

SENATE BILL REPORT

SB 5466

As of January 31, 2025

Title: An act relating to improving reliability and capacity of the electric transmission system in Washington state.

Brief Description: Improving reliability and capacity of the electric transmission system in Washington state.

Sponsors: Senators Shewmake, Slatter, Conway, Nobles and Saldaña.

Brief History:

Committee Activity: Environment, Energy & Technology: 1/31/25.

Brief Summary of Bill

- Establishes the Washington Electric Transmission Office (Office) within the Department of Commerce to, among other duties, support the expansion of and upgrades to the electric transmission system and be a state-wide resource for transmission.
- Creates a seven-member advisory board to advise the Office on a transmission needs assessment, transmission system enhancement roadmap, and other policies.
- Provides a categorical exemption from the State Environmental Policy Act for upgrading or rebuilding an existing transmission line by reconductoring with advanced conductors or with grid-enhancing technologies (GETs).
- Authorizes the Utilities and Transmission Commission to allow an incentive rate of return on investment of capital expenditures for GETs and reconductoring with advanced conductors.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Kimberly Cushing (786-7421)

Background: Clean Energy Transformation Act. In 2019, the Legislature passed the Clean Energy Transformation Act (CETA), which requires Washington's electric utilities to meet 100 percent of their retail electric load using non-emitting and renewable resources by January 1, 2045. CETA requires electric utilities to eliminate coal-fired resources from their allocation of electricity by December 31, 2025, and make all retail sales of electricity greenhouse gas neutral by January 1, 2030.

The Transmission Corridors Work Group. Under CETA, the Legislature directed the Energy Facility Site Evaluation Council to convene a Transmission Corridors Work Group (TCWG) to review the need for new or upgraded transmission to meet Washington's renewable energy goals; identify where transmission and distribution facilities may need to be enhanced or constructed; and identify environmental review options and recommend ways to expedite review of transmission projects without compromising required environmental and cultural protection.

The TCWG issued its final report in October 2022, and identified several key themes, including regional and interregional planning, staff resources in state agencies; enhanced resources for tribes; and pre-application planning and coordination.

State Environmental Policy Act. The State Environmental Policy Act (SEPA) establishes a review process for state and local governments to identify environmental impacts that may result from governmental decisions, such as the issuance of permits or the adoption of land-use plans. The SEPA environmental review process involves a project proponent or the lead agency completing an environmental checklist to identify and evaluate probable environmental impacts. Government decisions the SEPA checklist process identifies as having significant adverse environmental impacts must then undergo a more comprehensive environmental analysis in the form of an environmental impact statement. SEPA provides categorical exemptions to remove specific types of projects from review.

Incentive Rate of Return for Investment. The Utilities and Transportation Commission (UTC) is authorized to allow an incentive rate of return of up to 2 percent for investor-owned electric utilities on capital expenditures for electric vehicle supply equipment through 2030. The investments cannot increase the retail revenue requirement of the utility more than 0.25 percent and must be deployed for the benefit of ratepayers.

Summary of Bill: Washington Electric Transmission Office. The Washington Electric Transmission Office (Office) is established within the Department of Commerce (Commerce). The director of Commerce must appoint an Office director, who may employ staff to carry out the Office's duties, subject to the availability of amounts appropriated.

The purpose of the Office is to:

- support expansion of new electric transmission lines within the state that are prudent and needed investments to serve Washington customers;
- support the development of community microgrids, distributed energy resources, and energy conservation;
- pursue cost-effective nonwire alternatives to increase the capacity of existing electrical infrastructure;
- be a statewide resource for developing and coordinating upgrades to existing transmission lines;
- collaborate with electric utilities, local jurisdictions, regional entities, and the federal government to develop interstate and regional transmission resources;
- facilitate access to regional wholesale markets; and
- support community and economic development.

The Office must also seek to protect cultural and natural resources, avoid impacts to overburdened communities and vulnerable populations, support good jobs, maximize the use of existing rights-of-way for transmission development; and mitigate wildfire risk.

Electric Transmission Advisory Board. To advise the Office on the Transmission Needs Assessment and Transmission System Enhancement Roadmap (roadmap), a seven-member Electric Transmission Advisory Board (Advisory Board) is created. Membership includes the director of Commerce, or director's designee, and the remaining members appointed by the Governor with one each representing the following:

- knowledge of the public utility industry, as evidenced by a college degree or by experience, at least five years of which must be with the electric utility industry;
- knowledge of land use planning and law;
- expertise in clean energy development;
- expertise in ratepayer protection;
- representative of utility workers with expertise in building electrical transmission; and
- experience with financing large infrastructure projects.

