SENATE BILL REPORT
ESSB 5466

As Passed Senate, March 10, 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: Senate Committee on Environment, Energy & Technology (originally sponsored by Senators Shewmake, Slatter, Conway, Nobles and Saldaña).

Brief History:

Committee Activity: Environment, Energy & Technology: 1/31/25, 2/18/25 [DPS-WM, DNP, w/oRec].

Ways & Means: 2/24/25, 2/28/25 [DPS (ENET), DNP, w/oRec].

Floor Activity: Passed Senate: 3/10/25, 29-20.

Brief Summary of Engrossed First Substitute Bill

- Establishes the Washington Electric Transmission Authority (Authority) 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 nine-member board of directors to advise the Authority.
- Provides a categorical exemption from the State Environmental Policy Act for upgrading or rebuilding an existing transmission line over 115 kilovolts under specific conditions .
- 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.

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.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Majority Report: That Substitute Senate Bill No. 5466 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Shewmake, Chair; Slatter, Vice Chair; Dhingra, Liias, Lovelett, Ramos and Wellman.

Minority Report: Do not pass.

Signed by Senator MacEwen.

Minority Report: That it be referred without recommendation.

Signed by Senators Boehnke, Ranking Member; Harris and Short.

Staff: Kimberly Cushing (786-7421)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5466 as recommended by Committee on Environment, Energy & Technology be substituted therefor, and the substitute bill do pass.

Signed by Senators Robinson, Chair; Stanford, Vice Chair, Operating; Trudeau, Vice Chair, Capital; Frame, Vice Chair, Finance; Cleveland, Conway, Dhingra, Hansen, Kauffman, Pedersen, Riccelli, Saldaña, Wellman and Wilson, C..

Minority Report: Do not pass.

Signed by Senators Gildon, Ranking Member, Operating; Torres, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Dozier, Assistant Ranking Member, Capital; Boehnke, Braun, Hasegawa, Muzzall and Warnick.

Minority Report: That it be referred without recommendation.

Signed by Senator Wagoner.

Staff: Michael Bezanson (786-7449)

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 Engrossed First Substitute Bill: Washington Electric Transmission Authority. The Washington Electric Transmission Authority (Authority) is created as a public body. The Authority is an instrumentality of the state exercising essential government functions related to electric transmission. 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 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 are prudent and needed 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, independent transmission developers, local jurisdictions, neighboring states, regional entities, and the federal government to develop interstate and regional transmission resources;

- evaluate opportunities to access 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 and any eligible facilities acquired by the Authority are not subject to the jurisdiction of the UTC. Nothing allows an investor-owned electric utility to include the cost of eligible facilities in its rate base without the approval of the UTC.

Board of Directors. To advise the Authority, a nine-member 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;
- knowledge of land use planning and law and local permitting processes;
- expertise in clean energy development;
- expertise in ratepayer protection;
- 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 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 Board. The Board must elect its own chair from the membership for a two-year period and meet quarterly. Commerce must staff the Board.

The Authority must summit a report of its activities to the Governor and Legislature by December 1, 2025, and September 1st annually thereafter. The report must include operating and financial statements covering the operations of the Authority for the previous fiscal year.

Transmission Needs Assessment and System Enhancement Roadmap. Commerce must develop and adopt a 20-year needs assessment by October 30, 2026. The Authority must update the needs assessment no less than every five years thereafter. The needs assessment must:

- identify high-priority corridors needed to meet current and forecasted transmission demand, high-priority corridor identification must include forecasted transmission and interconnection demand of clean energy projects necessary to meet Clean Energy Transformation Act targets and lower-conflict siting approaches to identify areas with forecasted transmission demands for in-state clean energy generation;
- identify investments in existing transmission lines, such as grid-enhancing technologies (GETs) and reconductoring with advanced conductors;

- identify and evaluate nonwire alternatives that can reduce the need to build new transmission lines;
- identify for the Authority regional and interregional transmission forums, and opportunities to coordinate, investigate, plan, prioritize, and negotiate with entities within and outside the state for the establishment of interstate transmission corridors;
- coordinate with and provide transmission-related expertise to relevant state agencies;
- consider opportunities to colocate transmission corridors along existing rights-of-way for other infrastructure; and
- align with the state energy strategy.

When developing the needs assessment, Commerce may consider existing planning already completed by electric utilities and consult with the Board to use existing transmission plans developed by regional or federal entities, and must avoid duplicating plans or related analysis already available.

Information obtained by the Authority that is critical energy infrastructure information or proprietary technical or business information must be confidential and not subject to inspection or public disclosure . Critical energy infrastructure information is defined.

