
Environment & Energy Committee

HB 1673

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

Sponsors: Representatives Ramel, Doglio, Berry, Reed, Ormsby and Parshley.

Brief Summary of Bill

- Establishes the Washington Electric Transmission Office (Office) within the Department of Commerce to, among other duties, support upgrading and expanding the electric transmission system; be a state-wide resource for transmission; and conduct a transmission needs assessment and roadmap.
- Creates an advisory board for the Office.
- Provides a categorical exemption from the State Environmental Policy Act for certain transmission upgrades and rebuilds in existing rights-of-way.
- Allows electric companies to receive an incentive rate of return on transmission upgrades and to receive a rate of return on upgrades to Bonneville Power Administration transmission lines, with specifications, and with authorization from the Utilities and Transportation Commission.

Hearing Date: 2/3/25

Staff: Megan McPhaden (786-7114).

Background:

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.

Electric Transmission Development, Ownership, and Operation in Washington.

Transmission lines are high-voltage electrical lines that carry large amounts of electricity over long distances. Investor-owned and consumer-owned electric utilities, including joint operating agencies, may build, own, and operate electric transmission lines. These utilities may also enter into agreements with each other to own electrical transmission facilities. The federal Bonneville Power Administration (BPA) owns and operates the majority of electric transmission lines in the state and across the Pacific Northwest.

Electric Utility Transmission Planning.

Electric utilities are encouraged to participate and contribute to statewide or multiutility planning activities through transmission planning processes. To improve the planning and development of transmission capacity, they must consult with federal, interstate, and voluntary industry organizations with a role in the bulk power transmission system.

All investor-owned and consumer-owned electric utilities in the state with more than 25,000 customers must develop integrated resource plans (IRPs). All other electric utilities in the state, including those that essentially receive all their power from the BPA must file either an IRP or a less-detailed resource plan. An IRP must include an assessment and 20-year forecast of the availability of and requirements for regional generation and transmission capacity to provide and deliver electricity to the utility's customers as well as to meet state clean energy and emissions reduction requirements. The transmission assessment must identify the utility's expected needs to acquire new long-term firm rights, develop new, or expand or upgrade existing transmission. If an electric utility operates transmission rated 115,000 volts or greater, the transmission assessment must consider opportunities to make more effective use of the existing transmission capacity.

When identifying any need to develop new, expand, or upgrade existing bulk transmission and distribution facilities, utilities must document existing and planned efforts to make more effective use of the existing transmission capacity and secure additional transmission capacity.

Clean Energy Transformation Act Transmission Corridors Work Group.

The Clean Energy Transformation Act (CETA) requires Washington's electric utilities to meet 100 percent of their retail electric load using non-emitting and renewable resources by January 1, 2045. The 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.

Under the CETA, the Energy Facility Site Evaluation Council (EFSEC) convened 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; 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 that 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.

Utilities and Transportation Commission Authorization for Rate of Return on Utility Investments

The Utilities and Transportation Commission (UTC) is a three-member commission with broad authority to regulate the rates, services, and practices of a variety of businesses in the state, including investor-owned gas and electrical companies. The UTC must ensure rates charged by these companies are fair, just, reasonable, and sufficient. The UTC initiates a general rate proceeding if a company requests a change in its authorized rate of return.

The UTC is authorized to allow an incentive rate of return of up to two 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.

The UTC must allow a two percent incentive rate of return on investment for energy efficiency programs if priority is given to senior citizens and low-income citizens. The UTC may allow an incentive rate of return on investment in additional energy efficiency programs, including, but not limited to, tree planting programs and cool roof programs.

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.

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;
 - GETs are the hardware and software that increases the capacity of electrical lines and improves the efficiency, reliability, and safety of the grid.
 - 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.
- identify and evaluate nonwire alternatives that can reduce the need to build new transmission lines; and
- align with the state energy strategy.

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:

- the capacity for the project to cost-effectively help meet Washington's clean electricity targets;
- the least cost to ratepayers;
- the least impact to natural and cultural resources on tribal lands; and
- the 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 the 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;
- 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, before developing or operating a project; 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 for:

- developing a transparent process;

- issuing a competitive request for proposals; and
- evaluating proposals and selecting a project developer.

The Office must also adopt criteria in rule 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.

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 a 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;
- a 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 an 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.

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

State Environmental Policy Act Exemption.

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. The 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, the DAHP must ensure that the utility accounts for and protects the resources as provided under 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 projects 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 the BPA where an IOU has exclusive use to the transmission service on the lines.

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 the 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.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.