HOUSE BILL REPORT
ESSB 5466

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

Brief History:

Committee Activity:

Environment & Energy: 3/17/25, 3/27/25 [DPA].

Brief Summary of Engrossed Substitute Bill
(As Amended by Committee)

- 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 10-member board of directors to advise the Authority.
- Requires the Department of Commerce (Commerce) to develop a transmission needs assessment, assist local and tribal governments permitting transmission projects, and identify and report on recommended debt financing instruments needed to improve electric transmission capacity.
- Provides a categorical exemption from the State Environmental Policy Act for upgrading or rebuilding an existing transmission line of 115,000 volts and above and includes a process with the permitting jurisdiction, the Department of Archeology and Historic Preservation, certain

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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.

federally recognized Indian tribes, and the project applicant to ensure such categorically exempt projects avoid, minimize, or mitigate harm to any certain identified resources.

- Requires all counties to adopt a permitting process for specific electrical transmission line activities and authorizes certain counties to be eligible for a grant from Commerce to cover the costs of adopting such a process.

HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

Majority Report: Do pass as amended. Signed by 11 members: Representatives Doglio, 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 2 members: Representatives Hunt, Vice Chair; 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 and meet state clean energy and emissions reduction requirements. The transmission assessment must also identify the utility's expected needs to acquire new long-term firm rights, develop new facilities, 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 nonemitting 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 preapplication 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 (IOUs) 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 Amended 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 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 is prudent and needed to serve Washington customers;
- prioritize support for new electric transmission projects that connect renewable resources and nonemitting electric generation to the grid, are located in more than one electric utility service territory, or involve a partnership with the authority and a utility;
- encourage 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, federally recognized Indian tribes, labor unions, 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 and any eligible facilities acquired by the Authority are not subject to the jurisdiction of the UTC. Nothing allows an IOU to include the cost of eligible facilities in its rate base without the approval of the UTC.

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 and operating procedures, except that the Authority may not adopt rules to direct cost allocation of transmission resources;
- use 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 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 SEPA lead for the project proponent and tribal consultation lead;
- 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;
- 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, the 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 an 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 federally recognized Indian tribes, including federally recognized Indian tribes whose reservation or ceded lands lie in Washington. The fees must also be distributed in proportion to the project's impact and be 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 July 1 thereafter.

Transmission Needs Assessment.
The Department of Commerce (Commerce) must develop a 20-year needs assessment 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. High-priority corridor identification must include forecasted transmission and interconnection demand of clean energy projects necessary to meet CETA targets and lower-conflict siting approaches to identify areas with forecasted transmission demands for in-state clean energy generation.
- It must identify investments in existing transmission lines, such as grid-enhancing technologies and reconductoring with advanced conductors, that can unlock additional capacity and improve network performance to alleviate the need for new transmission lines.
- It must identify and evaluate nonwires alternatives. Nonwires alternatives are 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 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.

- 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.

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 is not subject to inspection or public disclosure.

Local Assistance and Identification of Debt Financing Instruments.
In addition to developing the first needs assessment, 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—in doing so Commerce may consult with the Office of the State Treasurer and the Office of the Attorney General.

Board of Directors for the Authority.
To advise the Authority, a 10-member board is created. Membership includes the Director of Commerce, or a director's designee, and each remaining member is appointed by the Governor, including:
- one with experience working at a consumer-owned utility;
- one with experience working at an IOU;
- one with knowledge of land use planning and law and local permitting processes;
- one with expertise in clean energy development;
- one with expertise in ratepayer protection;
- one representing electrical workers with expertise in building electrical transmission;
- one with experience with financing large infrastructure projects;
- one with knowledge of wildlife conservation and land use policies; and
- one from a federally recognized Indian tribe, including federally recognized Indian tribes whose reservation or ceded lands lie in Washington.

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.
The following utility-related upgrading activities for existing transmission lines of 115,000 volts and above, except activities undertaken wholly or partly on lands covered by water, are categorically exempt from compliance with SEPA:

- upgrading and rebuilding within an existing right-of way;
- relocating segments of transmission lines within an existing right-of-way or within adjacent previously disturbed or developed lands, which are lands where the functioning ecological processes of the lands have been and remain altered by human activity; and
- widening an existing transmission line right-of-way only as needed to meet current applicable electrical standards. Any such widening must be within previously disturbed or developed lands.

