

HOUSE BILL REPORT

HB 1673

As Reported by House Committee On:

Environment & Energy

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

Brief History:

Committee Activity:

Environment & Energy: 2/3/25, 2/18/25 [DPS].

Brief Summary of Substitute Bill

- Establishes the Washington Electric Transmission Authority (Authority) to, among other duties, support upgrading and expanding the electric transmission system and be a state-wide resource for electrical transmission.
- Creates a nine-member board of directors to advise the Authority.
- Provides a categorical exemption from the State Environmental Policy Act for certain upgrades and rebuilds of electric powerlines and requires a review for resources in the rights-of-way for such categorical exemptions.
- Allows electric companies to receive an incentive rate of return on new transmission upgrades for 15 years with authorization from the Utilities and Transportation Commission.

HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

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.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Doglio, Chair; Hunt, Vice Chair; Berry, Duerr, Fey, Fitzgibbon, Kloba, Mena, Ramel, Stearns, Street and Wylie.

Minority Report: Do not pass. Signed by 8 members: Representatives Dye, Ranking Minority Member; Klicker, Assistant Ranking Member; Abbarno, Abell, Barnard, Ley, Mendoza and Stuebe.

Minority Report: Without recommendation. Signed by 1 member: Representative Ybarra.

Staff: Megan McPhaden (786-7114).

Background:

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 facilities. If an electric utility operates transmission lines 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 facilities 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 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.

The UTC must allow a 2 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 Substitute Bill:

Washington Electric Transmission Authority.

The Washington Electric Transmission Authority (Authority) is created. The Authority must employ an executive director, who must be appointed by the board of directors (Board) with an affirmative vote of at least five members. The executive director serves a three-year term, that may be extended by one year. The executive director must employ staff to accomplish the purposes of the Authority.

The purpose of the Authority is to:

- support expansion of new electric transmission capacity within the state that is prudent and needed to serve Washington customers;
- support the development of community microgrids, distributed energy resources, and energy conservation;
- pursue cost-effective nonwires 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, independent transmission developers, local jurisdictions, neighboring states, regional entities, and the federal government to develop interstate and regional transmission resources;
- evaluate opportunities for regional wholesale markets; and
- support community and economic development.

The Authority 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.

The Authority may own electric transmission equipment and systems, and such ownership may not exceed the extent and duration necessary or useful to promote the public interest. Before becoming an owner or partial owner of transmission facilities, the Authority must develop and publish a plan identifying the public purpose of ownership, the conditions that would make ownership no longer necessary, and a plan to divest the Authority of ownership as soon as economically prudent.

The Authority 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, which may include a fee schedule for services provided under a partnership, and when entering into partnerships, serve as the state State Environmental Policy Act (SEPA) lead and tribal consultation lead;
- 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;
- 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 Authority may proceed to construction in the absence of selecting a qualified builder only as a last resort in instances where the Authority identifies a pressing need for a project and there is no available qualified transmission builder; and
- sell a state-owned electric transmission project at any stage of development to a utility serving customers in Washington, a joint operating agency, Bonneville Power Administration (BPA), or an independent transmission developer or operator.

The Authority is not required to sell to the highest bidder, but before selling a project that is not part of a partnership agreement, the Authority must adopt criteria in rule for developing a transparent process including by issuing a competitive request for proposals, evaluating proposals, and selecting a project buyer.

When selling a project, the Authority must also adopt criteria in rule to determine when the Authority 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.

The Authority may adopt criteria in rule for an initial local investment commitment fee and annual local investment commitment fee for high-voltage projects that the Authority develops, owns, or sells under this act. Rulemaking must provide that the fees are distributed among counties, cities, towns, and tribes in proportion to the project's impact, and are appurtenant to the project such that the assessed fees are transferred with the title if the project is sold.

The Authority must report on its activities, including an operating and financial statement for the previous fiscal year, to the Governor and Legislature by December 1, 2025, and annually every September 1 thereafter.

