

# HOUSE BILL REPORT

## ESSB 6560

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### As Reported By House Committee On:

Energy & Utilities  
Appropriations

**Title:** An act relating to retail electrical customers.

**Brief Description:** Protecting the rights of consumers of electric power.

**Sponsors:** Senate Committee on Energy & Utilities (originally sponsored by Senators Brown, Jacobsen, T. Sheldon, Kohl, Hargrove, Fairley, B. Sheldon, Prentice, Wojahn, Loveland, Thibaudeau, McAuliffe, Heavey, Spanel, Snyder, Rasmussen, Haugen, Patterson and Franklin).

### Brief History:

#### Committee Activity:

Energy & Utilities: 2/27/98 [DPA];

Appropriations: 2/28/98 [DPA(EN/APP)s].

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### HOUSE COMMITTEE ON ENERGY & UTILITIES

**Majority Report:** Do pass. Signed by 12 members: Representatives Crouse, Chairman; DeBolt, Vice Chairman; Mastin, Vice Chairman; Poulsen, Ranking Minority Member; Morris, Assistant Ranking Minority Member; Bush; Cooper; Delvin; Honeyford; Kastama; Kessler and Mielke.

**Minority Report:** Do not pass. Signed by 1 member: Representative B. Thomas.

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

**Background:** Consumer protection requirements and remedies for retail electric customers differ depending on whether the utility providing service is a consumer-owned utility or an investor-owned utility.

Utilities regulated by locally elected governing bodies are sometimes referred to as "consumer-owned utilities." Such utilities include electric utilities operated by a unit of local government (a municipality, public utility district, or irrigation district, for example), or by a rural electric cooperative or mutual association. The governing body establishes the utility's policies. Utilities operated by units of local government must comply with a variety of statutory consumer protection requirements.

Current law allows consumer-owned utilities to charge reduced rates to low income senior or low income disabled citizens.

Investor-owned utilities are regulated by the Washington Utilities and Transportation Commission (WUTC), so must comply with consumer protection rules established by the WUTC, as well as with statutory consumer protection requirements.

The WUTC has jurisdiction to receive and resolve customer complaints only about investor-owned utilities. The Department of Community, Trade, and Economic Development (DCTED) has an energy policy division, but does not regulate utilities.

Concerns have been raised about the need for consumers to understand their rights regarding electricity supply and service, and to be protected from potentially unfair and deceptive practices. Additional concerns have been raised about potential cost-shifting among different customer classes or within a single class, and about how best to maintain the service quality and reliability currently provided by electric utilities to their customers.

**Summary of Amended Bill:** The Legislature finds that electricity is a basic need, and that Washington utilities offer consumers a high degree of reliability and service quality while providing some of the lowest rates in the country. The Legislature intends to preserve the benefits of consumer and environmental protection, system reliability, high service quality, and low-cost rates; to ensure that all retail electric customers have the same level of rights and protections; and to require adequate disclosure of those rights.

Disclosures. Upon request, an electric utility must provide a retail electric customer with the following disclosures at no charge: (1) an explanation of credit and deposit requirements; (2) a complete list of all rates and charges for which the customer is responsible, the identity of the entity responsible for setting rates, and an explanation of how to receive notice of public hearings where changes in rates will be considered or approved; (3) an explanation of all bill payment policies and procedures; (5) an explanation of payment arrangement options, including budget payment plans and the availability of home heating assistance programs; (6) an explanation of disconnection policies and procedures; (7) an explanation of the utility's policies governing the confidentiality of customer information; and (8) an explanation of customer inquiry and complaint procedures.

In addition, upon request and at no charge, a utility must provide an annual report containing the following information: (1) a general description of the utility's customers and the amount of electricity consumed by each customer class in which there are at least three customers; (2) a summary of the average electrical rates for each customer class in which there are at least three customers, the date of the utility's last general rate increase or decrease, the identity of the entity responsible for setting rates, and an explanation of how to receive notice of public hearings on rates; (3) an explanation of

the utility's investment in conservation, non-hydro renewable resources, and low-income energy assistance programs; and (4) an explanation of the amount of taxes collected and paid by the utility, including those paid by customers.

Notice that required disclosures are available must be provided at the time service is established and once a year thereafter, either in customers' bills or mailed separately.

Utilities must identify on customer bills, or in a separate notice mailed to customers at least quarterly, the various components of electricity service for which customers are charged, including electricity, delivery services, administration and overhead, metering, conservation expenses, and taxes.

Study and Report. The Washington Utilities and Transportation Commission (WUTC) and DCTED are directed jointly to study: (1) variations in retail electricity rates within the state and in comparison with national averages, trends affecting costs, and strategies to minimize those costs in the future; (2) demographics of retail electric customers; (3) the potential for cost-shifting among customer classes and among customers within the same class, and strategies to minimize inappropriate cost-shifts; (4) consumer protection polices and procedures of electric utilities; (5) the status, number, and primary characteristics of service territory agreements between electric utilities; (6) the current level of service quality and reliability, trends affecting service quality and reliability, and ways to ensure future high service quality and reliability; and (7) current levels of investment in conservation, non-hydro renewable resources, and low-income energy assistance programs, trends affecting such investment, and ways to foster future achievement of the purposes of such investment.

