Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with the Clean Energy Transformation Act

Public Utility District No. 1 of Klickitat County

For the period January 1, 2022 through December 31, 2024

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Office of the Washington State Auditor
Pat McCarthy

March 9, 2026

Board of Commissioners
Public Utility District No. 1 of Klickitat County
Goldendale, 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 Klickitat 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. 1 of Klickitat County
January 1, 2022 through December 31, 2024

Board of Commissioners
Public Utility District No. 1 of Klickitat County
Goldendale, Washington

We have examined Public Utility District No. 1 of Klickitat 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 during the period examined 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, 2022 through December 31, 2023.
- Calculated its greenhouse gas content based on the fuel sources it reported annually in conformity with the Act. The annual compliance period was January 1, 2022 through December 31, 2022.

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 qualified 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. Accordingly, we express no such opinion.

Our examination disclosed the following material noncompliance with the specified requirements for low-income energy assistance program offerings. The District did not fully comply with the specified requirements by making programs and funding for energy assistance available to low-income households during the entire period.

In our opinion, except for the material noncompliance described in the preceding paragraph and in Finding 2024-001, the District complied, in all material respects, with the aforementioned requirements applicable during the three-year period ended December 31, 2024.

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 2024-001.

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

February 27, 2026

Public Utility District No. 1 of Klickitat County
January 1, 2022 through December 31, 2024

2024-001 The District did not make programs and funding for energy assistance available to low-income households as required by the Clean Energy Transformation Act during the entire period examined.

Background

The Clean Energy Transformation Act (CETA) requires all electric utilities to make programs and funding for energy assistance available to low-income households. 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.

The legislature assigned rule-making authority to the Washington State Department of Commerce to ensure the proper implementation of the statute supporting CETA by consumer-owned utilities. Based on information provided by the Washington State Department of Commerce, 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 the low-income programs they undertake. 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% 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.

In April 2024, we issued a recommendation regarding this issue in a letter to management in our previous examination because the District did not fully comply with this requirement by the July 31, 2021, implementation date required by CETA. That same month, the District adjusted the eligibility requirements of its Income Qualified Home Rebate Program, making it available to households up to 80% AMI.

Description of Condition

While the District made multiple 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 during the entire period. Until April 2024, only households with incomes at or below 200% FPL were able to obtain some form of energy assistance from the low-income programs the District offered. Additionally, during portions of the period examined, the District had only one low-income energy assistance program available, as the District offered a second Senior Bill Discount program it only made available during December through May of each year to senior-aged households with annual incomes up to 200% FPL.

We performed an independent comparison using 2022-2024 FPL data from the U.S. Department of Health and Human Services and 2022-2024 AMI data for Klickitat County, 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 household sizes one to five, and income levels at 200% FPL are more than those at 80% AMI for household sizes of six or more.

In May 2024, the District undertook the State Home Electrification and Appliance Rebates Program, an additional temporary grant program offered through Commerce. Through its agreement with Commerce, the District made the program available to households up to 150% AMI through June 2025, bringing the District into compliance through the end of the period we examined.

Cause of Condition

District management was unable to obtain clarifications or guidance from Commerce as to how utilities were to implement this requirement. In response, the District concluded based on its reading of the statute, the program offerings before April 2024 were compliant.

During our previous examination, we shared with the District what we learned from Commerce and from our reading of the statute, which was different from the District's interpretation. The District needed time to adjust the eligibility requirements of its programs after learning of our recommendation in early 2024, the final year of the three-year period we currently examined.

Effect of Condition

The District did not comply with the CETA's requirements by making programs and funding for energy assistance available to low-income households during 28 months of the 36-month period we examined. Specifically, the District did not make energy assistance available to households of one to five residents with annual income levels between 200% FPL and 80% AMI until April 2024 and households of six or more residents, not considered seniors, with income levels between 80% AMI and 200% FPL until May 2024.