Local Assistance and Identify Debt Financing Instruments. In addition to developing the needs assessment and roadmap, Commerce must:
- provide assistance to local and tribal governments that are permitting the construction and operation of electric transmission projects; and
- identify appropriate debt financing instruments needed to improve electric transmission capacity, and submit a report to the Governor and Legislature with financing options and recommendations by November 1, 2025. Authorizes Commerce to consult with the Office of the State Treasurer and the Office of the Attorney General.

The Authority may:
- adopt rules;
- utilize the services of executive departments of the state upon mutually agreeable terms and conditions;
- exercise the power of eminent domain for land acquisition necessary to secure property or rights-of-way for new transmission corridors for public use;
- 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 entitles, which includes serving as the SEPA and tribal consultation leads;
- engage in transmission planning activities with others in and outside Washington, along with regional and interregional cost allocation process discussions;
- lease, purchase, and accept donations of property;
- sell, lease, exchange, or dispose of property;

- own electric transmission equipment and systems, but it may not exceed the extent and duration necessary or useful to promote the public interest and the Authority must develop a plan identifying specific conditions prior to becoming an owner;
- 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 Authority may proceed as a builder as a last resort if there is an identified pressing need and no ready and willing qualified transmission builder;
- sell a state-owned electric transmission project at any stage of development to an electric utility serving customers in Washington, a joint operating agency, BPA, or an independent transmission developer or operator; the Authority is not required to sell to the highest bidder, but before selling, the Authority 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 Authority would continue developing or owning 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; 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 federally recognized Indian tribes in proportion to the project's impact.

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 the endowments from public or private sources. Moneys in the Capital Account may be spent only after appropriation. The executive director, or 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.

State Environmental Policy Act. The following utility-related upgrading and rebuilding activities for existing electric transmission lines over 115 kilovolts, except on lands covered by water or underwater, are categorically exempt from compliance with SEPA:

- rebuilding or upgrading within an existing right-of way including reconductoring

with advanced conductors and GETs;
- relocating segments of transmission lines within an existing right-of-way or within adjacent previously disturbed or developed lands; and
- widening an existing transmission line right-of-way to meet current electrical standards within previous disturbed or developed lands.

For a categorically exempt transmission line project, the Authority 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. Notice and consultation must allow the Authority to determine that there are no existing archaeological, cultural, or tribal resources in the right-of-way. DAHP may require a survey to be done in coordination with the affected 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, DAHP must ensure the utility or transmission developer accounts for and protects the resources as provided under current law. Information provided by a 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 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 project which have been installed after July 1, 2025, and may be earned only for a period up to 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.

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 increases the capacity of the electrical grid or improves efficiency, reliability, and safety or both.

Appropriation: The bill contains a section or sections to limit implementation to the

availability of amounts appropriated for that specific purpose.

Fiscal Note: Available.

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 on Original Bill (Environment, Energy & Technology): *The committee recommended a different version of the bill than what was heard.* 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 Electric 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 (Environment, Energy & Technology): 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 (Environment, Energy & Technology):

CON: Jodi Dotson.

Staff Summary of Public Testimony on First Substitute (Ways & Means): PRO: The new Transmission Authority will allow the state to play a leadership role in addressing transmission challenges, like models in other states. The bill supports Washington's transition to clean energy by addressing the increasing demand for renewable energy projects and transmission infrastructure. With the Bonneville Power Administration under-resourced, the state stepping up to ensure grid reliability is seen as critical to meeting renewable energy goals. The bill will fix immediate transmission problems by upgrading existing lines and speeding up permitting, which will quickly boost grid capacity. It will

also create good-paying jobs in the energy sector by supporting new transmission projects and improving current infrastructure. The state's stronger role in transmission development will also open economic opportunities tied to clean energy growth.

CON: Creating a new Transmission Authority is unnecessary and would waste resources on tasks that regional groups like the Bonneville Power Administration and the Western Electricity Coordinating Council already do. The bill could raise energy rates for consumers over the next 15 years by giving utilities monetary incentives for grid improvements and reconductoring, work they should already be doing. Even though the bill tries to speed up permitting, it doesn't fully solve the main permitting issues that delay transmission development. The bill's costs may outweigh the benefits, particularly if it leads to unnecessary spending without meaningful improvements in transmission capacity.

Persons Testifying (Ways & Means): PRO: Vicki Christophersen, Northwest and Intermountain Power Producers Coalition; Casey MacLean, Renewable NW; Matthew Hepner, IBEW/Certified Electrical Workers of WA; Maggie Douglas, Puget Sound Energy; Dave Pringle, Washington State Department of Commerce; Altinay Karasapan, Climate Solutions.

CON: Nicolas B Garcia, Washington Public Utility Districts Association; Brandon Houskeeper, Alliance of Western Energy Consumers.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.