

HOUSE BILL ANALYSIS

ESSB 6006

Title: *An act relating to the electric utility industry.*

Brief Description: *Enacting the electric customer choice act.*

Sponsors: *Senate Committee on Energy & Utilities (originally sponsored by Senators Finkbeiner and Rossi).*

HOUSE COMMITTEE ON ENERGY & UTILITIES

Meeting Date: *April 1, 1997.*

Bill Analysis Prepared by: *Margaret Allen (786-7110).*

Background: In 1992, Congress made a significant change in electricity policy by requiring open access to the nation's transmission system. Owners of transmission lines were required to open those lines to other entities, and to develop standard rates and conditions that would apply to all users, including themselves as owners. Owners were required to unbundle— the costs of these transmission services from other services and account for them separately. These policy changes facilitated competition in the wholesale electricity market; however, Congress explicitly left policy decisions regarding competition in the retail electricity market to the states.

Most retail electricity customers currently have no choice in their supplier of electricity, and pay a set, bundled rate for electricity, usually stated in terms of cents per kilowatt hour. Though unidentified in most consumers' bills, several components are included within the bundled rate. For example, a bundled rate may include charges for bulk electricity supply, reliability reserves, transmission, local distribution, and conservation program costs.

Partly because pressure has been mounting both inside and outside of the region to open the electricity industry to retail competition, in January 1996, the governors of Washington, Oregon, Idaho, and Montana convened a comprehensive review of the Northwest's energy system. The goal of the review was to develop, through a public process, recommendations for changes in the region's electric utility industry.

The review steering committee submitted its final report in December 1996. The report contained numerous recommendations, including a recommendation that by July 1, 1999, all retail electric utilities allow customers to choose their electricity suppliers. As a transitional step, the report recommended utilities begin to unbundle

(itemize) the components of consumer bills for information purposes. The report stated consumers would be better educated about electricity services, and better prepared to make separate decisions about some of the products and services currently included in bundled rates, if consumers began to see the separate components on their bills now.

The Washington Utilities and Transportation Commission (WUTC) currently may approve tariffs for investor-owned utilities that include banded rates for nonresidential electricity customers. A banded rate has a minimum and maximum rate, with the minimum rate covering the cost of the product or service. A banded rate allows a utility to set its own charge for a product or service, as long as the charge does not fall outside the band.

Summary of Bill: The Legislature finds the electricity utility industry is undergoing fundamental change as a result of federal and regulatory decisions that require utilities to provide other users with nondiscriminatory access to transmission lines. The Legislature also finds it is in the interest of all Washington consumers to develop a statewide framework compatible with federal developments. The goal of the new structure is to provide competitive electricity service, while maintaining existing reliability. The Legislature further finds the state should take the first steps toward providing an orderly transition to more competitive markets for electricity.

The Legislature intends to require: (1) electric utilities to separately account for their generation, transmission, and distribution assets and operations; (2) retail electricity bills to contain new price information; and (3) new market entrants to register with the WUTC.

By September 1, 1998, all electric utilities must unbundle and separately account for generation, transmission, and distribution assets and operations according to the costs contributed by each class of customers. Published rates are to be restated into, at least, the rate elements of electricity, delivery services, and control area services.

Delivery services— are defined as the services needed to deliver electricity to a retail electric customer using the transmission, distribution, and other facilities of an electric utility.

Control area services— are defined as reactive power, spinning reserves, voltage control and regulation, and other related services necessary to sustain reliable delivery of electricity to a retail customer.

By October 1, 1998, electricity service suppliers must provide retail customers with the following information on a regular basis: (1) a complete and accurate list of the rates for each service or product the consumer is purchasing that utilities are required to unbundle and separately account for under the act; (2) the rates of state and local electricity taxes, if any, paid by the customer; and (3) other price information deemed

necessary, by the WUTC or the governing body of each consumer-owned utility, to facilitate customer choice.

An electricity service supplier— is defined as any person or entity that sells electricity to more than one retail electric customer. The definition includes, but is not limited to, an investor- or consumer-owned utility, aggregator, power marketer, broker, or independent power producer. The Bonneville Power Administration is expressly excluded from the definition.

A consumer-owned utility— is defined to include municipal electric utilities, rural electric cooperatives, public utility districts, and mutual corporations and irrigation districts that sell electricity to retail electric customers.

Consumer-owned utilities with 25,000 or fewer meters, or an average of seven or fewer customers per mile of distribution line, are given until January 1, 1999, to comply with the act.

The WUTC's authority to approve banded rate tariffs is extended to residential customers.

If any provision of the act, or its application, is held invalid, the remainder of the act or its application to other persons or circumstances is unaffected.

Appropriation: None.

Fiscal Note: Requested March 20, 1997.

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