OFFICIAL RESPONSE TO PERFORMANCE AUDIT ON ENSURING CLIMATE-RESILIENT INFRASTRUCTURE TO MEET WASHINGTON'S GROWING ENERGY NEEDS – JUNE 18, 2025

The Departments of Archaeology and Historic Preservation, Commerce, Ecology, Labor and Industries, the Utilities and Transportation Commission, and the Office of Financial Management provide this management response to the State Auditor's Office (SAO) performance audit report received on May 19, 2025.

SAO PERFORMANCE AUDIT OBJECTIVES

The SAO's performance audit addressed two questions:

1. How can Washington ensure its new energy infrastructure will withstand forecasted climate change effects?
2. What information and practices can help the state site and build climate-resilient energy infrastructure?

Recommendations 1-2 to Commerce in brief:

SAO Recommendation 1: To ensure developers and utilities consider the effect of the changing climate when planning new electricity infrastructure:

1. Augment Growth Management Act (GMA) guidance to help city and county planners by providing the following information:
    - How to develop and conduct vulnerability assessments specifically for new infrastructure being built
    - Identify strategies to address those risks and how assessment of the strategies will be measured

STATE RESPONSE: Commerce agrees in part with Recommendation 1. It is important for counties and cities to assess how climate change affects the vulnerability of roads, buildings, and other assets within the jurisdiction's span of control or influence. Local governments, for example, should understand how electricity infrastructure is vulnerable to climate change and poses risks (e.g., wildfires) to the surrounding community. Assessing and addressing those vulnerabilities and risks, however, is the primary responsibility of utilities and other entities that build, own, and operate the electricity infrastructure. This helps ensure that there is a consistent, regional assessment of electricity infrastructure that travels through multiple cities and counties, rather than a patchwork of assessments conducted by the local governments.

In response to the recommendation's second bullet, Engrossed Second Substitute House Bill 1181 (Chapter 228, Laws of 2023) already requires local governments to consider the effects of climate change; each jurisdiction fully planning under the Growth Management Act must, at a minimum, include a climate resilience subelement in its updated comprehensive plan. To assist with this new requirement, Commerce's Local Government Division published climate element planning guidance at the end of 2023. The guidance is considered intermediate until final guidance is published at the end of 2025.

Commerce is also implementing E2SHB 1181 through agency rulemaking that will conclude this fall. Commerce's planning guidance adapts the U.S. Climate Resilience Toolkit's "Steps to Resilience" framework for conducting a vulnerability and risk assessment of infrastructure and other community assets. This framework entails assessing the exposure, sensitivity, and adaptive capacity of local assets to rate their vulnerability to climate-exacerbated hazards and impacts. Local jurisdictions then characterize risk — by factoring in the probability and magnitude of hazards impacting their assets.

The planning guidance's companion Climate Policy Explorer tool also includes more than 200 model climate mitigation and resilience goals and policies that local governments may utilize to meet local context and needs. For example, the Explorer tool's ***Policy O.04*** advises local governments to: "*Work with energy utilities to improve the safety and reliability of infrastructure vulnerable to climate change*." It explains that *"local jurisdictions could review and comment on their local power provider's plans for responding to the risks of wildfires and other hazards. Recommendations could include removing tree limbs near power lines or burying lines, establishing redundancies, and creating small-scale energy generation systems*." The policy identifies tracking metrics (e.g., number of power outages annually), hazards addressed (e.g., wildfires and extreme precipitation), co-benefits (public health and well-being), and other attributes.

Action Steps and Time Frame

- Finish implementing E2SHB 1181 via an agency rulemaking process and publish the rulemaking in final planning guidance. *By December 31, 2025*.
- Continue working with the Department of Ecology and UW CIG to review and revise the recommended implementation tracking metrics for the suite of climate measures. This work adapts the Washington State Climate Resilience Strategy's measurement framework and identifies process and outcome indicators for model climate mitigation and resilience goals and policies. *By December 31, 2025.*
- Continue working on the Washington Local Emissions Estimator ("WaLEE") to quantify the greenhouse gas reduction potential of strategies associated with the model policies. As part of this work, Commerce is also creating a scorecard for qualitative assessment of measures. This scorecard assesses co-benefits, which can help jurisdictions prioritize measures that improve climate resilience along with reducing emissions. *By June 30, 2027*.

