

CERTIFICATION OF ENROLLMENT

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2831

Chapter 287, Laws of 1998

(partial veto)

55th Legislature
1998 Regular Session

UNBUNDLING COSTS OF ELECTRIC SERVICES

EFFECTIVE DATE: 4/2/98

Passed by the House March 10, 1998
Yeas 86 Nays 12

CLYDE BALLARD
**Speaker of the
House of Representatives**

Passed by the Senate March 6, 1998
Yeas 42 Nays 5

BRAD OWEN
President of the Senate

Approved April 2, 1998, with the
exception of section 5, which is
vetoed.

GARY LOCKE
Governor of the State of Washington

CERTIFICATE

I, Timothy A. Martin, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2831** as passed by the House of Representatives and the Senate on the dates hereon set forth.

TIMOTHY A. MARTIN
Chief Clerk

FILED

April 2, 1998 - 2:27 p.m.

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2831

AS AMENDED BY THE SENATE

Passed Legislature - 1998 Regular Session

State of Washington 55th Legislature 1998 Regular Session

By House Committee on Appropriations (originally sponsored by
Representatives Crouse and Mielke)

Read first time . Referred to Committee on .

1 AN ACT Relating to unbundling the components of electrical service;
2 creating new sections; and declaring an emergency.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The definitions in this section apply
5 throughout chapter . . . , Laws of 1998 (this act) unless the context
6 clearly requires otherwise.

7 (1) "Commission" means the utilities and transportation commission.

8 (2) "Conservation" means an increase in efficiency in the use of
9 energy use that yields a decrease in energy consumption while providing
10 the same or higher levels of service. Conservation includes low-income
11 weatherization programs and programs that result in overall reductions
12 of electrical system requirements.

13 (3) "Consumer-owned utility" means a municipal electric utility, an
14 electric cooperative, a public utility district, an irrigation
15 district, a port district, or a water-sewer district that is engaged in
16 the business of distributing electricity to retail electric customers
17 in this state.

18 (4) "Control area services" means scheduling, reactive power,
19 spinning reserves, nonspinning reserves, voltage control and

1 regulation, load following, and other related services necessary to
2 sustain reliable delivery of electricity.

3 (5) "Delivery services" means the services needed to deliver
4 electricity to a retail electric customer using transmission,
5 distribution, and related facilities. Delivery services include
6 control area services, and the real property upon which the delivery
7 plant, equipment, and other delivery infrastructure is located.

8 (6) "Electric cooperative" means a cooperative or association
9 organized under chapter 23.86 or 24.06 RCW.

10 (7) "Electric meters in service" means those meters that record in
11 at least nine of twelve calendar months in any calendar year not less
12 than two hundred fifty kilowatt hours per month.

13 (8) "Electrical company" means a company owned by investors that
14 meets the definition of RCW 80.04.010 and is engaged in the business of
15 distributing electricity to more than one retail electric customer in
16 the state.

17 (9) "Electric utility" means any electrical company or consumer-
18 owned utility as defined in this section.

19 (10) "Electricity" means electric energy, measured in kilowatt
20 hours, or electric capacity, measured in kilowatts.

21 (11) "Governing body" means the council of a city or town, the
22 commissioners of a municipal electric utility, an irrigation district,
23 a port district, a water-sewer district, or a public utility district,
24 or the board of directors of an electric cooperative that has the
25 authority to set and approve rates.

26 (12) "Irrigation district" means an irrigation district authorized
27 by chapter 87.03 RCW.

28 (13) "Municipal electric utility" means a utility providing
29 electrical service that is operated by a city or town as authorized by
30 chapter 35.92 RCW.

31 (14) "Port district" means a port district within which an
32 industrial district has been established as authorized by Title 53 RCW.

33 (15) "Public utility district" means a district authorized by
34 chapter 54.04 RCW.

35 (16) "Renewable resources" means electricity generation facilities
36 fueled by: (a) Water; (b) wind; (c) solar energy; (d) geothermal
37 energy; (e) landfill gas; or (f) biomass energy based on solid organic
38 fuels from wood, forest, or field residues, or dedicated energy crops
39 that do not include wood pieces that have been treated with chemical

1 preservatives such as creosote, pentachlorophenol, or copper-chrome-
2 arsenic.

3 (17) "Retail electric customer" means any person or entity,
4 including, but not limited to, a residential, commercial, or industrial
5 customer, that purchases electricity for ultimate consumption and not
6 for resale.

7 (18) "Small utility" means any consumer-owned utility with twenty-
8 five thousand or fewer electric meters in service, or that has an
9 average of seven or fewer customers per mile of distribution line.

10 (19) "State" means the state of Washington.

11 (20) "Unbundle" means to separately identify, and publish the
12 accounting, functionalization, classification, and assignment or
13 allocation of the costs of electrical service.

