

HOUSE BILL REPORT

HB 1819

As Reported by House Committee On:
Environment & Energy

Title: An act relating to increasing transmission capacity.

Brief Description: Increasing transmission capacity.

Sponsors: Representatives Barnard, Doglio, Parshley, Ramel and Fitzgibbon.

Brief History:

Committee Activity:

Environment & Energy: 2/11/25, 2/18/25 [DPS].

Brief Summary of Substitute Bill

- 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.
- Requires electric utilities with more than 25,000 customers to evaluate where reconductoring would yield meaningful improvements to the grid, determine the owner of such facilities, and document known efforts by that owner to increase transmission capacity.
- Authorizes the Utilities and Transportation Commission (UTC) to allow an incentive rate of return on electric utility investments in reconductoring and grid-enhancing technologies for 15 years and to adopt additional incentives to encourage increased deployment of transmission improvements.

HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.

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.

Signed by 21 members: Representatives Doglio, Chair; Hunt, Vice Chair; Dye, Ranking Minority Member; Klicker, Assistant Ranking Member; Abbarno, Abell, Barnard, Berry, Duerr, Fey, Fitzgibbon, Kloba, Ley, Mena, Mendoza, Ramel, Stearns, Street, Stuebe, Wylie and Ybarra.

Staff: Megan McPhaden (786-7114).

Background:

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.

Electric Utility Clean Energy Action Plans.

All investor-owned and consumer-owned electric utilities in the state with more than 25,000 customers must develop integrated resource plans (IRPs).

An IRP must include a 10-year Clean Energy Action Plan for implementing the Clean Energy Transformation Act standards at the lowest reasonable cost, and at an acceptable resource adequacy standard, that identifies the specific actions to be taken by the utility consistent with the IRP. The Clean Energy Action Plan must identify any need to develop new, or expand or upgrade existing, bulk transmission and distribution facilities and document existing or planned efforts by the utility to make more effective use of existing transmission capacity and secure additional transmission capacity.

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 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:

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 related to 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 grid enhancing technologies (GETs).

For such categorically exempt projects, 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 notification and 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.

Electric Utility Clean Energy Action Plans.

An electric utility's Clean Energy Action Plan must include an evaluation of where reconductoring to increase ampacity, reduce line loss, or improve grid resilience would yield meaningful improvements to the functioning and reliability of the system. Electric utilities must determine the entity that owns each existing bulk transmission facility identified for reconductoring and document the efforts by that entity to comply with the Clean Energy Action Plan requirements for transmission.

Incentive Rate of Return 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 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.

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.

Substitute Bill Compared to Original Bill:

As compared to the original bill, the substitute bill:

- expands the State Environmental Policy Act categorical exemption (SEPA CE) beyond reconductoring to be for upgrading or rebuilding any electric powerline if this includes relocations of small segments of powerlines within an existing powerline right-of-way or within adjacent previously disturbed developed lands, and modifies the widening provision to allow extending the right-of-way into a small area to meet current electrical standards;
- adds a SEPA CE for upgrading an existing transmission line, within existing rights-of-way, with grid-enhancing technologies;
- prohibits the SEPA CEs under the bill from applying to underwater powerlines;
- adds requirements for projects granted a SEPA CE under the bill including that the utility must notify the DAHP and federally recognized tribes before commencing the project to determine whether there are resources in the right-of-way, and if any are identified, the DAHP must ensure that the utility accounts for and protects them;
- modifies the requirement for utilities subject to an IRP by removing the requirement for utilities to examine which of their transmission lines can be recondored and by adding a requirement for utilities to evaluate where reconductoring to increase ampacity, reduce line loss, or improve grid resilience would yield meaningful improvements to the system and to determine the owner facilities and document known ongoing or existing efforts by that owner to increase transmission capacity;
- changes the allowable incentive rate of return so that it also applies to grid-enhancing technologies and is available for 15 years rather than for the depreciable life of the

- investment;
 - removes the requirement that the UTC report on the use and impact of the incentive rate of return and provide recommendations to the Legislature;
 - defines grid-enhancing technologies and reconductoring with advanced conductors; and
 - removes the name of the act.
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Appropriation: None.

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

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

Staff Summary of Public Testimony:

(In support) More power is needed on our grid and this bill is a small step in the right direction. Decades have passed without significant transmission expansion so this will be especially useful. Reconductoring is very cost effective to increase reliability and safety. There are a couple concerns around height for the right-of-way, areas covered by water for the SEPA exemption, and that the incentive isn't right and should be a guarantee of cost recovery as capital is expended instead. The transmission assessment should be more specific. The incentive rate of return could be required. One of the most helpful provisions is the SEPA categorical exemption but aligning this with federal rules from 2024 will help with implementation. There should be protections for tribes with the categorical exemptions; there should be a tribal consultation and engagement piece included. Utilities already do the IRP requirement in the bill, so instead, utilities should identify capacity constrained lines. The advanced reconductoring in the IRPs is a good idea and grid-enhancing technologies should be included in there as well.

(Opposed) There are concerns with section two, which poses risks to ratepayers by allowing an added 2 percent rate of return; there would be support for the bill if that section was removed. Utilities already do reconductoring if it is cost effective. The incentive rate of return could cost ratepayers \$1 billion if the three investor-owned utilities recondored 25 percent of their lines. There should be sideboards on the rate of return for investments during development if that is the approach that is taken instead.

Persons Testifying: (In support) Representative Stephanie Barnard, prime sponsor; Nicolas Garcia, WPUDA; Maggie Douglas, Puget Sound Energy; Jason Hudson, IBEW Local 77; Darcy Nonemacer, Washington Conservation Action; and Leah Missik, Climate Solutions.

(Opposed) Brandon Houskeeper, Alliance of Western Energy Consumers; and Peter

Godlewski, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.