to their customers allowing market access.

3 In the report, the commission shall also describe any issues  
4 arising from the cost studies and service quality and reliability  
5 reports submitted by electrical companies.

6 NEW SECTION. **Sec. 4.** (1) The legislature finds that: (a) Small  
7 utilities operate on a nonprofit basis, and typically serve rural areas  
8 where the cost of providing service exceeds that of urban areas; (b)  
9 most small utilities are full-requirements customers of the Bonneville  
10 power administration and do not purchase electricity and related  
11 products and services individually for resale to utility customers; and  
12 (c) the additional expense of unbundling and preparing service quality  
13 and reliability reports is likely to significantly outweigh the  
14 potential benefits to small utilities.

15 (2) The provisions of section 2 of this act do not apply to a small  
16 utility. However, nothing in this section prohibits the governing body  
17 of a small utility from determining the utility should unbundle and  
18 comply with any or all of the provisions of section 2 of this act  
19 applicable to other consumer-owned utilities.

20 (3) A small utility whose governing body has determined the utility  
21 should unbundle is encouraged, but not required, to submit a cost study  
22 and service quality and reliability report described in section 2 of  
23 this act to the state auditor.

24 NEW SECTION. **Sec. 5.** Any municipal electric utility formed by a  
25 municipality with a population of more than four hundred thousand as of  
26 the effective date of this section shall submit a report to its  
27 governing body by December 1, 1998, with the following information:

28 (1) The ratio of the municipal electric utility's customers to its  
29 employees as of the effective date of this section, and the changes in  
30 the ratio that have occurred over the previous ten years; and

31 (2) The annual sources of funding and the amount of annual  
32 expenditures, including federal funds, by the municipal electric  
33 utility on conservation, renewable resources, and low-income  
34 weatherization and energy bill-paying assistance programs during the  
35 previous ten years. This part of the report shall describe: (a) The  
36 amount of electricity saved by such conservation programs; (b) the  
37 overhead costs to the municipal electric utility to administer such

1 programs, including but not limited to amounts expended by other  
2 municipal departments and nonprofit entities in administering such  
3 programs; and (c) for low-income weatherization programs, the overhead  
4 cost per unit weatherized as compared to the overhead costs of  
5 comparable programs administered by the state.

6 NEW SECTION. **Sec. 6.** Nothing in chapter . . . , Laws of 1998 (this  
7 act) shall be construed as requiring an electric utility to establish  
8 new rates or to adopt new rate-making methods, or to require the  
9 commission to approve new revenue levels for electrical companies. In  
10 addition, nothing in chapter . . . , Laws of 1998 (this act) shall be  
11 construed as conferring on any state agency jurisdiction, supervision,  
12 or control over any consumer-owned utility.

13 NEW SECTION. **Sec. 7.** This act is necessary for the immediate  
14 preservation of the public peace, health, or safety, or support of the  
15 state government and its existing public institutions, and takes effect  
16 immediately.

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