

# SENATE BILL REPORT

## SB 5649

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As Reported By Senate Committee On:  
Environment, Energy & Water, February 22, 2001

**Title:** An act relating to acquiring electricity generation resources.

**Brief Description:** Allowing an electrical utility to file information with the Washington utilities and transportation commission concerning the company's decision to acquire electricity generation resources prior to a rate-setting proceeding.

**Sponsors:** Senators Fraser, Franklin, Jacobsen, Eide, Regala, Kohl-Welles, Kline, Prentice, Shin, Haugen, Rasmussen, Kastama and McAuliffe.

**Brief History:**

**Committee Activity:** Environment, Energy & Water: 2/9/01, 2/22/01 [DP, DNP].

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### SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

**Majority Report:** Do pass.

Signed by Senators Fraser, Chair; Regala, Vice Chair; Eide, Jacobsen and Morton.

**Minority Report:** Do not pass.

Signed by Senator Honeyford.

**Staff:** Jim Metropulos (786-7784)

**Background:** The Washington Utilities and Transportation Commission has authority to approve or set rates for retail electricity service provided by investor-owned electrical companies. In approving and setting rates, the commission examines costs incurred by the company that the company seeks to recover in the rates paid by its customers. The commission determines if these costs were prudently incurred.

Generally, rate-setting proceedings are initiated by a company that wants to change the rates it charges its customers. Washington does not require electrical companies to have rates regularly examined and approved. In the case of some investor-owned companies, a rate-setting proceeding may not be requested for several years after the acquisition of electricity generation resources. Therefore, investment decisions that are made during that time are not examined for their prudence as an investment until a rate-setting proceeding occurs.

**Summary of Bill:** Prior to a general rate-setting proceeding, an electrical company may file information with the Utilities and Transportation Commission concerning its decision to acquire electricity generation. Acquisition includes direct ownership and contracts for generation. Information filed with the commission is considered during a later rate-setting proceeding that determines whether rates requested by a company are fair, just, reasonable and sufficient.

The existing burden placed on a company to prove that its investment in electrical generation is reasonable and prudent for rate-making purposes remains unchanged.

The commission must adopt standards by rule that govern the filing of this information.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This is a good first step. It would allow information to be placed in a "time capsule" for companies and the UTC to access prior to a ratemaking proceeding.

**Testimony Against:** The bill does not encourage investor-owned utilities to acquire resources in today's uncertain world. The bill should be amended to allow the UTC to reach some findings of fact when an investor-owned utility acquires electricity generating resources.

**Testified:** Dick Hemstad, UTC Commissioner (pro); Tim Boyd, Industrial Customers of Northwest Utilities (pro); Bruce Folsom, Avista; Kathleen Collins, Pacificorp