

Technology, Telecommunications & Energy

HB 1440

Brief Description: Authorizing the Washington utilities and transportation commission to determine if an electrical company's acquisition of an electricity generation resource is prudent for rate-making purposes.

Sponsors: Representatives Simpson, Crouse, Poulsen, Linville, Cooper, Roach, Bush, Morell, Miloscia and McIntire.

Brief Summary of Bill

- *Allows an electric utility to file information with the Washington utilities and transportation commission concerning the company's decision to acquire electricity generation resources prior to a rate-setting proceeding.*

Hearing Date: 1/29/01

Staff: Pam Madson (786-7166).

Background:

The Washington Utilities and Transportation Commission has authority to approve or set rates for retail electricity service provided by investor-owned utilities. Rates must be fair, just, reasonable and sufficient to return reasonable compensation to the utility for the service provided.

In approving and setting rates, the commission examines costs incurred by the utility that the utility seeks to recover in the rates paid by its customers. The commission determines if these costs were prudently incurred. Costs determined to be imprudent are cost ultimately paid by utility's shareholders.

Generally, rate-setting proceedings are initiated by a utility. Washington does not require utilities to have rates regularly examined and approved. In the case of some investor-owned utilities, a rate-setting proceeding has not be requested for several years. Investment decisions are made during that time that are not examined for their prudence as

an investment until a rate-setting proceeding occurs which may be several years later.

Summary of Bill:

Prior to a general rate-setting proceeding, an electrical utility may file information with the Utilities and Transportation Commission concerning the utility's decision to acquire electricity generation. Acquisition includes direct ownership and contracts for generation. Information filed with the commission is considered during a later rate-setting proceeding that determines whether rates requested by the utility are fair, just, reasonable and sufficient.

No change is made to the existing burden of a utility to prove that the investment in electrical generation is reasonable and prudent for rate-making purposes.

The Commission must establish standards by rule that govern this prefiling of information.

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

Appropriation: *None.*

Fiscal Note: *Requested on January 29, 2001.*