SAO Recommendation 2:

2. Require applicants seeking state funding to conduct vulnerability assessments and develop strategies to ensure new infrastructure will be built to withstand the forecasted effects of climate change, and provide information and guidance about how that can be accomplished.

STATE RESPONSE: Commerce generally agrees with Recommendation 2, that applicants seeking state funding to build new infrastructure should conduct a vulnerability assessment and implement strategies based on climate science to mitigate risks associated with current or future conditions to ensure reliability and resilience. However, we do not currently have the resources to add a new complex and expensive requirement — such as a vulnerability assessment — to contract agreements for successful grant applicants.

A vulnerability assessment would only be a portion of the work needed to ensure the assessment is valid, and that the energy infrastructure is built and maintained to ensure energy reliability and resilience. Additionally, there would need to be a non-biased location at the state level where vulnerability assessments can be verified and compared against science-based climate science and compatible energy siting coordination data.

It's important to note that Commerce already requested legislation that would have included resources for this project. The bill did not pass during the 2025 legislative session, primarily because of funding restraints. It would have created the Clean Energy Development Office and provided funding for the Energy Resilience and Emergency Management Office (EREMO) to build and implement the GIS data analysis tool that would have been beneficial to potential energy developers, energy owners and operators, local jurisdictions, and Tribes. The proposed office would have been a similar solution to SAO's sixth recommendation to the Legislature in this report.

EREMO currently does not have the resources to engage with applicants throughout the build process or provide the ongoing collaboration that would be needed due to the nature of climate change. However, EREMO will continue to update, collect, and develop GIS data visualizations and analysis tools within limited existing resources.

EREMO is already charged with implementing RCW 43.21F.045 to "*prepare and update contingency plans for securing energy infrastructure against all physical and cybersecurity threats…*". Responsibilities include preparedness, prevention, and mitigation activities. To meet this requirement, EREMO created the energy resilience and mitigation program in 2022. This program actively works with all energy sector partners and local communities. It provides direct support for community engagement and planning technical assistance for energy resilience project planning and projects. The program has grown to meet the needs for centralized energy resilience planning and will continue to support building new resilient energy infrastructure.

EREMO is also engaged in updating existing energy infrastructure data, natural hazard data, and other sources of information. Through partnerships such as with UW CIG, we are incorporating climate data to create a publicly accessible, authoritative mapping and data visualization tool to identify proposed energy project boundaries and potential interactions with other interests. These may include military, tribal, natural hazards, climate change impacts, agriculture, habitat and species, and others.

Additionally, Commerce's Growth Management Services provides grants to local governments for many climate planning activities related to implementing E2SHB 1181 including vulnerability and risk assessments, tree canopy studies, and GHG emission inventories. Commerce's grant program and planning guidance recognize that there are varying levels of need for climate planning assistance, as some communities have completed rigorous levels of analysis prior to the development of the new climate element of their comprehensive plan, while other communities have not done any climate analysis or planning.

As part of implementing the state's new climate resilience strategy, Commerce is working with Ecology and other agencies on improving how climate change risks are considered in a variety of public funding programs for critical infrastructure. This work is in partnership with the System Improvement Team (SYNC), an existing multi-agency coordination group staffed by Commerce and focused on improvements to the state's infrastructure system. While this work is just getting underway, the goal is to ensure that publicly funded infrastructure can withstand climate change threats like wildfires, sea level rise, and flooding – now and in the future.

Over the next couple of years, we will be working with agency infrastructure funding programs and a wide range of interested parties to develop a more consistent and cohesive approach to addressing climate risks through state-funded infrastructure. This work will likely result in new guidance, tools, and, potentially, new criteria or requirements in funding applications and review processes for funding programs.