Exceptions or limitations to categorical exemptions adopted by Ecology in rule and as otherwise specified in SEPA apply to these new categorical exemptions.

For a categorically exempt transmission line project, the following steps must be taken to ensure a categorically exempt activity avoids, minimizes, or mitigates harm to tribal, archaeological, historic, sacred, or cultural resources: (1) the permitting jurisdiction must notify the Department of Archaeology and Historic Preservation (DAHP); (2) within seven days of notification, the DAHP must notify certain federally recognized Indian tribes; (3) each federally recognize Indian tribe wishing to request a survey must let the DAHP know that within 30 days of receiving notification from the DAHP; (4) if a survey is requested, the DAHP must coordinate with the impacted tribe(s) and project applicant to conduct the survey; and (5) if resources are identified, the permitting jurisdiction and the DAHP must work with the project applicant and impacted tribe(s) to develop a plan to avoid, mitigate, or minimize harm to the affected resources and the plan must be developed and approved or not approved by the impacted tribe(s) within 180 days.

If the impacted tribe approves the plan, the plan is a condition of the permit, and if the impacted tribe does not approve the plan, the project must go through a SEPA historical and cultural preservation review.

Permitting jurisdiction costs for complying with these steps are recoverable from the project applicant.

County Permitting.
Counties must adopt a permitting process for electrical transmission line activities on lines 115,000 volts and above that are located solely in the county, if the county does not have

such a process already, by:

- six months after the county's next comprehensive plan update, if the county is required to conduct a comprehensive plan in 2026 or 2027; and
- December 31, 2027, for all other counties.

Counties without such a process are eligible for a grant from Commerce for up to $40,000.

Counties must notify the DAHP of electrical transmission activities that are categorically exempt from SEPA so the DAHP may fulfil its obligations under the bill.

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, or 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 and 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.

Amended Bill Compared to Engrossed Substitute Bill:

As compared to the engrossed substitute bill, the amended bill:

- modifies the purposes of the Authority by:
    - adding a purpose to prioritize support for new transmission projects that connect renewable and nonemitting resources to the grid, are in more than one utility service territory, or involve a partnership;
    - modifying the purpose related to community microgrids, distributed energy resources, and energy conservation by changing the Authority's purpose to encourage, rather than support, these items; and
    - including federally recognized Indian tribes and labor unions in the list of entities with which the Authority's purpose is to collaborate with;
- modifies the Authority's board by including two representatives with experience working at utilities and by modifying the description of the member from a federally recognized Indian tribe;
- specifies that the Authority may not adopt rules to direct cost allocation of

transmission resources;
- modifies the SEPA categorical exemptions, including by including that the exceptions or limitations adopted pursuant to RCW 43.21C.110(1)(a) apply, adding definitions for "previously disturbed or developed" and "upgrading and rebuilding," and specifying that the exemptions do not apply to activities undertaken wholly or partly on lands covered by water rather than on lands covered by water or underwater;
- replaces the section requiring a review of resources for projects that are categorically exempt from SEPA under the bill with modified requirements for such projects, which include roles for permitting jurisdictions, the DAHP, federally recognized Indian tribes, and project applicants in an outlined process with timelines to ensure the categorically exempt activities avoid, minimize, or mitigate harm to tribal, archaeological, historic, sacred, or cultural resources;
- requires all counties to adopt a permitting process for certain electrical transmission line activities by specific dates and authorizes counties without such permitting processes to be eligible for an up to $40,000 grant from Commerce; and
- removes the incentive rate of return section for electric utility investments in grid-enhancing technologies and reconductoring with advanced conductors.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 27, 2025.