Transmission Needs Assessment and System Enhancement Roadmap.

The Department of Commerce (Commerce) must develop a 20-year needs assessment to identify inefficiencies and deficits in the existing transmission system by October 30, 2026.

The Authority must update the needs assessment every five years thereafter. The needs assessment must do the following:

- It must identify high-priority corridors needed to meet current and forecasted transmission demand.
- It must 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 increases the capacity of the electrical grid and improves efficiency, reliability, and safety. Advanced conductors may include, but are not limited to, conductors that have electrical resistance at least 10 percent lower than existing conductors of a similar diameter, high temperature low sag conductors, high tensile strength conductors, or tree wire conductors.
- It must identify and evaluate nonwires alternatives that can reduce the need to build new transmission lines.
 - Nonwires alternatives is any electrical grid investment that is intended to defer or remove the need to construct or upgrade components of a distribution and/or transmission system.
- It must engage proactively in conversations with neighboring states to coordinate interconnection planning and development that supports regional resource adequacy and access to least-cost resources.
- It must engage proactively in regional and interregional cost allocation discussions.
- It must coordinate with and provide transmission-related expertise to relevant state agencies.
- It must consider opportunities to collocate transmission corridors along existing rights-of-way for other infrastructure.
- It must align with the state energy strategy.

Commerce must develop a roadmap by October 30, 2026, 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 a transmission project to cost-effectively help meet Washington's clean electricity targets;
- minimizing impact to natural and cultural resources on tribal lands; and
- minimizing environmental impact.

All nonfederal providers of transmission in Washington must endeavor to provide as much information as Commerce requires for the first needs assessment and roadmap, and to the Authority for the subsequent needs assessment, except when it would reveal critical state transmission assets or sensitive proprietary commercial information. The 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

Commerce or the Authority, only used in the aggregate for the needs assessment and roadmap, and is not subject to disclosure under the Public Records Act. Commerce or the Authority may not use this information to originate or develop projects already being developed by such transmission providers.

Additional Commerce Responsibilities.

In addition to developing the first needs assessment and roadmap, Commerce 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 transmission technologies and identifying applicable codes and ordinances that support transmission facilities for the purpose of providing frameworks that local and tribal governments may consider and adopt to suit local circumstances; and
- consult with bond counsel to identify the appropriate state bonding authority needed to improve transmission capacity, and prepare request legislation to establish bonding authority for the Authority by November 1, 2026.

Board of Directors for the Authority.

To advise the Authority, a nine-member 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;
- knowledge of land use planning and law and local permitting processes;
- expertise in clean energy development;
- expertise in ratepayer protection;
- a representative of electrical workers with expertise in building electrical transmission;
- experience with financing large infrastructure projects;
- knowledge of wildlife conservation and land use policies; and
- from a federally recognized Indian tribe.

No 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 Board. The Board must elect its own chair from the membership for a two-year period and meet quarterly. Commerce must staff the Board.

When developing the needs assessment, Commerce may consult with the Board about using 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, as long as these actions are not for underwater power lines:

- upgrading or rebuilding existing electric powerlines as long as the actions involve:
 - relocations of small segments of the powerlines within an existing right-of-way or within adjacent previously disturbed or developed lands;; and
 - widening an existing powerline right-of-way to meet current electrical standards if the widening remains within previously disturbed or developed lands and only extends into a small area beyond such lands as needed to comply with applicable electrical standards; and
- upgrading an existing transmission line, within existing rights-of-way 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 and ceded treaty 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 may require a survey in coordination with the affected federally recognized Indian tribe, 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. Information provided by the federally recognized Indian tribe must be kept confidential and exempt from public disclosure.

Incentives for Electric Transmission Investments.

In establishing rates for each investor-owned electric utility (IOU), the Utilities and Transportation Commission (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 with demonstrated benefits to ratepayers. The incentive applies only to projects which have been installed after July 1, 2025, and may be earned only for 15 years.

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.

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 Authority.

