
**Technology, Energy & Communications
Committee**

HB 1268

Brief Description: Concerning the utility and transportation commission's review of certain investments made by electrical companies.

Sponsors: Representatives Eddy, McCoy, Crouse, Lias and Clibborn.

Brief Summary of Bill

- Allows an electrical company to file a petition with the Utilities and Transportation Commission to obtain a determination regarding the prudence of an investment in a plant or other property that will supply electricity from sources other than fossil fuels, increase efficiency, or reduce the fossil fuel used in producing electricity before making that investment.

Hearing Date: 1/26/11

Staff: Scott Richards (786-7156).

Background:

Utilities and Transportation Commission.

The Washington Utilities and Transportation Commission (Commission) is a three-member board that regulates the rates, services, and practices of privately-owned utilities and transportation companies, including electric, telecommunications, natural gas, water, and solid waste collection companies, pipeline safety, private commercial ferries, buses, and motor carriers.

Commission Ratemaking.

The Commission sets rates that are fair, just, reasonable, and sufficient. This means that the Commission must balance the interest of customers, in receiving service at the lowest cost, against that of investors, who have an opportunity to earn a rate of return on their reasonable

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investment used in providing service. In approving and setting rates, the Commission examines costs incurred by the utility that the utility seeks to recover in the rates paid by its customers. The Commission determines if these costs were prudently incurred. Costs determined to be imprudent are costs ultimately paid by the utility's shareholders. Generally, ratemaking proceedings are initiated by a utility. Investment decisions made between ratemaking proceedings are not examined for their prudence as an investment until a ratemaking proceeding occurs.

Energy Independence Act (Initiative 937)

Approved by voters in 2006, the Energy Independence Act, also known as Initiative 937, requires electric utilities with 25,000 or more customers to meet targets for energy conservation and for using eligible renewable resources.

Each qualifying electric utility must pursue all available conservation that is cost-effective, reliable, and feasible. By January 1, 2010, each qualifying utility must assess the conservation it can achieve through 2019, and update the assessments every two years for the next 10-year period. Beginning January 2010, each qualifying utility must meet biennial conservation targets that are consistent with its conservation assessments.

Each qualifying utility must use eligible renewable resources or acquire equivalent renewable energy credits, or a combination of both, to meet the following annual targets:

- at least three percent of its load by January 1, 2012, and each year thereafter through December 31, 2015;
- at least nine percent of its load by January 1, 2016, and each year thereafter through December 31, 2019; and
- at least 15 percent of its load by January 1, 2020, and each year thereafter.

Washington's Greenhouse Gas Emission Reduction Targets.

Under current Washington law, the state must limit greenhouse gas (GHG) emissions to achieve the following statewide emission reductions:

- by 2020 reduce overall GHG emissions in the state to 1990 levels;
- by 2035 reduce overall GHG emissions in the state to 25 percent below 1990 levels; and
- by 2050 reduce overall GHG emissions in the state to 50 percent below 1990 levels, or 70 percent below the state's expected GHG emissions that year.

According to the 2010 Washington State Greenhouse Gas Emissions Inventory, the electricity sectors accounted 19 percent of statewide GHG emissions.

Summary of Bill:

The bill contains findings that reference the state's greenhouse gas (GHG) emissions goals and the necessity for large electric utilities to meet renewable energy resource and energy conservation targets under the Energy Independence Act.

If an electrical company desires a determination regarding the prudence of an investment in a plant or other property that will supply electricity from sources other than fossil fuels, increase efficiency, or reduce the fossil fuel used in producing electricity before making that investment,

the electrical company may file a petition with the Washington Utilities and Transportation Commission (Commission) to obtain such a determination.

When a petition is filed, the Commission must provide notice to the public and potentially affected parties and expedite the hearing of that petition. The hearing of such a petition is not considered a general rate increase filing, and an administrative law judge of the Commission may enter an initial order including findings of fact and conclusions of law. The Commission must issue a final order, or if the matter is heard by an administrative law judge, an initial order, within 90 days after filing the petition.

In considering the prudence of the investment, the Commission may establish a limit to the amount of the investment that will be considered prudent. The Commission must balance against any risk of unknowns of the investment the risk to the public of continued reliance on fossil fuels and the state's objectives for reduction in GHG emissions. If the investment is found to be prudent, recovery of a return in rates on the amount of the investment determined to be prudent will not occur until the next general rate increase filing by the company after the plant or equipment is put into service.

Appropriation: None.

Fiscal Note: Available.

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