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**SUBSTITUTE HOUSE BILL 2232**

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**State of Washington**

**55th Legislature**

**1997 Regular Session**

**By** House Committee on Energy & Utilities (originally sponsored by Representatives Crouse, Poulsen, DeBolt, Morris, B. Thomas, Cooper and Linville)

Read first time 03/05/97.

1       AN ACT Relating to studying and developing recommendations for the  
2 restructuring of the electric energy industry; creating new sections;  
3 and providing an expiration date.

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

5       NEW SECTION. **Sec. 1.** INTENT. The state of Washington is affected  
6 by national, regional, and state-wide changes that are transforming the  
7 nature of the electric power industry. These changes have profound  
8 implications for Washington's economy and environment. The legislature  
9 finds that:

10       (1) The interests of the citizens of Washington will be served by  
11 having access to a choice of electric services and energy providers,  
12 provided that basic safeguards relating to consumer protection and  
13 access are met and investments that preserve the electric system  
14 reliability and environmental protection are not undermined.

15       (2) The transition to a competitive retail electricity market  
16 requires that investments in conservation, renewable resources, and  
17 low-income service be made in a competitively neutral manner and,  
18 further, that minimum investment standards for these purposes are  
19 necessary and desirable as the industry becomes more competitive.

1 (3) Electricity is an essential service and should be reasonably  
2 accessible and affordable to all consumers, regardless of income or  
3 geographic location. The unique circumstances and value of small,  
4 rural electric systems should be taken into account as industry  
5 restructuring moves forward.

6 It is the intent of this act to begin the comprehensive  
7 restructuring of the retail sale of energy in the state of Washington.

8 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this  
9 section apply throughout this act unless the context clearly requires  
10 otherwise.

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

12 (2) "Department" means the department of community, trade, and  
13 economic development.

14 (3) "Direct service industrial customer" has the same meaning as  
15 the term is defined in section 3(8) of the Pacific Northwest electric  
16 power plan and conservation act, P.L. 96-501.

17 (4) "Electric cooperative" means a cooperative or association  
18 organized under chapter 23.86 or 24.06 RCW.

19 (5) "Electricity distributor" means an electrical company, electric  
20 cooperative, irrigation district, municipal electric utility, public  
21 utility district, or public service company engaged in the business of  
22 providing distribution services to retail customers.

23 (6) "Electricity service supplier" means any person or entity that  
24 sells electricity to one or more retail customers, including but not  
25 limited to electrical companies, electric cooperatives, irrigation  
26 districts, municipal electric utilities, public utility districts,  
27 aggregators, marketers, brokers, independent power producers, public  
28 service companies, or other municipal or state authorities.

29 (7) "Irrigation district" means a district authorized by chapter  
30 87.03 RCW.

31 (8) "Municipal electric utility" means a city or town that owns and  
32 operates an electric utility authorized by chapter 35.92 RCW.

33 (9) "Pilot program" means an experimental program, rate, or tariff  
34 designed to elicit information concerning the cost-effectiveness,  
35 marketing, design, evaluation, or cost structure of the provision of  
36 distribution and electricity by electrical distribution companies and  
37 electricity service suppliers.

1 (10) "Public utility district" means a district authorized by  
2 chapter 54.04 RCW that sells electricity to retail customers.

3 (11) "Retail customer" means any person or entity that purchases  
4 electricity for ultimate consumption and not for resale.

5 (12) "Task force" means the task force created in section 3 of this  
6 act.

7 NEW SECTION. **Sec. 3.** TASK FORCE ON ELECTRIC SYSTEM RESTRUCTURING.

8 (1) There is created a task force on electric system restructuring.  
9 The task force shall recommend measures needed for the Washington  
10 component of a regional and national restructured electric system that  
11 will:

12 (a) Recognize the multiple uses, benefits, and claims on our  
13 natural rivers;

14 (b) Preserve low-cost power for Washington consumers;

15 (c) Foster real competition whose benefits are fairly distributed  
16 across all sectors of Washington consumers;

17 (d) Fairly distribute the cost of past investments that are  
18 uneconomic in today's market;

19 (e) Build into the competitive structure system benefits, including  
20 reliability and safety of electric service, environmental quality,  
21 conservation of electricity, encouragement of renewable resources, and  
22 affordable service;

23 (f) Substantially implement the recommendations contained in the  
24 final report of the comprehensive review of the northwest energy system  
25 dated December 12, 1996.

26 (2) The task force shall consist of seven members: One from each  
27 legislative caucus, appointed by the senate majority leader and the  
28 speaker of the house of representatives, as appropriate, and three  
29 members appointed by the governor. The governor shall appoint the  
30 chair from among the members of the task force, but the chair must be  
31 a member of the majority legislative caucus in either the senate or the  
32 house of representatives.

33 (3) The senate, the house of representatives, the office of the  
34 governor, the commission, the department, and the department of revenue  
35 shall provide staff support to the task force, as appropriate.