Revenues to the Capital Account consist of all moneys received for the acquisition, sale, management, and administration of the Authority'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 endowments from public or private sources. Moneys in the Capital Account may be spent only after appropriation. The Authority's executive director, or the director's designee, may authorize expenditures from the Capital Account to reimburse management costs incurred by the Authority on electric transmission projects, for the acquisition of interests in land or property to be managed as projects, and for all other nonoperating costs.

Substitute Bill Compared to Original Bill:

As compared to the original bill, the substitute bill does the following:

- It creates a separate Washington Electric Transmission Authority (Authority), rather than a Washington Electric Transmission Office (Office) within the Department of Commerce (Commerce).
- It directs the Authority to employ an executive director, to be appointed by the Board, with an affirmative vote of at least five board members, to serve for a three-year term; the executive director must employ staff to accomplish the purposes of the Authority.
- It changes the seven-member advisory board to a nine-member board of directors, and adds:
 - a member with knowledge of wildlife conservation and land use polices; and
 - a member from a federally recognized Indian tribe.
- It directs Commerce, rather than the Office, to complete an initial 20-year transmission needs assessment by October, rather than June, 2026, with updates to be completed every five years by the Authority; and requires the needs assessment to additionally:
 - engage proactively in conversations with neighboring states to coordinate interconnection planning and development that supports regional resource adequacy and access to least-cost resources;
 - engage proactively in regional and interregional cost allocation discussions;
 - coordinate with and provide transmission-related expertise to relevant state agencies; and
 - consider opportunities to collocate transmission corridors along existing rights-of-way for other infrastructure.
- It directs Commerce to consider integrated resource plans and avoid, to the greatest extent practicable, duplicate plans or related analysis already provided by regional or federal entities.
- It requires Commerce to develop one, rather than one every two years, transmission

- system enhancement roadmap along with the needs assessment, by October 2026.
- It directs Commerce to provide assistance to local and tribal governments for permitting electric transmission projects that includes identifying applicable codes and ordinances in order to provide frameworks that suit local circumstances.
 - It directs Commerce, rather than the Office, to consult with bond counsel and prepare request legislation to establish bonding authority for the Authority by November 1, 2025, rather than October 1, 2026.
 - It requires the Authority, rather than the Office, to submit an annual report.
 - It authorizes the Authority to:
 - include a fee schedule for services provided under a partnership;
 - serve as the State Environmental Policy Act (SEPA) lead and tribal consultation lead under a partnership; and
 - adopt criteria in rule for an initial and annual local investment commitment fee for high-voltage projects that the Authority develops, owns, or sells, in order to distribute the fees among counties, cities, towns, and tribes in proportion to the project's impact.
 - It specifies that the Authority's ownership of electric transmission facilities may not exceed the extent and duration necessary or useful to promote the public interest, and must include a plan for divestment prior to becoming an owner.
 - It removes the ability for the Authority to operate an electric transmission project.
 - It specifies that the Authority must adopt criteria in rule for when it may proceed to construction in the absence of a qualified transmission builder only as a last resort.
 - It directs that Commerce or the Authority may not use information provided for the needs assessment or roadmap to originate or develop projects already being developed by transmission providers.
 - It modifies the categorical exemption to the SEPA to include the upgrading or rebuilding of existing electric powerlines as long as the actions:
 - involve relocations of small segments of the powerlines within existing rights-of-way or within adjacent previously disturbed or developed lands; or
 - widening an existing powerline right-of-way to meet current electrical standards if it remains within previously disturbed or develop lands.
 - It specifies that for a project that is categorically exempt, the Department of Archaeology and Historic Preservation may require a survey to be done in coordination with the affected tribe; and that information provided by the tribe must be kept confidential and exempt from public disclosure.
 - It authorizes the Utilities and Transportation Commission (UTC) to allow an incentive rate of return on investment of capital expenditures for grid-enhancing technologies and reconductoring for a period up 15 years, instead of the depreciable life of the investment.
 - It removes the requirement for the UTC to report on policies to encourage deployment of electric transmission infrastructure that increase transmission capacity.
 - It removes the UTC's authority to allow a rate of return on investment made to upgrade transmission lines owned and operated by the Bonneville Power Administration where an investor-owned utility has exclusive use to the transmission

- service on the line.
 - It amends the electric transmission capital account to include the fees authorized to be collected by the Authority.
 - It defines "nonwires alternative."
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Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 19, 2025.

