



Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with the Clean Energy Transformation Act

Public Utility District No. 2 of Grant County

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

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

June 6, 2024

Board of Commissioners
Public Utility District No. 2 of Grant County
Ephrata, 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. 2 of Grant County is one of those utilities.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT ACCOUNTANT'S REPORT

Public Utility District No. 2 of Grant County January 1, 2019 through December 31, 2021

Board of Commissioners
Public Utility District No. 2 of Grant County
Ephrata, Washington

We have examined Public Utility District No. 2 of Grant 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 of those households in accordance with the Act for the reporting period January 1, 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 compliance 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 modified 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.

Our examination disclosed the following material noncompliance with the specified requirements for low-income energy assistance program assessment reporting for the two-year period ended December 31, 2020 and program offering requirement. The District did not perform and report the required cumulative assessment of previous funding levels for energy assistance compared to the funding level goals for 2030 and 2050 and did not include its plan to increase the effectiveness of its energy assistance programs. In addition, the District did not make programs and funding for energy assistance available to low-income households in a timely manner.

In our opinion, except for the material noncompliance described in the preceding paragraph, 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 Findings 2021-001, 2021-002 and 2021-003.

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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

May 28, 2024

Public Utility District No. 2 of Grant County January 1, 2019 through December 31, 2021

2021-001 The District did not fully comply with all the energy assistance assessment reporting requirements of the Clean Energy Transformation Act.

Background

As of May 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 (CETA). In part, CETA 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 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.

In addition, CETA requires each electric utility to report its plan to increase the effectiveness of its energy assistance programs and strategies in producing short-term and sustained energy burden reductions toward meeting its energy assistance need.

For the biennial assessment period we examined, Commerce required utilities to provide data for calendar years 2019 and 2020.

Description of Condition

Our examination found the District did not perform and report to Commerce the required cumulative assessment of its previous energy assistance funding levels compared to those needed to meet its 2030 and 2050 energy assistance funding goals.

In addition, the District did not include its plan to increase the effectiveness of its energy assistance programs and strategies in producing short-term and sustained energy burden reductions toward meeting its energy assistance need, as required by CETA.

Cause of Condition

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

Further, District management's review did not ensure the biennial assessment report included all the information required by CETA before staff submitted it to Commerce.

Effect of Condition

The District did not comply with all of CETA's energy assistance funding assessment reporting requirements. Specifically, the District did not identify its current energy assistance need and related 2030 and 2050 funding goals for comparison to the energy assistance program funding it reported for 2019 and 2020.

In addition, the District did not respond to all of Commerce's questions to inform its "Plan to Increase Effectiveness" of its energy assistance programs toward meeting its energy assistance need.

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

Commerce has since updated its reporting template to include the required cumulative assessment for the next reporting period. In addition to using this reporting template, we recommend the District review all the written requirements found in CETA and establish a process to ensure compliance with them before submitting the biennial report.

District's Response

Per this SAO letter, "this was the District's first compliance period under CETA, this was the first year it had to perform this assessment and report the results to Commerce". During the reporting process Grant PUD used the reporting template provided by Commerce believing it covered all the requirements of RCW 19.405.120. This method resulted in Grant PUD not submitting the required information as it was not included in the reporting template. Since this audit, Grant PUD has communicated with Commerce to define the requirements and parameters of "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". Additionally, Grant PUD has dedicated a CETA Program Manager to assist with compliancy and program development. Our Program Manager will review Commerce's reporting templates and cross reference them against all applicable RCWs and WACs to verify all requirements are captured and all questions are answered in full.

Auditor's Remarks

We thank the District for its cooperation and assistance throughout the examination and the steps it is taking to resolve this issue. 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, 2018 Revision, Technical Update April 2021, paragraph 7.42 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control.

Public Utility District No. 2 of Grant County January 1, 2019 through December 31, 2021

2021-002 The District did not fully comply with the Clean Energy Transformation Act by making programs and funding for energy assistance available to low-income households in a timely manner.

Background

The Clean Energy Transformation Act (CETA) required all electric utilities to make programs and funding for energy assistance available to low-income households by July 31, 2021. CETA defines “low-income” households as those with annual incomes that do not exceed the higher of 80 percent of area median income (AMI) or 200 percent of the federal poverty level (FPL), adjusted for household size.

Based on information provided by the Washington State Department of Commerce, our Office understands that CETA requires utilities to offer more than one energy assistance program just for low-income households. Specifically, utilities must offer low-income households the opportunity to receive some form of energy assistance from their suite of low-income programs. Energy assistance may take several forms, and the prioritization of customers with high energy burden might be more effectively achieved by utilities providing different services to different customers based on their circumstances.