Action Steps and Time Frame

- Reassess the capacity and capability to implement and validate the requirement for successful grant applicants to conduct vulnerability assessments and leverage strategies for continued energy resilience. *By June 30, 2026*.
- Continue to actively participate in the Washington Clean Energy Siting Council. The energy resilience and emergency management office will continue to engage as requested to support alignment with clean energy goals and energy resilience and safety for building out new energy infrastructure. *Ongoing.*
- EREMO will finalize website updates to include the state's energy resilience program for electric utilities and local jurisdictions. This update will include the program's scope, offer technical assistance services, and grant funding opportunities. It will also serve as a hub for all energy resilience information from the state, and future tools will be available through this website. This work is underway with anticipated completion before the end of the calendar year. *By December 31, 2025*.
- Continue to implement the inter-agency Climate Resilience Strategy infrastructure action with existing resources in partnership with the System Improvement Team (SYNC), Ecology, and other state agencies. This work started in the spring of 2025 and will continue until the project is completed based on resource availability. *By December 31, 2026.*

Recommendation 3 to Ecology

SAO Recommendation 3: To ensure developers and utilities consider the effect of the changing climate when siting new electricity infrastructure:

3. Strongly recommend (and require, when sufficient forecasted location-specific climate information is available) applicants seeking to meet the state's environmental impact standards (through the State Environmental Policy Act known as SEPA) conduct vulnerability assessments and develop strategies to ensure new infrastructure will be built to withstand the forecasted effects of climate change, and provide information and guidance about how that can be accomplished.

STATE RESPONSE: We support the idea to consider climate change risks for projects to improve energy infrastructure resilience. However, we disagree with making a change to SEPA requirements for a narrow sector. Changes would apply to all projects, from housing to industries, not just energy infrastructure. Because SEPA is a broad law, led by many different agencies for many different governmental actions, it is carried out on a case-by-case basis.

Ecology believes updating SEPA tools and guidance to help energy projects evaluate climate change risks and vulnerabilities as part of their application may achieve the intent of SAO's recommendation without requiring rulemaking. This approach has been used successfully in the past and Ecology has staffing to support this work.

Ecology is finalizing three programmatic environmental impact statements (PEISs) for utility-scale solar energy, onshore wind energy, and green hydrogen production and storage facilities and they will be implemented by June 30, 2025. These statewide studies evaluate future conditions which include climate impacts such as increased wildfire risk from and to the facilities. State law requires these studies to be considered for any future utility-scale solar, onshore wind, or green hydrogen projects. The Energy Facility Siting Evaluation Council is developing a transmission PEIS. These environmental reviews follow the SEPA process and provide information to evaluate climate change risks for clean energy projects.

While SEPA is broad enough to be able to consider climate resiliency of infrastructure, the case-by-case nature makes it a challenge to include a uniform requirement for a specific project type within SEPA. In addition, SEPA may only reach a fraction of the infrastructure that may be vulnerable. Existing infrastructure generally will not trigger SEPA review and some new infrastructure will also be exempt from SEPA. Therefore, if a uniform requirement for climate resilient infrastructure is desired, the requirement should be done without changing the SEPA rule. Additionally, broad changes to the SEPA rule would require legislative direction and involve rulemaking. This would require additional funding and can take 18-24 months to complete.

Action Steps and Time Frame

- Finalize the PEISs for utility-scale solar, onshore wind, and green hydrogen facilities and develop guidance to support implementation *by June 30, 2025*.
- Continue to advance information on climate risks and additional guidance and tools being developed under the State Climate Resilience Strategy. *Initial review of information by Spring 2026. Target first round of climate resilience, infrastructure-specific reports, guidance and/or tools by December 2026.*
- Explore best ways to adapt information and tools on climate change risks for voluntary application to SEPA processes with engagement from other state agencies and interested parties. Develop guidance linking climate vulnerability of electricity infrastructure with existing elements of the environment in SEPA and the SEPA checklist. *Target draft for June 30, 2026.*
- Incorporate material linking climate vulnerability with existing elements of SEPA into current SEPA training workshops. *Target first trainings with new material by September 30, 2026.*