14 (21) "Water-sewer district" means a water-sewer district authorized
15 by Title 57 RCW.

16 NEW SECTION. **Sec. 2.** (1)(a) By September 30, 1998, each
17 electrical company shall submit a cost study described in subsections
18 (2) and (3) of this section, and a service quality and reliability
19 report described in subsection (4) of this section, to the commission.
20 The commission shall review each cost study and each service quality
21 and reliability report in an open public meeting to determine whether
22 the filings meet the requirements of this section, and to identify any
23 issues in dispute. Nothing in chapter . . ., Laws of 1998 (this act)
24 shall be construed as either increasing or limiting the authority of
25 the commission to conduct hearings on disputed issues.

26 (b) Except as provided in section 4 of this act, by September 1,
27 1998, each consumer-owned utility shall submit a cost study described
28 in subsections (2) and (3) of this section, and a service quality and
29 reliability report described in subsection (4) of this section, to its
30 governing body in an open public meeting. The governing body shall
31 determine whether the study and report meet the requirements of this
32 section. By October 1, 1998, each consumer-owned utility shall submit
33 the cost study and service quality and reliability report to the state
34 auditor.

35 (2) Except as provided in section 4 of this act, by September 30,
36 1998, every electric utility shall unbundle. At a minimum, an electric
37 utility shall include in such unbundling the accounting treatment for
38 generation and energy supply, delivery services separately identifying

1 transmission, distribution, and control area services, metering and
2 billing, customer account services, programs to support conservation or
3 renewable resources other than hydroelectric power, fish and wildlife
4 mitigation, general administration and overhead, and taxes; the
5 functionalization of costs separately for generation and energy supply,
6 transmission, distribution, and other; the classification of costs
7 separately to include, but not be limited to, energy and capacity; and
8 the assignment or allocation of costs separately to include, but not be
9 limited to, residential, small commercial, industrial, and other. For
10 the purpose of chapter . . . , Laws of 1998 (this act), as directed by
11 the commission for an electrical company or the governing body of a
12 consumer-owned utility, the electric utility shall use the data from
13 either the cost study used to formulate the retail rates in effect as
14 of the effective date of this act, or a more recent cost study.

15 (3) The cost study required of each electric utility under
16 subsection (1) of this section shall include the following
17 documentation:

18 (a) A description of the fundamental cost study theory used, such
19 as fully embedded costs, marginal or incremental costs, or some
20 combination thereof;

21 (b) A detailed description of the classifications, functions, and
22 assignments or allocations of electrical service unbundled;

23 (c) The costs attributed to each of these classifications,
24 functions, and assignments or allocations and, if proportional
25 attribution of costs between classifications, functions, and
26 assignments or allocations is necessary, the proposed method of
27 attribution;

28 (d) For utilities that operate in more than one state, the costs
29 attributable to operations in Washington;

30 (e) For each class of retail electric customers, the method by
31 which the utility calculated costs, and classified, functionalized, and
32 assigned or allocated costs;

33 (f) If the utility used marginal costs for the classifications, or
34 assignments or allocations, a clear description of those
35 classifications, or assignments or allocations, and the rationale for
36 this choice; and

37 (g) The time period over which cost data were compiled.

38 (4) The service quality and reliability report required of each
39 electric utility under subsection (1) of this section shall include, to

1 the extent such data are currently collected and reasonably available,
2 the following information:

3 (a) The level of satisfaction of the utility's customers as
4 measured by customer surveys;

5 (b) The number of customer complaints filed during a calendar year
6 with the commission if the utility is an electrical company or with the
7 governing body if the utility is a consumer-owned utility;

8 (c) The number of minutes the average customer or feeder line is
9 without electricity during a calendar year; and

10 (d) The number of times the average customer or feeder line is
11 without power during a calendar year.

12 If available, the report shall include a copy of the survey
13 instrument or script used to collect the information described in (a)
14 of this subsection.

15 NEW SECTION. **Sec. 3.** (1) The state auditor shall receive,
16 analyze, and summarize the studies and reports required of consumer-
17 owned utilities under section 2 of this act. The state auditor may
18 consult with the commission, the department of community, trade, and
19 economic development, the electric utilities, and others in analyzing
20 and summarizing the studies and reports.