No Advisory Board member may represent an owner or operator of a electric generating or transmission facility. After the initial staggered appointments, each Governor appointee must serve four-year terms. Decisions require a simple majority vote of all the members on the Advisory Board. The Advisory Board must elect its own chair from the membership for a two-year period and meet quarterly. The Office must staff the Advisory Board.

Transmission Needs Assessment and System Enhancement Roadmap. The Office must develop a 20-year needs assessment to identify inefficiencies and deficits in the existing transmission system by June 30, 2026, and complete a new needs assessment every five years thereafter. The needs assessment must:

- identify high-priority corridors needed to meet current and forecasted transmission demand;
- identify investments in existing transmission lines, such as grid-enhancing technologies (GETs) and reconductoring with advanced conductors, to alleviate the

- need for new transmission lines;
- identify and evaluate nonwire alternatives that can reduce the need to build new transmission lines; and
- align with the state energy strategy.

When developing the needs assessment, the Office may consult with the Advisory Board to use existing transmission plans developed by regional or federal entities.

The Office must develop a roadmap that identifies specific actions and corresponding timelines to meet the needs identified in the needs assessment. The roadmap must prioritize actions based on the following criteria:

- capacity for the project to cost-effectively help meet Washington's clean electricity targets;
- least cost to ratepayers;
- least impact to natural and cultural resources on tribal lands; and
- least environmental impact.

The first roadmap must be completed by June 30, 2026, along with the first needs assessment, and then updated every two years thereafter.

All nonfederal providers of transmission in Washington must provide as much information as the Office requires for the needs assessment and roadmap, except when it would reveal critical state transmission assets. The Bonneville Power Administration (BPA) is encouraged to provide information for the needs assessment and roadmap as well. Confidential information provided by transmission providers must be kept confidential by the Office, only used in the aggregate for the needs assessment and roadmap, and is not subject to disclosure under the Public Records Act.

Additional Office Responsibilities and Authorities. In addition to developing the needs assessment and roadmap, the Office must:

- provide assistance to local and tribal governments that are permitting the construction and operation of electric transmission projects, which includes making available easily accessible information on advanced technologies;
- consult with bond counsel to identify appropriate state bonding authority needed to improve transmission capacity, and prepare request legislation to establish bonding authority by October 1, 2026; and
- submit a report of the Office's activities to the Governor and Legislature by December 1, 2025, and September 1 annually thereafter. Recommendations may include additional authorities the Office needs to expand electric grid capacity and reliability.

The Office may also:

- adopt rules;
- exercise the power of eminent domain for land acquisition necessary to secure rights-

- of-way for new transmission corridors;
- enter into contracts and agreements;
- solicit, receive, and expend gifts, grants, and donations;
- apply for and accept federal loans;
- enter into partnerships with public or private entities;
- engage in transmission planning activities with others in and outside Washington;
- lease, purchase, and accept donations of property;
- sell, lease, exchange, or dispose of property;
- own electric transmission equipment and systems;
- select a qualified transmission builder or operator to build, finance, plan, acquire, maintain, and operate an electric transmission project, and adopt criteria in rule for when the Office may proceed as a builder and operator of last resort if there is not sufficient interest from existing utilities or independent transmission developers in developing transmission infrastructure; and
- sell a state-owned electric transmission project at any stage of development to a utility serving customers in Washington, a joint operating agency, BPA, or an independent transmission developer or operator; the Office is not required to sell to the highest bidder, but before selling, the Office must adopt criteria in rule:
 1. for developing a transparent process, issuing a competitive request for proposals, evaluating proposals, and selecting a project developer; and
 2. to determine when the Office would continue developing or operating a project after receiving bids on a request for proposal if it determines that it is in the best interest of the public to continue owning the project.

Accounts. The Electric Transmission Operating Account (Operating Account) and the Electric Transmission Capital Account (Capital Account) are created in the state treasury. Revenues to the Operating Account consist of appropriations made by the Legislature, federal funds, gifts, or grants from the private sector or foundations, and other sources. Moneys in the Operating Account may be spent only after appropriation, and for operating cost purposes consistent with purposes of the Office.

Revenues to the Capital Account consist of all moneys received for the acquisition, sale, management, and administration of the Office's duties for electric transmission projects and all other revenue related to electric transmission projects created or acquired. The Capital Account may also receive appropriations made by the Legislature, federal funds, gifts, grants, and the endowments from public or private sources. Moneys in the Capital Account may be spent only after appropriation. The Office director, or director's designee, may authorize expenditures from the Capital Account to reimburse management costs incurred by the Office on electric transmission projects, for the acquisition of interests in land or property to be managed as projects, and for all other nonoperating costs.

