



Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with the Clean Energy Transformation Act

Town of Eatonville

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

Published December 30, 2024

Report No. 1036457



Scan to see another great way
we're helping advance
#GoodGovernment



**Office the Washington State Auditor
Pat McCarthy**

December 30, 2024

Mayor and Town Council
Town of Eatonville
Eatonville, 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 Town of Eatonville is one of those utilities.

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

Sincerely,

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

Town of Eatonville January 1, 2019 through December 31, 2021

Mayor and Town Council
Town of Eatonville
Eatonville, Washington

We have examined the Town of Eatonville'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 Town:

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

An examination involves performing procedures to obtain evidence about whether the Town 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 Town 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 Town's compliance with specified requirements.

Our examination procedures were not designed to determine whether the Town 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 Town did not:

- Develop and submit to the Washington Department of Commerce a complete 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 Town did not comply with the aforementioned requirements applicable during the three-year period ended December 31, 2021.

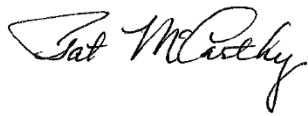
Other Reporting Required by *Government Auditing Standards*

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.

Town's Response to Findings

The Town's response to the findings identified in our examination are described in the accompanying Schedule of Findings and Responses. The Town'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, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

December 18, 2024

SCHEDULE OF FINDINGS AND RESPONSES

Town of Eatonville January 1, 2019 through December 31, 2021

2021-001 The Town did not comply with all the clean energy implementation plan development, adoption and reporting requirements of the Clean Energy Transformation Act.

Background

As of May 2019, state law requires all utilities in Washington that sell electricity to more than one retail customer in the state to comply with the Clean Energy Transformation Act (CETA). CETA requires each consumer-owned electric utility to develop and submit to Commerce a four-year clean energy implementation plan (CEIP) by January 1, 2022, using a form Commerce provided.

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

Public input process

Each utility must submit a summary of the public input process it conducted to provide its customers and interested stakeholders reasonable opportunity to provide input 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 nonenergy 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.

Specific targets

Each utility must propose three specific targets, including targets for the amounts of 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

Our examination found the CEIP the Town submitted to Commerce had not been adopted by its Council, was incomplete and was not subject to the required public

process during its development. Additionally, the energy efficiency target it reported was not developed from an assessment of energy conservation potential as required. The Town did not report a demand response target, nor did it perform an assessment of demand response potential.

For its energy efficiency target, the Town relied on a historical average energy efficiency target value the Bonneville Power Administration (BPA) provided to assist the Town with completing its CEIP. The Town was unable to demonstrate the targets were based on assessments that incorporated the cost of greenhouse gas emissions values CETA requires.

The Town did not report a demand response target, consistent with its resource plan on file, to Commerce. The Town was unable to demonstrate it performed an assessment to demonstrate it evaluated all available demand response products in support of the target value it reported.

Cause of Condition

This was the first compliance period under CETA and was therefore the first year the Town had to develop and adopt a CEIP. Town management said they did not have the staffing resources necessary to comply with CETA and the CEIP development and reporting requirements. Town management relied on BPA to complete a report on the Town's behalf without verifying the information was complete and responsive to all CETA requirements.

Town management was also unaware of the assessment methods and resources available to determine the targets CETA requires. Town officials relied on the energy efficiency and demand response targets BPA provided without verifying the amounts were based on a prospective assessment of potential and incorporated the CETA's social cost of greenhouse gas emission values.

Effect of Condition

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

While the Town reported a 92% clean energy target and a 94,615 megawatt-hour (MWh) renewable energy target, and provided a summary of its resource adequacy standard and methods of measurement as required, the Town omitted the following required elements in its report:

- How it provided customers and interested stakeholders reasonable opportunity to provide input during the development and adoption of the CEIP submitted to Commerce
- Identification of the specific actions the Town will take over the plan period to demonstrate progress toward meeting its interim targets and the 2030 greenhouse gas neutrality and 2045 clean energy standards
- Identify highly impacted communities and vulnerable populations the Town's utility serves and the impact its specific actions are intended to have on those communities and populations
- Describe how the specific actions the Town identified are consistent with and informed by its long-term strategies
- How the Town intends to reduce risks to highly impacted communities and vulnerable populations associated with the transition to clean energy

The Town reported a four-year energy efficiency target of 3.082 megawatt-hours. The target may not be realistic and achievable because the Town-reported target represents an average of previous conservation achievements, some of which are obsolete and no longer considered available, the target may not be realistic and achievable. Town management was unable to demonstrate that the Town pursued all cost-effective, reliable and feasible energy efficiency in developing the 3.082 MWh energy efficiency target it reported in its CEIP.

Town management did not report a demand response target in its CEIP.

Without formal documented assessments of future potential that incorporate CETA's social cost of greenhouse gas emissions, the Town was unable to demonstrate it had pursued all cost-effective, reliable and feasible energy efficiency and demand response as required.

Recommendation

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

We also recommend the Town consider working with BPA, a consultant or other electric utilities to help assess its energy conservation and demand response potential and quantify its four-year targets.

Specific targets – Energy efficiency

We recommend the Town develop its conservation potential assessment and resulting target using one of the following options available under CETA:

- Use the conservation methodology established under the Energy Independence Act and its administrative rules, 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, and incorporates the social cost of greenhouse gas emissions

Specific targets – Energy efficiency

We recommend the Town:

- Establish its four-year demand response potential assessment from an assessment of the demand response resource that is cost-effective, reliable and feasible.
- Refer to the Northwest Power and Conservation Council for available demand resource products to consider in the assessment.

Town's Response

The Town chose not to provide a response.

Auditor's Remarks

We thank the Town's management and staff for the assistance 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

Town of Eatonville January 1, 2019 through December 31, 2021

2021-002 The Town 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

Town management did not perform and report the biennial energy assistance assessment to Commerce as required by CETA.

Cause of Condition

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

Effect of Condition

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

Recommendation

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

Town's Response

The Town chose not to provide a response.

Auditor's Remarks

We thank the Town's management and staff for the assistance 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

Town of Eatonville January 1, 2019 through December 31, 2021

2021-003 The Town 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 Town 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. The Town offered its Low-Income Home Energy Assistance Program available to only a portion of households with

income levels up to 150% of the FPL. While the Town offered a “Utility Assistance Program” as of July 31, 2021, that program was available to all the Town’s households of any income level that were impacted by the COVID-19 pandemic.

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 Pierce County area, which is available from the U.S. Department of Housing and Urban Development. Our independent comparison showed income levels at 80% AMI are more than those at 200% FPL for all household sizes.

Cause of Condition

This was the first compliance period under CETA and was therefore the first time the Town 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 Town did not identify that CETA required it to 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 Town during the examination.

Effect of Condition

The Town did not fully comply with the requirements of CETA as it did not offer more than one low-income-specific energy assistance program. Additionally, households considered low income under CETA with income levels between 150% of the FPL and 80% AMI were unable to obtain energy assistance from the Town, as required.

Recommendation

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

Town's Response

The Town chose not to provide a response.

Auditor's Remarks

We thank the Town's management and staff for the assistance 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.

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