

# **HOUSE BILL REPORT**

## **HB 2462**

---

---

### **As Reported By House Committee On:**

#### **Energy & Utilities**

**Title:** An act relating to regulating cooling services as thermal heating services.

**Brief Description:** Regulating cooling services as thermal heating services.

**Sponsors:** Representatives Casada, Poulsen, Crouse, Hankins, Grant, Patterson and Kessler.

**Brief History:**

**Committee Activity:**

Energy & Utilities: 1/17/96 [DPS].

---

### **HOUSE COMMITTEE ON ENERGY & UTILITIES**

---

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Casada, Chairman; Crouse, Vice Chairman; Hankins, Vice Chairman; Patterson, Ranking Minority Member; Poulsen, Assistant Ranking Minority Member; Chandler; Kessler; Mastin and Mitchell.

**Staff:** Margaret Allen (786-7110).

**Background:** A heat supplier is a person, company, or other entity involved in developing, producing, transmitting, distributing, delivering, furnishing, or selling heat from a heat source for any beneficial use other than generating electricity.

A heat source includes, but is not limited to (a) any integral part of a heat production or heat rejection system of an industrial facility, cogeneration facility, or electric power generation facility, (b) a geothermal well or spring, (c) a biomass energy system, (d) a solar collection facility, and (e) a hydrothermal resource or heat extraction process.

Heat suppliers are under the limited, rather than general, jurisdiction of the Washington Utilities and Transportation Commission (WUTC). The WUTC issues nonexclusive operating permits to a heat supplier to provide heating services within a designated service territory, if the WUTC has determined the supplier is qualified, has an adequate system, and the supplier's contracts with customers comply with statutory requirements.

WUTC approval of the rates or rate formula specified in a customer heating service contract is based, not on the heat supplier's cost of providing services or rate-of-return on investment, but instead on the reasonableness of the rates in relation to the rates charged customers for comparable heating services such as electric, oil, and natural gas, otherwise available in the proposed service territory. Any proposed rate less than 80 percent of the lowest rate of another heating service is reasonable as a matter of law and automatically approved by the WUTC.

A regulated utility such as an investor-owned gas or electric company may provide heat from a heat source and seek an operating permit from the WUTC as a heat supplier.

The statutes governing heat suppliers were adopted in 1983 and amended in 1987. At the time the statutes were adopted, the WUTC was directed to adopt appropriate regulations. The statutes are due to sunset July 1, 2003.

There are no similar statutory provisions for cooling services.

**Summary of Substitute Bill:** The statutes governing heat suppliers are amended to include cooling services.

"Cooling service" is defined as the development, production, transmission, distribution, delivery, furnishment, or sale of a chilled medium including, but not limited to, chilled air or water.

The term "heat source" is changed to "heating service," and the definition is amended to include the development, production, transmission, distribution, delivery, furnishment, or sale of a heated medium deriving from a heat source. Also, natural gas-fired boilers and electric boilers are added to the list of possible heat sources.

References to "heat suppliers" are changed to "thermal energy suppliers," and "thermal energy services" is defined as the provision of heating services, cooling services, or both, and as including such ancillary services as energy audits, metering, billing, maintenance, and repairs.

The WUTC is directed to adopt appropriate regulations within 180 days of June 1, 1996.

The sunset clause is repealed.

**Substitute Bill Compared to Original Bill:** The proposed substitute adds "natural gas-fired boiler" to the list of possible heat sources, whereas the original bill added "natural gas." Also, the proposed substitute expands the definition of thermal energy services to include the list of ancillary services.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** The district heating services statutes offer a good choice to the public. It is time to broaden the statutes to include cooling services. Perhaps district heating and cooling services should be deregulated.

**Testimony Against:** None.

**Testified:** Collins Sprague and Ken Boni, Washington Water Power; Steve King, Washington Utilities and Transportation Commission; and George Caan, Washington State Energy Office.