21 (2) By December 1, 1998, the state auditor and commission shall
22 prepare a joint report on the results of the cost studies and service
23 quality and reliability reports required under section 2 of this act,
24 and shall submit the joint report to the energy and utilities
25 committees of the senate and house of representatives. The joint
26 report shall include the following information:

27 (a) A summary of the cost studies submitted by electric utilities;

28 (b) Observations regarding the consistency or lack of consistency
29 among utilities in methods of classification, functionalization, and
30 assignment or allocation, and in descriptions of unbundled costs;

31 (c) A summary of the service quality and reliability reports
32 submitted by electric utilities;

33 (d) Observations regarding the consistency or lack of consistency
34 among utilities in the amount and kinds of information available
35 regarding service quality and reliability; and

36 (e) An examination of alternative formats for simple, standardized
37 disclosure of fuel mix, air emissions, and other environmental impacts
38 of coal, hydroelectric, natural gas, nuclear, wind, and other

1 generating resources, including the approaches used by utilities that
2 have offered pilot programs to their customers allowing market access.
3 In the report, the commission shall also describe any issues
4 arising from the cost studies and service quality and reliability
5 reports submitted by electrical companies.

6 NEW SECTION. **Sec. 4.** (1) The legislature finds that: (a) Small
7 utilities operate on a nonprofit basis, and typically serve rural areas
8 where the cost of providing service exceeds that of urban areas; (b)
9 most small utilities are full-requirements customers of the Bonneville
10 power administration and do not purchase electricity and related
11 products and services individually for resale to utility customers; and
12 (c) the additional expense of unbundling and preparing service quality
13 and reliability reports is likely to significantly outweigh the
14 potential benefits to small utilities.

15 (2) The provisions of section 2 of this act do not apply to a small
16 utility. However, nothing in this section prohibits the governing body
17 of a small utility from determining the utility should unbundle and
18 comply with any or all of the provisions of section 2 of this act
19 applicable to other consumer-owned utilities.

20 (3) A small utility whose governing body has determined the utility
21 should unbundle is encouraged, but not required, to submit a cost study
22 and service quality and reliability report described in section 2 of
23 this act to the state auditor.

24 *NEW SECTION. **Sec. 5.** *Any municipal electric utility formed by a*
25 *municipality with a population of more than four hundred thousand as of*
26 *the effective date of this section shall submit a report to its*
27 *governing body by December 1, 1998, with the following information:*

28 (1) *The ratio of the municipal electric utility's customers to its*
29 *employees as of the effective date of this section, and the changes in*
30 *the ratio that have occurred over the previous ten years; and*

31 (2) *The annual sources of funding and the amount of annual*
32 *expenditures, including federal funds, by the municipal electric*
33 *utility on conservation, renewable resources, and low-income*
34 *weatherization and energy bill-paying assistance programs during the*
35 *previous ten years. This part of the report shall describe: (a) The*
36 *amount of electricity saved by such conservation programs; (b) the*
37 *overhead costs to the municipal electric utility to administer such*

1 *programs, including but not limited to amounts expended by other*
2 *municipal departments and nonprofit entities in administering such*
3 *programs; and (c) for low-income weatherization programs, the overhead*
4 *cost per unit weatherized as compared to the overhead costs of*
5 *comparable programs administered by the state.*

6 *Sec. 5 was vetoed. See message at end of chapter.

7 NEW SECTION. **Sec. 6.** Nothing in chapter . . . , Laws of 1998 (this
8 act) shall be construed as requiring an electric utility to establish
9 new rates or to adopt new rate-making methods, or to require the
10 commission to approve new revenue levels for electrical companies. In
11 addition, nothing in chapter . . . , Laws of 1998 (this act) shall be
12 construed as conferring on any state agency jurisdiction, supervision,
13 or control over any consumer-owned utility.

14 NEW SECTION. **Sec. 7.** This act is necessary for the immediate
15 preservation of the public peace, health, or safety, or support of the
16 state government and its existing public institutions, and takes effect
17 immediately.

Passed the House March 10, 1998.

Passed the Senate March 6, 1998.

Approved by the Governor April 2, 1998, with the exception of
certain items that were vetoed.

Filed in Office of Secretary of State April 2, 1998.

1 Note: Governor's explanation of partial veto is as follows:

2 "I am returning herewith, without my approval as to section 5,
3 Engrossed Second Substitute House Bill No. 2831 entitled:

4 "AN ACT Relating to unbundling the components of electrical
5 service;"

6 E2SHB 2831 requires utilities to provide information on the
7 components of electricity costs and on their histories of system
8 reliability and customer satisfaction. This information, to be
9 assembled and reported by the Washington Utilities and Transportation
10 Commission and the State Auditor, should prove useful in evaluating our
11 current electric system and proposed changes to it.

12 Section 5 of the bill would single out one utility, Seattle City
13 Light, and require it to produce additional information. No
14 justification is offered for why one utility should be treated
15 differently from others. Moreover, the information requested is
16 already available and has been provided to interested parties. Section
17 5 is therefore unnecessary.

18 For these reasons, I have vetoed section 5 of Engrossed Second
19 Substitute House Bill No. 2831.

1 With the exception of section 5, Engrossed Second Substitute House
2 Bill No. 2831 is approved."