Recommendation

We recommend the District continue to review the eligibility requirements of low-income energy assistance programs for consistency with CETA's definition of "low income."

We also recommend the District continue to work with Commerce in obtaining further guidance and clarification on how it is to comply with this requirement and retain that guidance in support of its actions.

District's Response

The designation of rule-making authority to the Washington State Department of Commerce, is a clear conflict of interest. Commerce makes the rules, dictates the reporting and eventually wants to collect the funds to self-administer ensuring the continuity and growth of government regulation on utilities. The implementation of the statute will continue to evolve in the best interest of Commerce and at the expense of utilities.

The District recognizes that we misinterpreted the definition of "Low-Income" within RCW 19.405.020. The most common and readily available low-income standard had been federal poverty level (FPL). Low-income standards utilized by Bonneville Power Administration, LIHEAP and Commerce are similar, but not consistent with the CETA definition of low-income. Upon identification of the misinterpretation of the low-income definition in April 2024, the District immediately self-corrected.

The SAO operates independently from the program and Commerce and is uniquely positioned to ensure consistent application of CETA requirements. The recommendation the District continue to seek additional guidance and clarification from Commerce regarding CETA compliance may not be practicable. The District has participated in numerous webinars, discussions and engagements intended to

support the development of clear, functional program reporting expectations and interpretations. Despite this sustained involvement, the District has seldom seen input reflected in the issued guidance and subsequent policy interpretations have not been clearly communicated.

Since 2019, the District, other small utilities and the SAO have sought to understand and implement Commerce's evolving interpretations, often with limited success. Six years into CETA, and based on the finding above, it appears that yet another shift in interpretation may be forthcoming. The District will continue to seek external funding sources to meet CETA program requirements, that ensure all income qualifying households have access to at least one of the low-income opportunities offered. This responsibility is placed on utilities because existing federal and state low-income energy assistance programs funded by the same ratepayers, but as taxpayers, is not sufficient.

The continued shift of energy burden between ratepayers will result in forced rate development to fund CETA assistance programs, as well as their development, reporting, promotion and administration. On December 5, 2025 the District received a management letter from the SAO addressing utility subsidization for shared services. The concept was to not cross-subsidize funds; however, this concept is completely disregarded for low-income assistance.

Furthermore, the District's Commissioners are elected by constituents to represent local community interest, including rate setting. Forced rate development to fund additional low-income assistance programs does not comply with RCW 19.405.120, section 7 which states, 'Nothing in this section may be construed to restrict the rate-making authority of the governing body of a consumer-owned utility as otherwise provided by law.'

Auditor's Remarks

We thank the District for its comments and insights and appreciate its efforts to address this issue. While SAO is committed to working with its utility partners to help improve their compliance, we must remain separated from policy making functions. As such, we reaffirm our finding and recognize Commerce as the legislatively assigned rule making authority that is best positioned to provide guidance as to how utilities are to implement the statute.

We will review the status of this finding in our next compliance examination.

Applicable Laws and Regulations

RCW 19.405.100, Rule making

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.

SUMMARY SCHEDULE OF PRIOR FINDINGS

Public Utility District No. 1 of Klickitat County
January 1, 2022 through December 31, 2024

This schedule presents the status of findings reported in prior audit periods.

Audit Period:	**Report Ref. No.:**	**Finding Ref. No.:**
January 1, 2019 through December 31, 2021	1034637	2021-001

Finding Caption:

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

Background:

The Clean Energy Transformation Act (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 (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 assessment, each utility must report:

- The outreach strategies used to encourage participation of eligible households.
- A cumulative assessment of the energy assistance funding it previously provided compared to the funding levels needed to meet:
    - The greater of 60% of its current energy assistance need, or increasing energy assistance by 15% over the amount it provided in 2018, by 2030; and
    - 90% of its current energy assistance need by 2050.
- A plan to improve the effectiveness of the assessed mechanisms and strategies toward meeting the energy assistance need.
- The programs and mechanisms it used to reduce energy burden and their effectiveness in achieving both short-term and sustained energy burden reductions.
- The outreach strategies it used to encourage participation of eligible households.