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

Staff Summary of Public Testimony:

(In support) This will help energy projects that are waiting to connect to the grid, and are sometimes lost, because there isn't adequate transmission capacity. There is a major shortfall in electric transmission capacity, and this bill will help meet growing electricity demand. The Authority could partner with a qualified transmission builder to build projects. This bill could allow the state to facilitate transmission development at a low cost and unlock significant private capital for projects. The biggest driver for growth in the state is energy. This is the foundation for expanding our work and is one of the most important things we can do in the state to protect us. The bill is similar to transmission authority models in other states and was informed by work in Colorado and New Mexico. The bill is a win-win-win for the environment, labor, and industry. This will improve reliability, resilience, and maintain affordable energy rates. It will help meet clean energy mandates, help people as we transition to clean energy, provide good jobs, help support electrolytic hydrogen, encourage investment in needed upgrades, and benefit Washingtonians struggling with the cost of living. There is still work being done on the SEPA exemption. There is support for the SEPA exemption and tribal checklist, with further refinements like having the SEPA exemptions align with the National Environmental Policy Act (NEPA)

exemptions. There is a desire to see some changes to the SEPA exemption section to protect critical areas. There is support for sections 10 through 12, for prioritizing the reconductoring of transmission lines, for the addition of members in section 4, and the needs assessment. There is appreciation for the amendments that were added on the Senate floor. The BPA runs 75 percent of the Northwest's grid and with recent staff reductions and a hiring freeze at the BPA, the BPA's abilities are reduced. Washington should fill the gap; it is time for a state authority.

(Opposed) There is support for removing barriers to transmission projects to meet state goals and to expand and streamline transmission development. There is support for other work in this bill except for section 3 and the incentive rate of return section, which contains substantial costs for ratepayers. The Authority's board should include members from investor-owned utilities and consumer-owned utilities to provide technical and operational expertise. The Authority should not be able to dictate the costs of transmission to utilities or force utilities to build resources if the utilities don't believe that is what they need. There is also a concern that the community microgrids, distributed energy resources, and energy conservation provision should be left to the utilities.

(Other) There is appreciation for the intent of this bill and for the changes since it was introduced. Transmission facilities are subject to the Federal Energy Regulatory Commission and so it is not proper for the Authority to own these facilities. The most efficient and effective way to increase transmission capacity is to reconductor with advanced conductors. The definition of reconductoring with advanced conductors allows existing practices to continue with only slightly better conductors and should be changed to include carbon composite-core conductors which would make meaningful improvements. In the SEPA exemption section, there is a desire to ensure fish habitat is protected and it is unclear what lands covered by water means in this context. Amendments are needed for section 11 and language has been crafted. There are concerns about shifting costs onto ratepayers and how the state may own and operate transmission. The bill should be more informed by industry. Projects should be brought forward by industry and then the state could help with preconstruction siting and permitting. There are benefits to be gained from existing robust transmission planning. Early collaboration will prevent projects that could impact existing transmission. Rulemaking should be restricted to interstate or interjurisdiction planning and shouldn't be allowed for transmission built by the utility for their own purposes, or perhaps could be allowed, but at the request of the utility. Section 3(2)(b) and (c) should be removed or restricted to the wholesale level; community microgrids, distributed energy resources, energy conservation, and nonwires alternatives are retail utility functions and should be left to the utilities.

Persons Testifying: (In support) Senator Sharon Shewmake, prime sponsor; Emily Moore, Sightline Institute; Cassie Bordelon, Climate Jobs WA; Casey MacLean, Renewable NW; Altinay Karasapan, Climate Solutions; Joe Nguyen, Director Dept. of Commerce; Kate Brouns, Policy Advisor, Gov. Ferguson; Matthew Hepner, IBEW and ceww; Brooke Davies, Northwest and Intermountain Power Producers Coalition; Clifford Traisman,

Washington Conservation Action; Jason Hudson, IBEW 77; Maggie Douglas, Puget Sound Energy; and Dave Arbaugh, Renewable Hydrogen Alliance.

(Opposed) Brandon Houskeeper, Alliance for Western Energy Consumers; and Nicolas B Garcia, Washington Public Utility Districts Association.

(Other) Jay Balasbas, PacifiCorp; Peter Brehm, CTC Global; Dawn Vyvyan, Yakama Nation Puyallup Tribe; Peter Godlewski, Association of Washington Business; John Rothlin, Avista Corp; and Dave Warren, Okanogan PUD and Klickitat PUD.

Persons Signed In To Testify But Not Testifying: None.