

HOUSE BILL REPORT

HB 2845

As Reported by House Committee On:
Technology, Telecommunications & Energy
Appropriations

Title: An act relating to the utilities and transportation commission.

Brief Description: Requiring a performance audit of the utilities and transportation commission.

Sponsors: Representatives Morris, Crouse, Morell, Pflug, Ogden, Linville and Simpson.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 2/5/02 [DP];
Appropriations: 2/12/02 [DPS].

Brief Summary of Substitute Bill

- Directs the Joint Legislative Audit and Review Committee to conduct a performance audit of the Washington Utilities and Transportation Commission focused on its responsibility regarding telecommunication, energy, and natural gas.
- Establishes a surcharge for a period of 18 months to be paid by each telecommunications, electrical, and natural gas company to fund the performance audit.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: Do pass. Signed by 17 members: Representatives Morris, Chair; Ruderman, Vice Chair; Crouse, Ranking Minority Member; Anderson, Bush, Casada, DeBolt, Delvin, Esser, Hunt, Linville, Lysen, Nixon, Pflug, Reardon, Romero and Sullivan.

Minority Report: Do not pass. Signed by 2 members: Representatives Berkey and Wood.

Staff: Pam Madson (786-7166); Ken Conte (786-7102).

Background:

The Washington Utilities and Transportation Commission (WUTC) is a three-member board who along with a staff of over 165 people regulate the rates, services and practices of privately-owned utilities and transportation companies. These companies include electric, telephone, natural gas distribution, private water, solid waste collection, commercial ferries and low-level radioactive waste disposal.

Commissioners are appointed by the Governor and confirmed by the Senate for six-year terms. The staff includes accountants, auditors, economists, engineers, consumer complaint specialists, enforcement officers and investigators. The staff is organized into three main divisions: Regulatory, advisory and administrative services. The commission is primarily an economic regulator with some public safety responsibility for in-state pipelines and railroads.

Companies regulated by the WUTC pay the cost of regulation through fees based on a percentage of each company's gross annual operating revenue. The fee is limited to a maximum of one-tenth of 1 percent on the first \$50,000 plus two-tenths of 1 percent on any amount over \$50,000.

The Joint Legislative Audit and Review Committee (JLARC) is a statutorily created committee of eight senators and eight representatives, equally divided between the two major political parties. The JLARC staff conducts performance audits, program evaluations, sunset reviews and other policy and fiscal studies.

Summary of Bill:

The JLARC must conduct a performance audit of the WUTC focused on its responsibilities for telecommunications, energy, and natural gas.

The JLARC must submit a preliminary report of the performance audit to the appropriate legislative committees by December 31, 2002. The preliminary report must include an analysis of the commission's functions and structure which may include a comparison with other states' commissions. The final report of the performance audit must be submitted by December 1, 2003.

The performance audit is funded by a surcharge calculated as a percentage of the regulatory fee paid by telecommunications, electrical and natural gas companies regulated by the commission and may generate no more than \$400,000. The surcharge is in effect beginning July 1, 2002 through December 31, 2003.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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

Testimony For: None.

Testimony Against: None.

Testified: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Sommers, Chair; Doumit, 1st Vice Chair; Fromhold, 2nd Vice Chair; Sehlin, Ranking Minority Member; Alexander, Boldt, Buck, Clements, Cody, Cox, Dunshee, Grant, Kagi, Kenney, Kessler, Linville, Lisk, Mastin, Pearson, Pflug, Ruderman, Schual-Berke, Talcott and Tokuda.

Minority Report: Do not pass. Signed by 1 member: Representative McIntire.

Staff: Patricia Linehan (786-7178).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Technology, Telecommunications & Energy:

The JLARC is directed to modify the scope of the performance audit in order to limit the cost of the audit to the revenues generated by the surcharge. The bill allows the JLARC to extend the delivery of the performance audit reports for up to one year, subject to the committee's biennial work plan.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The intent of the bill was to create a surcharge, so that no cost would come back to the general fund for conducting the study. The fee surcharge is imposed on WUTC's filing fees to pay for the performance audit. The amount chosen for the bill was based on the estimate from the JLARC, which only covered the initial consultant fees for the performance audits. The \$800,000 dollar estimate includes staff time at the JLARC, and \$400,000 covers the consultant fees for the performance audit. There is support for adjusting the mechanism for recapturing the fees. The underlying policy is to

understand the WUTC's charter, their activities and other Western states' regulatory processes. Technology and the federal regulations of electricity are changing very rapidly and we need to figure out how to transition away from rate of return regulation.

(Concerns) This audit will require WUTC's staff participation and expertise. The WUTC may need to re-prioritize workload in order to respond to the JLARC as it conducts the audit.

Testimony Against: None.

Testified: Representative Jeff Morris, Prime sponsor.

(Concerns) Beth Redfield, Washington Utilities and Transportation Commission.