



Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with the Clean Energy Transformation Act

City of Blaine

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

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

December 26, 2024

Mayor and City Council
City of Blaine
Blaine, 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. The City of Blaine is one of those utilities.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT ACCOUNTANT'S REPORT

City of Blaine January 1, 2019 through December 31, 2021

Mayor and City Council
City of Blaine
Blaine, Washington

We have examined the City of Blaine'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 City:

- 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 City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City'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 City complied, in all material respects, with the specified requirements referenced above.

An examination involves performing procedures to obtain evidence about whether the City 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 adverse opinion.

We are required to be independent of the City 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 City's compliance with specified requirements.

Our examination procedures were not designed to determine whether the City 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 two of the three specified requirements.

The City did not:

- Develop and submit to the Washington Department of Commerce a clean energy implementation plan adopted by its governing body to comply with the specified requirements.
- Comply with the specified requirements by:
 - Performing and submitting to the Washington Department of Commerce an assessment of the energy assistance it provided during the two-year period ended December 31, 2020.
 - Making programs and funding for energy assistance available to low-income households by July 31, 2021.

In our opinion, because of the effect of the noncompliance described in the preceding paragraph, the City did not comply with the aforementioned requirements applicable during the three-year period ended December 31, 2021.

Other Reporting Required by *Government Auditing Standards*

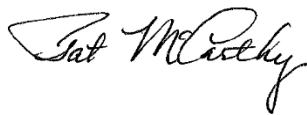
In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; and fraud or noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material 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.

City's Response to Findings

The City's response to the findings identified in our examination are described in the accompanying Schedule of Findings and Responses. The City'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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 18, 2024

SCHEDULE OF FINDINGS AND RESPONSES

City of Blaine January 1, 2019 through December 31, 2021

2021-001 The City did not comply with the clean energy implementation plan development, adoption and 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). CETA requires each consumer-owned electric utility develop and submit to Commerce a four-year clean energy implementation plan (CEIP) by January 1, 2022, using a form Commerce provided.

Public input process

CETA requires the utility's governing body adopt the CEIP through a public process.

Each utility must submit a summary of the public input process conducted to provide its customers and interested stakeholders reasonable opportunity to provide input to the utility during the development of, and before the adoption of the CEIP. In assessing whether a public input opportunity was reasonable, CETA requires each utility to consider barriers to public participation due to language, cultural, economic, technological or other factors consistent with community needs.

Each utility must submit a description of how it reflected public comments in the specific actions it reported, including the development of one or more indicators and other elements of the CEIP and resource plans, as applicable.

Highly impacted communities and vulnerable populations

Each utility must identify the highly impacted communities and vulnerable populations it serves, its distribution of energy and non-energy benefits and expected effect of those actions on those groups, and how the utility intends to reduce the risk on those groups associated with the transition to clean energy.

CETA requires each utility to identify its vulnerable populations based on adverse socioeconomic and sensitivity factors developed through a public process the utility established.

Interim target

Each utility must propose targets of the percentage of retail load to be served using renewable and non-emitting resources during the plan period. Each utility is required to show progress toward meeting CETA's greenhouse gas neutrality standard and clean energy standard if the utility is not already meeting the relevant standard.

Specific targets

Each utility must propose three specific targets for the amounts of renewable energy, energy efficiency resources and demand response resources the utility will pursue during the plan period.

The four-year energy efficiency target must equal or exceed a pro rata share of the potential the utility identified from its assessment of the cost-effective, reliable and feasible conservation it expects to acquire in the future. CETA allows utilities that are not required to comply with the Energy Independence Act to choose either of the following methods to establish their energy efficiency target:

- Apply the conservation methodology specified by the Energy Independence Act, or
- Establish the reasonable utility-level proportion of a conservation potential assessment prepared at a regional or multi-utility level using a methodology that evaluates resource alternatives on a total resource cost basis

Additionally, each utility must adopt a demand response target to pursue all cost-effective, reliable and feasible demand response resources during the plan period consistent with its resource plan.

