

HOUSE BILL ANALYSIS

ESSB 6560

Title: An act relating to retail electrical customers.

Brief Description: Protecting the rights of consumers of electric power.

Sponsors: Senate Committee on Energy & Utilities (originally sponsored by Senators Brown, Jacobsen, T. Sheldon, Kohl, Hargrove, Fairley, B. Sheldon, Prentice, Wojahn, Loveland, Thibaudeau, McAuliffe, Heavey, Spanel, Snyder, Rasmussen, Haugen, Patterson and Franklin).

HOUSE COMMITTEE ON ENERGY & UTILITIES

Meeting Date: February 27, 1998

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

Background: Consumer protection requirements and remedies for retail electric customers differ depending on whether the utility providing service is a consumer-owned utility or an investor-owned utility.

Utilities regulated by locally elected governing bodies are sometimes referred to as "consumer-owned utilities." Such utilities include electric utilities operated by a unit of local government (a municipality, public utility district, or irrigation district, for example), or by a rural electric cooperative or mutual association. The governing body establishes the utility's policies. Utilities operated by units of local government must comply with a variety of statutory consumer protection requirements.

Investor-owned utilities are regulated by the Washington Utilities and Transportation Commission (WUTC), so must comply with consumer protection rules established by the commission as well as with statutory consumer protection requirements.

The WUTC has jurisdiction to receive and resolve customer complaints only about investor-owned utilities. The Department of Community, Trade, and Economic Development (DCTED) has an energy policy division, but does not regulate utilities.

Most retail electric customers in the state may not purchase their electricity from an entity other than their local utility. Under some potential scenarios for restructuring the retail electric industry, local utilities and power marketers could sell electricity to any retail customer anywhere in the state. Concerns have been raised about the need for consumers to understand their rights regarding electricity supply and service, and

to be protected from potentially unfair and deceptive practices if the state restructures the retail electricity industry.

Additional concerns have been raised about the potential impacts of restructuring on: (1) cost-shifting by utilities among different customer classes or within a single class; (2) on the reliability of the state's electricity distribution systems; and (3) the quality of service provided to retail customers.

Summary of Bill: Retail electric customers have the right to receive specified disclosures from their electricity distribution utilities. Required disclosures include consumer protection policies and procedures and the utility's annual report containing specified information.

Notice that required disclosures are available must be provided at the time service is established and once a year thereafter in customers' bills.

Utilities must include a statement on all customer bills identifying the various components of electrical service for which customers are charged, including electricity, delivery services, overhead, taxes, conservation expenses, and other items.

Consumer-owned and investor-owned utilities must adopt consumer-protection and related policies by October 1, 1998. Small utilities may meet the requirements of the bill without having to adopt new policies and procedures (unless they elect to act as suppliers), by having the Department of Community, Trade, and Economic Development (DCTED) review their policies and procedures for compliance. A small utility is defined as a consumer-owned utility with 25,000 or fewer electric meters in service, or with an average of seven or fewer customers per mile of distribution line.

The Washington Utilities and Transportation Commission (WUTC) and DCTED are directed jointly to study: (1) impacts on electricity prices resulting from federal deregulation of the wholesale markets; (2) the impacts on price, reliability, service quality, utility industry employment, and investments in conservation, renewable resources, and low-income energy programs if the Legislature does not act to authorize retail choice; and (3) the impacts on the same issues if the Legislature were to adopt a portfolio model of retail choice. The WUTC and DCTED are directed to consult with the chairs and ranking minority members of the Senate and House Energy and Utilities Committees and other stakeholders during preparation of the study and report. The report, with recommendations for addressing cost shifting, system reliability, and service quality issues, is due to the Legislature by November 15, 1998.

A number of consumer protections are added that apply to electricity suppliers if they market and sell directly to retail electric customers, including customer service

facilities, prohibitions against unauthorized switching of suppliers, telemarketing restrictions, and truth-in-advertising requirements.

Electricity distribution utilities and electricity suppliers must protect the confidentiality of customer records and may only disclose such information under specified circumstances.

The Consumer Protection Act will apply to any violations of these requirements by electricity suppliers.

The WUTC is directed to exercise its best efforts to reach agreement with the Federal Energy Regulatory Commission regarding their respective jurisdictions over the transmission and distribution of electricity in Washington State and to report its results to the Legislature by December 1, 1998.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Bill: The bill contains an emergency clause and takes effect immediately.