The WUTC and DCTED are to report the results of the study to the Legislature and Governor by December 31, 1998. In addition, the WUTC and DCTED are to consult with the chairs and ranking minority members of the Senate and House Energy and Utilities Committees and other interested parties during preparation of the study and report. Electric utilities are required to cooperate with the WUTC and DCTED in preparing the study and report, and the WUTC and DCTED are to coordinate and cooperate with each other to avoid making redundant requests of the utilities.

Small Utilities. Small utilities are encouraged, but not required, to comply with the provisions mandating disclosure, identification of the components of electrical service, and participation in the study and report. A small utility is defined as a consumer-owned utility with 25,000 or fewer electric meters in service, or with an average of seven or fewer customers per mile of distribution line. "Electric meters in service" is defined to eliminate customers who are absent much of the year, such as vacation homeowners.

Other. Consumer-owned utilities may, but are not required, to charge reduced rates to all low income citizens.

The act is not to be construed as giving any state agency jurisdiction, supervision, or control over a consumer-owned utility.

**Amended Bill Compared to Engrossed Substitute Bill:** The amended bill makes the following changes:

Deletions. Deletes all references to electricity suppliers, and removes several findings and provisions anticipating a the possibility of competitive retail electricity market addressing. (The deleted provisions addressed such issues as oral solicitations to sell electricity, disclosure requirements, customer service facilities, telemarketing, slamming, express or implied claims, confidentiality of proprietary information, and the applicability of the Consumer Protection Act.) Deletes requirements that electric utilities adopt consumer protection policies and procedures necessary to implement the disclosure requirements. Deletes a requirement that the annual report include an explanation of the utility's fuel mix and air emissions. Also deletes a section requiring the WUTC to try to reach agreement with the Federal Energy Regulatory Commission (FERC) over jurisdictional boundaries between transmission and distribution.

Disclosure. Clarifies that the information required to be disclosed must be provided at no charge to retail electric customers who ask for it. Allows utilities to notify customers of the availability of information by use of mailings other than bills, as long as the notice is provided at least quarterly. Requires a summary of the amount of electricity consumed, and the average electricity rates, for only those customer classes containing at least three customers.

Study and Report. Consolidates and reorganizes study and report requirements. Modifies those requirements so they do not require assumptions about potential future restructuring of the retail electricity environment. Reduces the scope of the study, and explicitly requires utilities to cooperate with the WUTC and CTED in the preparation of the study and report, and the WUTC and CTED to coordinate with each other to minimize the potential for redundant requests for information. Changes the dates the previously unconsolidated reports were due (November 15, 1998, and December 1, 1998) to December 31, 1998.

Small Utilities. Exempts small utilities from provisions of the bill relating to disclosure and the study and report, but encourages small utilities to comply with those provisions. Defines a small utility in the same manner as the original bill, but includes a definition of "electric meters in service."

Other. Authorizes, but does not require, consumer-owned utilities to charge reduced rates to all low income citizens.

Clarifies that the bill does not confer jurisdiction over consumer-owned utilities on any state agency.

Defines "resale," and makes additional clarifying and technical changes. Adds an emergency clause.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** (Original bill) Consumer protection policies are important. The requirement that utilities adopt consumer protection policies should not be removed from the bill. All electricity suppliers, not just large utilities, should have to comply with the bill. The requirement that utilities disclose information about their fuel mix and air emissions is important, as the information is essential for customers to monitor effects on environmental goals. Disclosure of fuel mix and air emissions should only be required if a utility is making a claim about the environmental quality of its power. It is important to have truthful labeling and representations regarding electricity; claims in both oral and written solicitations should be backed with documentation. Investor-owned utilities already fulfill most of the requirements of the bill. The potential for cost-shifting does not belong as a component of the study; the rest of the study deals with present circumstances.

**Testimony Against:** None.

**Testified:** Terry Hunt, Washington State Grange (pro); Simon Ffitch, Public Counsel, Office of the Attorney General (pro); Bruce Reeves, Senior Citizens' Lobby (pro); Collins Sprague, Washington Water Power Company (pro); Ron Newbry, PacifiCorp (pro striking amendment); John Rosapepe, Sierra Club (pro); David Arbaugh, Chelan Public Utility District (pro); Al Aldrich, Snohomish Public Utility District (pro); Robert Lynch, American Association of Retired Persons, (pro); Lew McMurrin, Washington Public Utility Districts Association (pro/with some concerns); Enid Layes, Industrial Customers of NW Utilities (pro/with concerns); Chandra Shah, Northwest Energy Coalition (pro/with concerns); and Tom Starrs, Renewable Northwest Project (pro).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended by Committee on Energy & Utilities as such amendment is amended by Committee on Appropriations. Signed by 28 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson;

Carlson; Chopp; Cody; Cooke; Crouse; Dyer; Grant; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McMorris; Poulsen; D. Schmidt; Sehlin; Sheahan and Talcott.

**Staff:** Julie Salvi (786-7349).

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Energy & Utilities:** Section 5 of the striking amendment becomes null and void unless funding is provided in the supplemental budget. Section 5 details the subject of a joint study to be conducted by the Utilities and Transportation Commission and the Department of Community, Trade and Economic Development that will result in a report to the Legislature by December 31, 1998.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** Ninety days after adjournment of session in which bill is passed. However, section 5 of the bill is null and void unless funded in the budget.

**Testimony For:** None.

**Testimony Against:** None.

**Testified:** None.