In applying CETA’s definition of low-income, utilities are required to identify the income level that represents the higher of 80 percent AMI or 200 percent FPL, adjusted for household size. Utilities then must ensure all households who meet that income level have the opportunity to receive energy assistance from at least one of the low-income energy assistance programs they offer.

Description of Condition

While the District made three low-income energy assistance programs and funding available to customers, some households considered “low-income” by CETA’s definition were not eligible to benefit from at least one of those programs. The District’s programs were limited to those households with incomes at or below 150 percent FPL.

In September of 2023, the District revised the eligibility requirements for several of its low-income programs to include households at or below 200 percent FPL. We performed an independent comparison using 2021 FPL data from the U.S.

Department of Health and Human Services and 2021 AMI data for Grant County, which is available from the U.S. Department of Housing and Urban Development (HUD). Our independent comparison showed income levels at 80 percent AMI are greater than those at 200 percent FPL for household sizes one to four, and income levels at 200 percent FPL are greater than those at 80 percent AMI for household sizes of five or more.

Cause of Condition

District management did not correctly interpret, identify and respond to CETA's requirements in a timely manner. Specifically, management did not identify and apply CETA's definition of low-income as the larger of 80 percent AMI or 200 percent FPL, adjusted for household size.

Effect of Condition

The District did not fully comply with CETA's requirements by making energy assistance from its low-income programs available to a portion of households with income levels up to only 150 percent FPL. Specifically, the District did not make low-income programs and funding available for energy assistance to households with annual incomes between 150 percent FPL and the greater of 80 percent AMI or 200 percent FPL, adjusted for household size.

Recommendation

We recommend management review the District's low-income energy assistance programs to ensure they collectively provide all households meeting CETA's "low-income" definition the ability to benefit from at least one program.

District's Response

Grant PUD believed to be compliant with our existing Share the Warmth (STW), Senior Discount, and Disabled Discount programs that are offered to our low-income customers. Share the Warmth is a customer-to-customer payment assistant program for customers who have arrearages on their accounts. Since the District was notified of this finding, a Program Manager has been dedicated to the CETA program, to revamp our current programs and develop and implement additional programs for the availability of all low-income customers. Grant PUD plans to work with stakeholder groups to develop more programs to help low-income customers reduce their energy burden. Not only will these programs benefit our customers, but they will satisfy CETA requirements. In 2023, the eligibility requirements were revised to include households at or below 200 percent FPL to comply with RCW 19.405.120 and WAC 194-40-030. Moving forward Grant PUD

will also incorporate 80 percent of Area median income (AMI) in our low-income customer qualification process.

Auditor's Remarks

We thank the District for its cooperation and assistance throughout the examination and the steps it is taking to resolve this issue. 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.

RCW 19.405.020, Definitions.

WAC 194-40-030, Definitions.

Government Auditing Standards, 2018 Revision, Technical Update April 2021, paragraph 7.42 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control.

SCHEDULE OF FINDINGS AND RESPONSES

Public Utility District No. 2 of Grant County January 1, 2019 through December 31, 2021

2021-003 **The District's controls were ineffective for ensuring it fully complied with the greenhouse gas content calculation requirements of the Clean Energy Transformation Act.**

Background

The Clean Energy Transformation Act (CETA) requires all electric utilities to calculate their greenhouse gas content of the electricity they deliver to their retail customers in Washington. Utilities must calculate their greenhouse gas content based on the fuel sources they disclose in the annual fuel mix source and distribution report they are required to submit to the Washington State Department of Commerce. CETA requires utilities to include in their calculation all the sources they use to provide electricity to retail customers.

Calendar year 2020 was the first-year utilities were required by CETA to provide greenhouse gas content calculations to Commerce.

Description of Condition

Our examination found the District's controls were ineffective for ensuring management and staff understood and complied with CETA's greenhouse gas reporting requirement in a timely manner.

We consider this control deficiency to be a material weakness.

Cause of Condition

District management misinterpreted CETA's requirements, believing that the greenhouse gas content calculation requirement began with calendar year 2021.

Effect of Condition

The District did not calculate its greenhouse gas content and submit it to Commerce, as required by CETA. Commerce subsequently calculated the District's greenhouse gas emissions for 2020 as part of its own statewide emissions reporting. We informed the District of Commerce's calculation during our examination. The District reviewed and accepted Commerce's calculation as its final assertion for compliance.

Recommendation

We recommend the District enhance its controls by including a review of CETA's reporting requirements to ensure it reports all required information to Commerce in a timely manner.

District's Response

We agree with the assessment of the first year's report. All subsequent year's reporting requirements have been met.

Auditor's Remarks

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

Applicable Laws and Regulations

RCW 19.405.070, Greenhouse gas content calculation.

WAC 194-40-060, Reporting fuel mix and greenhouse gas emissions.

Government Auditing Standards, 2018 Revision, Technical Update April 2021, paragraph 7.42 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control.

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