CETA also requires utilities to incorporate the social cost of greenhouse gas emissions as a cost adder when assessing their cost-effective conservation and demand response potential as part of its resource planning process. To achieve this, utilities must use the values and methodologies the Washington State Department of Commerce provided under CETA's administrative rules.

Specific actions

Each utility is required to identify specific actions the utility will take over the next four years to demonstrate progress towards meeting CETA's 2030 greenhouse gas neutrality and 2050 clean energy standards, including specific energy efficiency, demand response and renewable energy targets, and interim target of the percentage of retail load to be served using renewable and non-emitting resources.

Description of Condition

The City did not develop, adopt and report a CEIP for the January 1, 2022–December 31, 2025, plan period.

Cause of Condition

This was the first compliance period under CETA and was therefore the first year the City had to develop and adopt a CEIP. City management did not have processes in place to ensure they completed and submitted the CEIP in accordance with CETA.

Effect of Condition

The City did not comply with any of CETA's CEIP development and reporting requirements, nor did it comply with CETA's governing body adoption requirement.

Recommendation

We recommend the City refer to Commerce's Energy Office's web page and subscription services to obtain reporting templates, resources and reporting deadlines. We recommend the City review state laws and administrative rules pertaining to CETA and develop processes to ensure it complies with the public input requirements, and the CEIP reporting and adoption requirements.

We recommend the City work with the Bonneville Power Administration (BPA) to obtain information to inform its interim clean energy target, its renewable energy target, and information to respond to resource adequacy and methods of measurement reporting requirements.

We also recommend the City work with Commerce, BPA, a consultant or other utilities to identify compliant methods for assessing its energy conservation and demand response potential to support those specific targets.

City's Response

City officials concur with the State Auditor's finding and will work toward achieving CETA compliance.

Auditor's Remarks

We thank the City for the assistance and cooperation its management and staff provided during the examination. We will review the status of this issue in our next compliance examination.

Applicable Laws and Regulations

RCW 19.405.020 – Definitions.

RCW 19.405.060(2), Clean energy implementation plan – Compliance criteria – Incremental cost of compliance.

RCW 19.405.040, Greenhouse gas neutrality – Responsibilities for electric utilities – Energy transformation project criteria – Penalties.

WAC 194-40-050, Submission of clean energy implementation plan.

WAC 194-40-200, Clean energy implementation plan.

WAC 194-40-220, Public input for planning.

WAC 194-40-330, Methodologies for energy efficiency and demand response resources.

WAC 194-40-100, Social cost of greenhouse gas emissions.

WAC 194-40-110, Methodologies to incorporate social cost of 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.

SCHEDULE OF FINDINGS AND RESPONSES

City of Blaine

January 1, 2019 through December 31, 2021

2021-002 The City did not comply with the energy assistance reporting requirements of the Clean Energy Transformation Act.

Background

The Clean Energy Transformation Act (CETA) requires electric utilities to report to Commerce an assessment of its energy assistance programs. To meet this requirement, utilities are required to provide assessment reports every two years. Through these reports, utilities provide the information CETA requires to demonstrate their progress toward making energy assistance funds available to low-income households, consistent with CETA's policies.

CETA requires each utility to report the following information to Commerce every two years:

- The amount and type of energy assistance and the number and type of households, if applicable, served for programs administered by the utility
- The amount of money passed through to third parties that administer energy assistance programs; and
- Subject to availability, any other information related to the utility's low-income assistance programs that is requested by the department
- The programs and mechanisms used by the utility to reduce energy burden and the effectiveness of those programs and mechanisms in both short-term and sustained energy burden reductions
- The outreach strategies used to encourage participation of eligible households, including consultation with community-based organizations and Indian tribes as appropriate, and comprehensive enrollment campaigns that are linguistically and culturally appropriate to the customers they serve in vulnerable populations; and

- A cumulative assessment of previous funding levels for energy assistance compared to the funding levels needed to meet:
 - Sixty percent of the current energy assistance need, or increasing energy assistance by 15% over the amount provided in 2018, whichever is greater, by 2030; and
 - Ninety percent of the current energy assistance need by 2050.
- A plan to improve the effectiveness of the assessed mechanisms and strategies toward meeting the 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

City management did not perform and report the biennial energy assistance assessment to Commerce as CETA requires.