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

In addition, the District did not assess the effectiveness of the mechanisms and strategies it used during the reporting period to further develop its energy assistance programs and did not report its outreach and targeting efforts to encourage participation of eligible households in its programs.

Status of Corrective Action: (check one)

☒ Fully Corrected	☐ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

The District did not fully comply with all the energy assistance assessment reporting requirements of the Clean Energy Transformation Act is the finding; as a reminder, this was for the first interim audit under CETA and the requirements were unclear and subject to interpretation.

The District invested significant resources into the development of a low-income energy burden assessment. In-house assessments were not cost effective and state resources provided were not in the utilities best interest. The District completed an Energy Burden Assessment, which was finalized in 2025. It provides the baseline to complete the cumulative assessment required by Commerce to compare 2030 and 2050 energy assistance funding needs.

The District expanded offerings for existing assistance programs to bolster participation and improve trend assessment and tracking. This is a result of assessing the effectiveness of programs strategies. Additionally, the District developed and received grants to further reduce energy burden and increase conservation. The District has defined energy assistance funding targets and is preparing to seek additional funding sources, but a portion will be passed to rate-payers. This base is already over taxed to support state program development.

Audit Period:	Report Ref. No.:	Finding Ref. No.:
January 1, 2019 through December 31, 2021	1034637	2021-002

Finding Caption:

The District did not develop the specific energy efficiency and demand response targets it reported in its clean energy implementation plan in accordance with the Clean Energy Transformation Act.

Background:

The Clean Energy Transformation Act (CETA) requires each electric utility to develop and adopt a clean energy implementation plan (CEIP) every four years. As part of that plan, each utility must propose four targets, including specific targets for the amounts of energy efficiency resources and demand response resources the utility will pursue during the plan period. CETA requires utilities to pursue all cost-effective, reliable and feasible energy efficiency and demand response resources during the plan period. CETA requires utilities to identify a four-year energy efficiency target from an assessment of potential developed following one of the two methods available under Commerce's implementation rules.

Utilities must also identify a demand response target developed from an assessment of cost-effective, reliable and feasible demand response resources. The target must be consistent with its resource plan.

Utilities are required to incorporate the social cost of greenhouse gas emissions rates Commerce adopted in its implementation rules as a cost adder in those assessments.

Our examination found the District did not assess its energy conservation, efficiency and demand response resource potential to support the targets it reported in its CEIP. For its energy efficiency target, the District relied on a historical average energy efficiency target value that the Bonneville Power Administration (BPA) provided in a report it completed to assist the District with completing its CEIP.

The auditor did not include the District's compliance with this requirement in the scope of the current examination as the District is currently drafting its next plan for submittal to Commerce after December 31, 2025. The auditor will follow up on the status of this issue in the next compliance examination, scheduled in 2027.

Status of Corrective Action: (check one)

☐ Fully Corrected	☒ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

The examination states, the District did not develop the specific energy efficiency and demand response targets it reported in its clean energy implementation plan in accordance with the Clean Energy Transformation Act. This was the first interim audit under CETA and the requirements were unclear and subject to interpretation.

The District previously developed targets in the most cost-effective way, we relied on a

historical average energy efficiency target value that the Bonneville Power Administration (BPA) provided in a report. This was a cost-effective, reliable and feasible energy efficiency and demand response resources to utilize for planning.

The District invested significant resources into the development of a Conservation Potential Assessment and a Demand Response Assessment; neither of which are required for utilities our size. These assessments were finalized in 2025 and will be integrated into our 2026-2029 interim CEIP. The District has developed specific energy efficiency and demand response targets consistent with the assessments received and appropriate for the District's system.

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