

HOUSE BILL REPORT

HB 1606

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

Title: An act relating to electricity rate structure for irrigation pumping installations.

Brief Description: Crediting certain charges for irrigation pumping installations.

Sponsors: Representatives Clements, Crouse, B. Chandler, G. Chandler, Schoesler and Lisk.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 2/19/01, 2/26/01 [DP].

Brief Summary of Bill

- Requires that fixed charges imposed by electric utilities on agricultural irrigation and soil drainage pumping installations be credited against the customer's charges for actual use beginning April 1, 2001, through March 30, 2003.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: Do pass. Signed by 19 members: Representatives Crouse, Republican Co-Chair; Poulsen, Democratic Co-Chair; Casada, Republican Vice Chair; Ruderman, Democratic Vice Chair; Anderson, Berkey, Bush, B. Chandler, Cooper, DeBolt, Delvin, Esser, Hunt, Linville, Mielke, Morris, Pflug, Reardon and Wood.

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

Staff: Pam Madson (786-7166).

Background:

The Washington Utilities and Transportation Commission has authority to approve or set rates for retail electricity service provided by investor-owned utilities. Rates must be fair, just, reasonable and sufficient to return reasonable compensation to the utility for the

service provided.

Rates charged by publicly owned utilities are generally set by the utility's board, or by another governing body such as a commission or council. Elected officials in most cases are ultimately accountable for rates that are set.

One of the components considered in setting retail rates is the cost of providing electricity service to the customer. Rates are designed to meet a number of objectives. Rates can be flat rates where customers pay the same amount per kilowatt hour regardless of how much electricity is used or rates can be tiered (different rates based on level of use).

A demand charge is an example of another rate design element. Certain customers use large amounts of electricity for short intervals. Resources needed to meet peak demand may be idle at times. Demand charges are designed to recover the cost of these resources.

Summary of Bill:

For a period of 24 months, beginning April 1, 2001, any minimum or fixed charge imposed on agricultural irrigation and soil drainage pumping installations that does not reflect actual electricity used by a customer must be credited against charges for actual electricity used for the annual billing period.

This provision applies to investor-owned utilities, municipal utilities, public utility districts, electric cooperatives and mutuals.

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: (Original bill) There is a need to find ways to give relief to the agricultural community that is in dire straits in Eastern Washington. Irrigators pay an annual charge that is not related to the actual amount of electricity used. There is concern that during this irrigating season, there may not be power available. Some farmers may not plant a crop this year and will not use irrigation pumps. It is difficult to pay a charge when no crop is planted or harvested. The utility charges customers an annual fee. These are large demand customers who use electricity beginning in the spring. In order to have the facility and the capacity to guarantee the electricity, customers are charged a standby fee. This is an outdated way to charge. This bill would give relief for two years by allowing a charge to occur, but then apply that charge against

the electricity used.

Testimony Against: This bill will significantly impact the utility's ability to recover costs associated with irrigators. Though the utility is extremely sympathetic to the current situation in agriculture, there may be other ways to reduce the costs to irrigators. There are various types of charges associated with irrigation. One is a per kilowatt hour charge which is a very low rate and a load charge that is designed to recover fixed costs for infrastructure necessary to meet this demand. A utility may also charge a fee that is spread out over the entire year so irrigators are paying when they are not actually irrigating. The alternatives that this bill present to the utility may actually discourage conservation because it means customers will get electricity for free. It may drive a restructuring of rates that would result in some customers subsidizing others. This process would override the current rate-making process where customers may get involved in examining rate proposals. Restructuring rates is not a desirable alternative. In the face of competition with other providers, it is important not to remove any utilities currently identified in the bill.

Testified: (In support) Representative Jim Clements, prime sponsor; Linda Johnson, Washington State Farm Bureau; and Jim Holmstrom, Washington State Horticulture Association.

(Opposed) Collins Sprague and Tom Dukich, Avista Corporation; and Kathleen Collins and Tom Hosler, PacifiCorp.