Cause of Condition

This was the first compliance period under CETA and was therefore the first year the City had to perform this assessment and report the results to Commerce. City management did not develop processes needed nor assign the resources and staffing necessary to ensure the City complied with the reporting requirements of CETA.

Effect of Condition

The City did not comply with CETA's energy assistance assessment reporting requirements.

Recommendation

We recommend the City review state laws and administrative rules pertaining to CETA's biennial energy assistance assessment reporting requirements and develop processes to ensure compliance.

We also recommend the City subscribe to Commerce's Energy Office web site and enroll to receive communications, obtain information and reporting deadlines, and templates that Commerce makes available to help electric utilities comply with CETA's requirements.

City's Response

City officials concur with the State Auditor's finding and will work toward achieving CETA compliance.

Auditor's Remarks

We thank the City for the assistance and cooperation its management and staff provided during the examination. We will review the status of this issue in our next compliance examination.

Applicable Laws and Regulations

RCW 19.405.020, Definitions

RCW 19.405.120, Energy assistance for low-income households.

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

City of Blaine

January 1, 2019 through December 31, 2021

2021-003 The City did not comply with the low-income energy assistance program offering requirements of the Clean Energy Transformation Act.

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% of area median income (AMI) or 200% of the federal poverty level (FPL), adjusted for household size. CETA defines “energy assistance” as a program undertaken by a utility to reduce the energy burden of its customers.

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 to prioritize customers with high energy burden effectively, utilities might provide 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% AMI or 200% 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

As of July 31, 2021, the City offered one low-income-specific energy assistance program that made energy assistance available to only a portion of households considered low income by CETA's definition. As of that date, the City offered one low-income-specific energy assistance program: its Senior/Disabled Bill Discount program available to only a portion of households with income levels up to 80% of AMI. While the City offered an Energy Efficiency Program and a "Community Utility Assistance Program" as of July 31, 2021, those programs are not specific to low-income households as they were available to all households of any income level.

We independently compared the AMI and FPL income levels, adjusted for household size, using 2021 FPL data from the U.S. Department of Health and Human Services and 2021 AMI data for the Whatcom County area, which is available from the U.S. Department of Housing and Urban Development. Our independent comparison showed income levels at 200% FPL are more than those at 80% AMI for household sizes eight and more.

Cause of Condition

This was the first compliance period under CETA and was therefore the first time the City was required to comply with CETA's low-income energy assistance offering requirement and apply CETA's definition of low income. CETA does not specify a method for utilities to use to determine those income levels. Management did not identify and apply CETA's definition of low-income as the higher of 80% of AMI or 200% of the FPL, adjusted for household size, and adjust its portfolio of energy assistance programs by July 31, 2021.

Additionally, the City did not identify that CETA required it offer more than one low-income-specific energy assistance program to the low-income households in its service territory. We obtained additional clarification from Commerce that we shared with the City during the examination.

Effect of Condition

The City did not fully comply with the requirements of CETA as it did not offer more than one low-income-specific energy assistance program. Only a portion of households considered low income under CETA were able to obtain energy assistance from the City, as required.

Recommendation

We recommend City management annually review its low-income-specific energy assistance programs to ensure it offers at least two programs that collectively make energy assistance available to households meeting CETA's definition of low income.

We recommend the City use area median income tables available from the U.S. Department of Housing and Urban Development to annually review its household income eligibility thresholds.

City's Response

City officials concur with the State Auditor's finding and will work toward achieving CETA compliance.

Auditor's Remarks

We thank the City for the assistance and cooperation its management and staff provided during the examination. We will review the status of this issue in 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.

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