Effective Date of Substitute Bill: The bill contains multiple effective dates. Please see the bill.

Staff Summary of Public Testimony:

(In support) We need to make significant investments in new transmission corridors and existing infrastructure. This bill will help by improving project timelines with SEPA by encouraging utilities to do improvements with the incentive rate of return piece, and taking risk away from building new projects by establishing the Authority. The model for the Authority is based on the Colorado Electric Transmission Authority and other states. This would make transmission upgrades easier which is faster and cheaper than building new transmission. The bill will improve grid reliability, help achieve the Clean Energy Transformation Act targets, and help maintain affordable rates. This will improve the state and regional transmission system. The advisory board membership should include representation from natural resources and tribes. It may seem counterintuitive to add another layer to transmission planning but it is smart to give the state another avenue to serve Washington people and achieve Washington policy goals. This would help reduce the risk of capital deployment. The SEPA categorical exemption language will help workers get on site quickly. The SEPA provisions should be appropriately scoped. This will help identify high-benefit and low-harm sites and compensate for impacts. Stakeholders would like a tribal checklist to be aware of tribal concerns upfront. This will ensure transmission respects tribal sovereignty. Jobs are lost when these projects aren't built. Labor provisions should be included. There should be worker qualification and safety standards in the bill since transmission is high voltage.

(Opposed) There are concerns with the use of eminent domain and the allowance for the state to own and operate transmission. There is opposition to the section that gives utilities an incentive rate of return for investments they are already incentivized to make because this will likely lead to increased rates for ratepayers.

(Other) The challenge is the timeline for getting a project to construction, not the planning process. The main issue with electrical transmission is permitting. Permitting is the most complex piece and can take up to 10 years. There is concern that this is not addressing the core issue. The Authority would have the same challenges with getting projects off the

ground. The state shouldn't own, develop, or operate transmission facilities. The scope of the Authority is overly broad. We want to avoid duplication and conflict with federally mandated transmission processes. There could be a benefit from having another entity working on transmission. The Authority is worth considering. We support the establishment of a transmission authority. A number of other states have successful authorities that facilitate transmission development. This shouldn't compete with transmission owners but should complement their work. The existing regional groups should be doing planning; instead, the state should be encouraged to participate in those. The SEPA language should reflect federal rules that were recently adopted. The inclusion of distributed distribution and microgrids appears to allow the office to operate like a utility. There should be similar incentives for consumer-owned utilities as those provided for investor-owned utilities. The SEPA exemption should be amended to allow for slightly wider rights-of-way because reconductoring can require taller towers.

Persons Testifying: (In support) Representative Alex Ramel, prime sponsor; Emily Moore, Sightline Institute; Cassie Bordelon, Climate Jobs WA ; Matthew Hepner, Certified Electrical Workers of WA; Casey MacLean, Renewable NW; Jason Hudson, IBEW Local 77; Maya Gillett; Nadine Nadow, Conservation Northwest; Altinay Karasapan, Climate Solutions; and Caitlin Krenn, Washington Conservation Action.

(Opposed) Brandon Houskeeper, Alliance of Western Energy Consumers.

(Other) Jay Balasbas, PacifiCorp; Glenn Blackmon, Washington State Department of Commerce; Vicki Christophersen, Northwest and Intermountain Power Producers Coalition; Maggie Douglas; Dave Warren, Okanogan PUD; John Rothlin, Avista Corp; and Nicolas Garcia, WPUA.

Persons Signed In To Testify But Not Testifying: None.