

SENATE BILL REPORT

ESHB 2462

As Reported By Senate Committee On:
Energy, Telecommunications & Utilities, February 15, 1996

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

Brief Description: Regulating cooling services as thermal heating services.

Sponsors: House Committee on Energy & Utilities (originally sponsored by Representatives Casada, Poulsen, Crouse, Hankins, Grant, Patterson and Kessler).

Brief History:

Committee Activity: Energy, Telecommunications & Utilities: 2/15/96 [DP].

SENATE COMMITTEE ON ENERGY, TELECOMMUNICATIONS & UTILITIES

Majority Report: Do pass.

Signed by Senators Sutherland, Chair; Loveland, Vice Chair; Finkbeiner, Hochstatter and Owen.

Staff: Phil Moeller (786-7445)

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 expire July 1, 2003.

There are no similar statutory provisions for cooling services.

Summary of 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.

"Thermal energy" is defined as heat or cold in the form of steam, heated or chilled water, or any other heated or chilled medium. "Distribution" is defined as the conveyance of thermal energy to two or more buildings through a network of pipes.

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

The expiration clause is repealed.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This legislation will help promote the expansion of district heating and cooling. A deregulatory approach to both services may be an even better option.

Testimony Against: None.

Testified: R. Gordon Bloomquist, WSEO (pro); Collins Sprague, WA Water Power Co. (pro); Steve King, WUTC (pro).