36 (4) Meetings of the full task force shall be open to the public.  
37 Task force members shall make appropriate efforts to inform affected  
38 interest groups and the general public, regarding the issue of

1 restructuring and the progress of the task force. This subsection does  
2 not prevent members of the task force from meeting with each other in  
3 nontask force meetings or forums.

4 (5) The task force may establish work groups of knowledgeable or  
5 affected persons to advise the task force on components of its work  
6 plan. The task force shall seek information and opinions from diverse  
7 interests, including, but not limited to, public power, private power,  
8 smaller rural utilities, large consumers, direct service industries,  
9 small consumers, nonutility power providers, the gas industry,  
10 conservation groups, renewable resource providers, the environmental  
11 community, low-income groups, local governments, the office of public  
12 counsel of the attorney general's office, and the Washington office of  
13 the Northwest power planning council.

14 NEW SECTION. **Sec. 4.** RESPONSIBILITIES OF THE TASK FORCE. The  
15 task force created in section 3 of this act shall:

16 (1) Recommend mechanisms and steps needed to ensure competitive  
17 access by energy service providers over the distribution facilities  
18 operated by electricity distributors by July 1, 1999, or as soon  
19 thereafter as reasonably practicable;

20 (2) Recommend ways to ensure the safety and reliability of the  
21 electric power system;

22 (3) Develop guidelines for determining and fairly distributing the  
23 costs of past investments that are no longer economically competitive;

24 (4) Identify changes to electricity distributors' obligation to  
25 serve retail customers made necessary through the mechanisms identified  
26 in subsections (1) and (3) of this section;

27 (5) Develop uniform billing standards, and consumer education and  
28 outreach programs, to assist customers and electrical service providers  
29 in comparing available services;

30 (6) Recommend ways to ensure that electricity service is reasonably  
31 accessible and affordable to all customers, including identifying  
32 barriers to the aggregation of small customers and recommending means  
33 to overcome those barriers;

34 (7) Recommend the most appropriate means to ensure adequate funding  
35 for conservation, renewable resources, and low-income weatherization  
36 consistent with the final report of the comprehensive review of the  
37 northwest energy system dated December 12, 1996;

1 (8) Identify mechanisms and steps needed to establish a uniform  
2 state-wide system benefits charge to ensure accomplishment of the  
3 minimum standard of investment described in section 7 of this act on a  
4 state-wide basis;

5 (9) Address special needs of rural electricity customers;

6 (10) Take into account state, regional, and national roles of  
7 responsibility and cooperation;

8 (11) Take such other steps, including drafting legislation, as are  
9 needed to accomplish the purposes and tasks set forth in this act.

10 NEW SECTION. **Sec. 5.** The task force shall report to the governor  
11 and the legislature by December 1, 1997, concerning its activities,  
12 draft legislation, and any recommendations for further action.

13 NEW SECTION. **Sec. 6.** PILOT PROGRAMS. In order to obtain  
14 information about the likely effects of restructuring the electric  
15 industry, the legislature:

16 (1) Encourages pilot programs between retail customers and  
17 electrical companies under the commission's rate jurisdiction,  
18 particularly programs to facilitate the development of aggregators that  
19 can provide competitively priced power for small consumers;

20 (2) Encourages governing bodies of public utility districts,  
21 municipal electric utilities, and electric cooperatives to undertake  
22 pilot programs with retail electric customers under their rate  
23 jurisdiction, particularly programs to facilitate the development of  
24 aggregators that can provide competitively priced power for small  
25 consumers;

26 (3) Encourages the commission and governing bodies to provide to  
27 the task force results of information learned from the pilot programs.

28 NEW SECTION. **Sec. 7.** STUDY OF MINIMUM INVESTMENT STANDARD. The  
29 department shall undertake a study of ways to achieve a minimum state-  
30 wide standard of investment in local conservation resources, renewable  
31 resources, renewable research and development, regional market  
32 transformation, and low-income weatherization. For the purposes of  
33 this section, the minimum standard is presumed to equal three percent  
34 of total electricity expenditures. The department shall consult with  
35 and obtain necessary information from electricity distributors,  
36 electricity service suppliers, direct service industrial customers, and

1 others in developing its study. The department shall report the  
2 results of its study to the task force by September 1, 1997.

3 NEW SECTION. **Sec. 8.** ACCESS AND AFFORDABILITY. On or before  
4 September 1, 1997, the department shall provide recommendations to the  
5 task force concerning mechanisms for ensuring that electricity service  
6 is reasonably accessible and affordable to all customers, including  
7 low-income and rural customers. The department shall consult with  
8 utilities, low-income customer advocates, rural customer advocates, the  
9 office of the attorney general, the commission, and others in  
10 developing its recommendations.

11 NEW SECTION. **Sec. 9.** CAPTIONS NOT LAW. Captions used in this act  
12 are not part of the law.

13 NEW SECTION. **Sec. 10.** This act expires March 1, 1998.

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