



Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with the Clean Energy Transformation Act

Public Utility District No. 1 of Snohomish County

For the period January 1, 2019 through December 31, 2021

Published December 6, 2022

Report No. 1031458



Find out what's new at SAO
by scanning this code with
your smartphone's camera



**Office of the Washington State Auditor
Pat McCarthy**

December 6, 2022

Board of Commissioners
Public Utility District No. 1 of Snohomish County
Everett, Washington

Report on Compliance with the Clean Energy Transformation Act

In May 2019, the State of Washington enacted the Clean Energy Transformation Act into law. The Act requires all utilities engaged in the business of distributing electricity to more than one retail electric customer in the State to comply with its requirements.

Our Office is required to examine those consumer owned electric utilities under our jurisdiction for compliance with the Act's requirements. As of this reporting period, our Office was required to examine 39 such electric utilities with more than one customer operating in Washington State. Public Utility District No. 1 of Snohomish County is one of those utilities.

Please find attached our report on the District's compliance with the Act.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

INDEPENDENT ACCOUNTANT'S REPORT

Public Utility District No. 1 of Snohomish County January 1, 2019 through December 31, 2021

Board of Commissioners
Public Utility District No. 1 of Snohomish County
Everett, Washington

We have examined Public Utility District No. 1 of Snohomish County's compliance with the following requirements of the Clean Energy Transformation Act codified in the Revised Code of Washington (RCW) 19.405 (the specified requirements). Specifically, we examined whether the District:

- Made energy assistance programs and funding available to low-income households by July 31, 2021 and developed its assessment and plans for reducing the energy burden on those households in accordance with the Act for the reporting period January 2019 through December 31, 2020.
- Calculated its greenhouse gas content based on the fuel sources it reported annually in conformity with the Act. The annual compliance periods were January 1, 2020 through December 31, 2020 and January 1, 2021 through December 31, 2021.
- Developed and adopted its clean energy implementation plan for the plan period January 1, 2022 through December 31, 2025 in accordance with the Act's requirements.

Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above.

An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. In making an assessment of the risks of material noncompliance, we considered and obtained an understanding of internal control relevant to compliance in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. We

believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our engagement.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

Our examination procedures were not designed to determine whether the District complied with the fuel mix reporting requirements of chapter 19.29A RCW and the resource reporting requirements of chapter 19.280 RCW. Accordingly, we express no such opinion.

In our opinion, the District complied, in all material respects, with the aforementioned requirements applicable during the three-year period ended December 31, 2021.

Other Reporting Required by *Government Auditing Standards*


In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; and fraud or noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on compliance with the specified requirements. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over compliance and other matters; accordingly, we express no such opinions.

Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of management, are described in the accompanying Schedule of Findings and Responses as Finding 2021-001.

We also noted certain additional matters that we communicated to the management of the District in a separate letter dated November 18, 2022.

District's Response to Findings

The District's response to the findings identified in our examination are described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.



Pat McCarthy, State Auditor

Olympia, WA

December 6, 2022

SCHEDULE OF FINDINGS AND RESPONSES

Public Utility District No. 1 of Snohomish County January 1, 2019 through December 31, 2021

2021-001 **The District did not have processes in place to ensure compliance with all the energy assistance requirements of the Clean Energy Transformation Act.**

Background

As of July 2019, all utilities in Washington that sell electricity to more than one retail customer in the state are required to comply with the Clean Energy Transformation Act (the Act). In part, the Act requires electric utilities to demonstrate their progress toward making energy assistance funds available to low-income households.

Every two years, electric utilities must report to the Washington State Department of Commerce (Commerce) an assessment of the effectiveness of the energy assistance programs and funding they provided to low-income households to reduce their energy burden. As part of the report, each utility must include a cumulative assessment of the energy assistance funding it previously provided compared to the funding levels needed to meet:

- Whichever is greater: 60 percent of its current energy assistance need, or increasing energy assistance by 15 percent over the amount it provided in 2018, by 2030; and
- Ninety percent of its current energy assistance need by 2050.

Description of Condition

Our examination found the District did not perform and report the required cumulative assessment of its previous energy assistance funding with its report to Commerce in a timely manner.

We consider this control deficiency to be a material weakness.

Cause of Condition

Since this was the District's first compliance period under the Act, this was the first year it had to perform this assessment and report the results to Commerce. The District relied on Commerce's reporting template to inform them of all requirements, rather than referring to the Act itself. However, the template did not include a section for utilities to report the cumulative assessment of energy assistance funding.

Effect of Condition

The District did not perform the required cumulative assessment before submitting the report. After our audit informed the District of the requirement, they worked with Commerce to research and complete the cumulative assessment.

Submitting incomplete reports prevents Commerce from collecting timely and accurate data on energy burden, energy assistance need, and each utility's reported energy assistance. This data is necessary for informing Commerce's biennial reporting to the Legislature and improving utilities' efforts to serve low-income households with energy assistance.

Recommendation

We recommend the District research the Clean Energy Transformation Act and establish a process to ensure compliance with all requirements before submitting the biennial report.

District's Response

Snohomish PUD (Snohomish) appreciates the opportunity to provide a response to the State Auditor's Office finding regarding our reporting for Energy Assistance under the Clean Energy Transformation Act (CETA). With 2,200 square miles of service area, serving a population of over 811,000 residents and 18,000 businesses, Snohomish is the second largest publicly owned utility in the Pacific Northwest and 13th largest in the nation. Snohomish serves our customers with electricity that is 98% carbon free on a four-year average, the majority of which is hydro generation and purchased from the Bonneville Power Administration (BPA).

Snohomish appreciates the work the State Auditor's Office has completed to determine compliance with our initial reporting of this significant legislation. Snohomish agrees with the findings of the audit. As noted in the letter, this was our first compliance period under the act and we used the template provided by Commerce to register our responses. This approach left our initial response lacking all of the necessary content as it relates to our cumulative assessment and goal setting. We have worked with Department of Commerce to ensure these important data points were recorded and available for their report to the legislature. Additionally, as a result of this finding Snohomish has increased our capacity for future reporting cycles with a dedicated Program Manager who will manage this compliance in addition to further developing our Energy Assistance roadmap to ensure we meet desired progress goals by 2030 and 2050 and meet all future compliance and reporting needs. Our team continues to engage with Department of Commerce as they redevelop tools and reporting for future compliance periods, and we look forward to continuing this important work on behalf of our customers.

Auditor's Remarks

We thank the District for its cooperation and assistance throughout the examination and the steps it is taking to address this finding. We will review the corrective action taken during our next compliance examination.

Applicable Laws and Regulations

RCW 19.405.120, Energy assistance for low-income households

Government Auditing Standards, December 2011 Revision, paragraph 5.22 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov