

HOUSE BILL REPORT

ESB 6631

As Passed House:
February 27, 1996

Title: An act relating to exempting thermal energy companies from utilities and transportation commission authority.

Brief Description: Exempting thermal energy companies from utilities and transportation commission authority.

Sponsors: Senators Sutherland, West, Finkbeiner, Loveland, Heavey, Rasmussen, Hochstatter, Strannigan and Morton.

Brief History:

Committee Activity:

Energy & Utilities: 2/20/96, 2/21/96 [DP].

Floor Activity:

Passed House: 2/27/96, 96-0.

HOUSE COMMITTEE ON ENERGY & UTILITIES

Majority Report: Do pass. Signed by 9 members: Representatives Casada, Chairman; Crouse, Vice Chairman; Hankins, Vice Chairman; Patterson, Ranking Minority Member; Poulsen, Assistant Ranking Minority Member; Chandler; Kessler; Mastin and Mitchell.

Staff: Margaret Allen (786-7110).

Background: A heat supplier is a person, company, or other entity involved in developing, producing, transmitting, distributing, delivering, furnishing, or selling heat from a heat source for any beneficial use other than generating electricity.

Heat suppliers are under the limited, rather than general, jurisdiction of the Washington Utilities and Transportation Commission (WUTC). The WUTC is authorized to issue nonexclusive operating permits to provide heating services within a designated service territory to heat suppliers the WUTC has determined are qualified, have adequate systems, and whose contracts with customers comply with statutory requirements. However, the WUTC has not exercised its jurisdiction to regulate heat suppliers.

The statutes governing heat suppliers were adopted in 1983 and amended in 1987. At the time they were adopted, the WUTC was directed to adopt appropriate regulations. The statutes are due to sunset July 1, 2003.

Although there are no similar statutory provisions for cooling services, district heating and cooling services are now jointly referred to as "thermal energy services" in the industry. Recent changes in regulations governing cooling systems, particularly those concerning chlorofluorocarbon-based (CFC-based) air conditioning units, have generated interest in district cooling systems.

Summary of Bill: The Legislature finds (1) the WUTC currently has the authority to regulate district heating suppliers; (2) consumers have competitive alternatives to thermal energy companies for heating, cooling, and ancillary services; (3) consumers have recourse under the Consumer Protection Act against thermal energy companies for unfair business practices; and (4) technology and marketing opportunities have advanced since the enactment of the statutes governing heat suppliers, to make the provision of cooling services an economical option for consumers.

The statutes governing heat suppliers are repealed, and the WUTC is explicitly not authorized by the bill to regulate a district thermal energy system owned and operated by a thermal energy company.

"Thermal energy company" is defined as a person, corporation, association, partnership or joint venture engaged in, or proposing to engage in, developing, producing, transmitting, distributing, delivering, furnishing, or selling, to or for the public, thermal energy services for any beneficial use other than electricity generation.

"District thermal energy system" is defined as any system that provides thermal energy for space heating or cooling, or process uses from a central plant, and that distributes the thermal energy to two or more buildings through a network of pipes.

"Thermal energy" is defined as heat or cold in the form of steam, heated or chilled water, or any other heated or chilled fluid or gaseous medium.

"Thermal energy services" is defined as the provision of thermal energy from a district thermal energy system and includes such ancillary services as energy audits, metering, billing, maintenance, and repairs related to thermal energy.

A technical correction is made to a statute referring to one of the statutes repealed by the bill.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This is an area in which deregulation is appropriate as heating and cooling services are subject to competition. Traditional regulation can discourage the development of small district energy systems whose revenues are insufficient to support involved regulatory proceedings. The administrative burden of traditional regulation of these types of services cannot be justified by any reasonable assessment of the risks posed to consumers by nonregulation.

Testimony Against: None.

Testified: Senator Sutherland, prime sponsor; Collins Sprague, Washington Water Power; Teresa Osinski, Washington Utilities and Transportation Commission; and Gordon Bloomquist, Washington State Energy Office.