State Environmental Policy Act. A categorical exemption from SEPA is provided for the following utility-related actions that occur within existing rights-of-way for existing transmission lines:

- upgrading or rebuilding a line by reconductoring the line with advanced conductors; or
- upgrading the line with GETs.

For a categorically exempt transmission line project, the utility must notify the Department of Archaeology and Historic Preservation (DAHP) and each federally recognized Indian tribe with usual and accustomed areas where the right-of-way exists before beginning the project. A consultation must allow the utility to determine that there are no existing archaeological, cultural, or tribal resources in the right-of-way. DAHP must ensure that the consultation occurs and determine whether archaeological, cultural, or tribal resources are identified in an existing right-of-way. If any such resources are identified, DAHP must ensure the utility accounts for and protects the resources as provided under current law.

Incentives for Electric Transmission Investments. In establishing rates for each investor-owned electric utility (IOU), the UTC may allow an incentive rate of return on investment of capital expenditures for GETs and reconductoring with advanced conductors deployed for the benefit of ratepayers on transmission owned and operated by an IOU through December 31, 2040. The UTC must consider and may adopt other policies to encourage increased deployment of electric transmission infrastructure.

For GETs or reconductoring investments, an increment of up to 2 percent may be added to the rate of return on common equity allowed on the company's other investments. The incentive applies only to project which have been installed after July 1, 2025, and may be earned only for a period up to the depreciable life of the investment as defined in UTC-approved depreciation schedules.

By December 31, 2027, the UTC must consider and may adopt other policies to encourage deployment of electric transmission infrastructure that increase the capacity of existing infrastructure, and provide an interim report to the Legislature with recommendations on these policies. The report must also include options to develop and include grid modernization performance metrics in performance-based ratemaking.

By December 31, 2029, the UTC must report to the Legislature on the use of any incentives used for investments in GETs and reconductoring with advanced conductors, the quantifiable impacts of the incentives on electric transmission deployment, and any recommendations to the Legislature about further utility investments in electric transmission.

In establishing rates for IOUs, the UTC may allow a rate of return on investments made to upgrade transmission lines owned and operated by BPA where an IOU has exclusive use to the transmission service on the lines.

Miscellaneous. Terms are defined including the following:

- GETs means hardware and software that increases the capacity of electrical lines and

- improves the efficiency, reliability, and safety of the grid; and
- reconductoring with advanced conductors means replacing the existing electric conductor with a conductor that has a direct current electrical resistance at least 10 percent lower than existing conductors of a similar diameter on the system and may include rebuilding support structures or other associated facilities.

Appropriation: The bill contains a section or sections to limit implementation to the availability of amounts appropriated for that specific purpose.

Fiscal Note: Requested on January 23, 2045.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: In the past, electricity demand has been flat because we've also invested in energy efficiency. But now we're facing three big demand drivers: data centers, reindustrialization and the green jobs that come with them, and electrifying home heating and transportation. The Office starts in Commerce to get studies done without waiting to set up an office, but it can become its own electric transmission authority. We don't have a single entity that can take on transmission needs assessment and planning with an eye toward Washington State's public policy and our residents. This bill addresses that gap, and will improve grid reliability, resilience to extreme weather events, help us achieve our CETA targets, and help maintain affordable energy rates. Housing this entity independently would help ensure sound decision making. It would be helpful for this entity to be granted revenue bonding authority rather than merely studying its feasibility. We appreciate the emphasis on nonwires alternatives and grid enhancing technologies, which will optimize the use of our current transmission system to keep our bills more affordable. We suggest defining nonwires alternatives and considering more sideboards around the SEPA exemption for reconductoring. How will the incentive rate of return work without increasing the cost of those technologies? It could be subject to a time limit or evaluation limit.

We have outgrown our grid and have an ever-growing list of jobs and projects lost or floundering due to lack of available energy. We support prioritizing the reconductoring of transmission lines, which replaces existing transmission lines with newer, more efficient lines by decreasing gaps in the line, creating more surface area for electrons to move, increasing capacity and allowing us to begin work on the lines. This can ease current transmission constraints while we work toward long-term efforts to build new high-voltage lines across the state. Because high voltage electrical transmission work can be a very dangerous occupation, we would like to see the inclusion of worker qualification and safety standards.

