

SENATE BILL REPORT

SJM 8012

As Passed Senate, March 19, 2003

Brief Description: Asking the federal energy regulatory commission to withdraw a new pricing policy proposal.

Sponsors: Senators Fraser, Morton and Kline.

Brief History:

Committee Activity: Natural Resources, Energy & Water: 2/14/03, 2/20/03 [DP].

Passed Senate: 3/19/03, 47-0.

SENATE COMMITTEE ON NATURAL RESOURCES, ENERGY & WATER

Majority Report: Do pass.

Signed by Senators Morton, Chair; Hewitt, Vice Chair; Doumit, Hale, Hargrove, Honeyford, Oke and Regala.

Staff: Richard Rodger (786-7461)

Background: The Federal Energy Regulatory Commission (FERC) recently proposed a new pricing policy for the rates of transmission owners who transfer operational control of their transmission facilities to a Regional Transmission Organization (RTO), form independent transmission companies (ITCs) within RTOs, or pursue additional measures that promote efficient operation and expansion of the transmission grid.

The proposed policy allows utilities to qualify for an incentive of 0.5 percent on their return of equity for participating in an RTO, by transferring operational control of transmission facilities before December 31, 2004, to a FERC-approved RTO. The incentive would be available until December 31, 2012.

The ITCs that participate in an RTO and meet FERC's independent ownership requirements qualify for an additional incentive equivalent to 1.5 percent of the book value of facilities at the time of divestiture. This incentive would be recovered through transmission rates, be available until December 31, 2022, and is contingent on continued participation by the RTO.

The final return of equity incentive is equal to 1 percent for investment in new transmission facilities, which are found appropriate pursuant to an RTO planning process.

Summary of Bill: The Federal Energy Regulatory Commission (FERC) is requested to leave the Northwest electricity system in place and withdraw its proposed new pricing policy for the rates of transmission owners until such time as a cost-benefit analysis is completed that indicates a positive benefit for Northwest consumers, and the region expresses its desire to form a new transmission organization.

In the event that FERC does not withdraw its proposal, the President and Congress are requested to take action to prevent FERC from proceeding with its proposal.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: FERC has proposed a new pricing policy that is designed, among other incentives, to encourage transmission owners to transfer their facilities to regional transmission organizations (RTO). FERC should prove that these incentives will benefit consumers prior to proceeding with its proposal and allow the Northwest to determine for itself if it wants an RTO.

Testimony Against: None.

Testified: Senator Karen Fraser, prime sponsor.