This bill provides the framework for a good start and we support the office's role to build

out transmission capacity, including cost effective solutions like energy efficiency and storage, develop a 20 year needs assessment for transmission in the state, and balance the evident need for more transmission with protecting cultural and natural resources, avoid harming overburdened communities, maximizing use of existing rights of way to minimize disturbance, and mitigating wildfire risk. We'd like the advisory board membership be expanded to include natural resource expertise and tribal consultation. We support the inclusion of the tribal checklist from SEPA. We want to make sure that the replacement of or reconstruction of transmission towers are not categorically exempt under SEPA.

CON: We appreciate you taking a bold step forward because we need a plan of action if we're going to meet the state's clean energy goals. The eminent domain authority and the ability for the state to own and operate transmission lines will need solid sideboards to protect the citizens and ensure that private dollars are engaged in these opportunities. Utilities have a natural incentive to make cost-effective investments in their transmission systems. We are opposed to the additional incentives to utilities for investment and a grid enhancing technologies incentive that would just add a bonus to the utility shareholders and impact the customers. We need to be reductive for permitting and siting reform to make these projects more possible and faster. The bill adds another element to the process without taking anything else out.

OTHER. Current transmission constraints, the need for Washington to reach our clean energy goals, and a lack of a Western regional transmission organization, make it more important than ever for Washington to support alternative solutions to finance, develop, construct, and upgrade transmission to protect ratepayers and expedite interconnection queue backlogs. Several other western states have established authorities and a Washington transmission authority would have the opportunity to coordinate with other states and support interregional transmission. The state energy strategy recommended that the state pursue independent means of building transmission capacity both in state and inter-regionally.

The west has been doing regional transmission planning for many years and has recently undertaken efforts to modernize transmission planning for the entire region. Transmission planning consists of local transmission planning conducted at the utility level and subregional transmission planning. There is a defined role for states in this process and would invite the state to the table. Transmission is a regional asset, and regional and inter-regional transmission planning efforts maximize the efficiency and operational reality of how large electric grids operate. This model should complement what BPA, the utilities, and the independent transmission companies offer.

The Office should be an independent authority with its own board rather than a subdivision of Commerce to help insulate the authority's decisions about which transmission projects to facilitate. We'd like clarifying language regarding the types of lands that are where there are treaty-reserved resources under the SEPA exemption, around confidentiality of tribal information, and advanced surveys when needed. The bill eases permitting for entities

working to upgrade transmission capacity along the existing pathways. However, increasing capacity may necessitate larger, taller transmission towers. We appreciate the categorical exemption for certain activities that have little or no ground disturbance.

The challenge for transmission development is the timeline for putting a shovel in the ground and not the planning process or needs assessment. We have significant concerns about the overly broad scope and role of the Office, and would like it to serve as a facilitator rather than a developer or owner of transmission services, and avoid duplication or conflict with federally mandated transmission processes. The bill misses the mark on the primary hurdles of building transmission, which is the permitting, siting, and the extraordinary time and uncertainty it takes for getting transmission built. We do not support the state owning and operating electric transmission. We do support the state partnering with private developers to help facilitate assistance for local governments and preconstruction, siting and permitting. We appreciate the creative thinking about the rate of return on transmission investments. One of the challenges is the long lead time between the large investments that transition developer has to make and the opportunity for cost recovery. The issues facing the development of our transmission infrastructure are not whether we can secure contractors, labor, financing, or operators. Transmission is a regional asset, it crosses state and federal boundaries, and these regional groups are the most appropriate entities to study and plan for transmission. An operator of state transmission lines would need to gain liability insurance, experts, and manage wildfire risk and cyber security, operators, engineers, and other asset management systems.

Persons Testifying: PRO: Senator Sharon Shewmake, Prime Sponsor; Maya Gillett, WA BlueGreen Alliance; Casey MacLean, Renewable Northwest; Lauren McCloy, NW Energy Coalition; Cassie Bordelon, Climate Jobs WA; Matthew Hepner, Certified Electrical Workers of WA; Jason Hudson, IBEW Local 77; Altinay Karasapan; Caitlin Krenn, Washington Conservation Action.

CON: Brandon Houskeeper, Alliance of Western Energy Consumers; Peter Godlewski, Association of Washington Business.

OTHER: Ryan Roy, Western Power Pool; George Lynch, Washington State Department of Commerce; Vicki Christophersen, Northwest and Intermountain Power Producers Coalition; Dawn Vyvyan, Yakama Nation; Jay Balasbas, PacifiCorp; Nicolas Garcia, WPUDA; John Rothlin, Avista Corp; Maggie Douglas, Puget Sound Energy.

Persons Signed In To Testify But Not Testifying:

CON: Jodi Dotson.