Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with the Clean Energy Transformation Act

Public Utility District No. 1 of Pend Oreille County

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

Published March 23, 2026

Report No. 1039327

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

Office of the Washington State Auditor
Pat McCarthy

March 23, 2026

Board of Commissioners
Public Utility District No. 1 of Pend Oreille County
Newport, 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 Pend Oreille 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

Americans with Disabilities

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

INDEPENDENT ACCOUNTANT'S REPORT

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

Board of Commissioners
Public Utility District No. 1 of Pend Oreille County
Newport, Washington

We have examined Public Utility District No. 1 of Pend Oreille 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 3, 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 ensuring its low-income energy assistance programs met the requirements of the Clean Energy Transformation Act during the 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 Findings 2024-001 and 2024-002.

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
March 16, 2026

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

2024-001 The District's low-income energy assistance programs did not meet the requirements of the Clean Energy Transformation Act during the 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 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.

We previously examined the District's compliance for the 2019-2021 reporting period and issued our report in November 2024. That examination resulted in a finding as part of our report because the District did not fully comply with this requirement by the July 31, 2021 implementation date required by CETA. Before January 1, 2022, the District offered energy assistance to all customers experiencing financial hardship or disconnection of service through its Neighbors on Need program and made energy assistance available to households age 62 or older with income levels up to 125% of FPL through its Low-Income Senior Bill Discount program.

Description of Condition

As of January 1, 2022, the District made its Neighbors on Need program and its Low-Income Senior Bill Discount program available to low-income households. From January 1, 2022, until September 2024, only those households with incomes up to 150% FPL and were age 65 or older or were eligible for disconnection due to non-payment were able to obtain energy assistance from these programs.

In September 2024, the District adjusted the eligibility requirements of these programs, making energy assistance available to households with annual income levels considered "low income" under CETA. However, the District maintained other eligibility requirements that restricted participation in those programs to those age 65 or older or those eligible for disconnection due to nonpayment.

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 Pend Oreille 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.

Cause of Condition

District management concluded, based on its reading of the statute, the adjustments it made to its program offerings were compliant with CETA.

Effect of Condition

The District did not ensure the low-income energy assistance programs it offered met the requirements of the Clean Energy Transformation Act during the period we examined. Specifically, the District did not make energy assistance available to households considered "low income" under CETA unless they were 65 years or older or were eligible for disconnection due to nonpayment.

During our previous examination, we shared with the District what we learned from Commerce and from our reading of the statute. During our previous compliance examination and after learning of our recommendation in early 2024, the final year of the three-year period we currently examined, the District adjusted the household income eligibility requirements of its programs but continued to apply the age and financial hardship requirements for households to participate in each program.

Recommendation

We recommend the District review its low-income energy assistance program offerings to ensure all households considered "low income" are able to obtain energy assistance from the District's programs.

We also recommend the District 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 District adjusted our low-income program definitions to meet CETA's income requirements shortly after our prior CETA Audit was completed in September 2024. In April 2025, the District also removed the qualification that a recipient be on the disconnect list to receive Neighbors-In-Need low-income program funding. With these two changes, the District believes that we are now in full compliance with CETA's low-income program requirements.

Auditor's Remarks

We thank the District for its cooperation throughout the examination and the adjustments it is making to correct this issue. We will review the status of this issue during our next 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.

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

2024-002 The District did not correctly estimate the energy assistance funding levels it is required to report in its low-income energy assistance assessment.

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 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 previous energy assistance funding it provided compared to the funding levels needed to meet:

- Whichever is more: 60% of its current energy assistance need, or an increase of energy assistance by 15% more than the amount it provided in 2018, by 2030; and
- Ninety percent of its current energy assistance need by 2050.

For the biennial assessment period we examined, Commerce required utilities to provide data for calendar years 2022 and 2023.

Commerce defines "energy assistance need" as the amount of assistance necessary to achieve an energy burden of 6% for utility customers. The statute defines "energy burden" to mean the share of annual household income used to pay annual home energy bills.

Commerce has instructed utilities to estimate its customers' energy burden as the share of annual household income used to pay home energy bills from of all fuel types, including electricity.

Description of Condition

Our examination found that while the District reported its current energy assistance need as the estimated excess energy burden from the U.S. Department of Energy LEAD tool data Commerce recommended utilities use, it did not correctly identify its 2030 and 2050 energy assistance funding levels using that value. Instead, the District incorrectly determined those funding levels using the amount of bill savings it provided to households participating in its Senior Bill Discount and Neighbor in Need energy assistance programs.

Cause of Condition

The District did not fully understand how to quantify the 2030 and 2050 funding levels it reported to Commerce. While it had identified the correct funding levels in the analysis it performed, it did not identify those values as responsive to CETA's reporting requirement.

Effect of Condition

The District materially misstated the funding levels it reported to Commerce. The District reported a 2030 funding level of $80,216 and a 2050 funding level of $120,325.

Using the $674,125 current energy assistance need value the District reported to Commerce, the District should have reported 60% of that amount, or $404,475, as its 2030 funding level and 90% of that amount, or $606,713, as its 2050 funding level.

These funding levels are necessary for the District to comply with CETA's requirement to demonstrate its progress in reducing the excess energy burden on the low-income households it serves through its energy assistance programs.

Recommendation

We recommend the District review its biennial assessment to ensure the 2030 and 2050 funding levels it uses in its cumulative assessment represent 60% and 90% of the current energy assistance need value it reports to Commerce.

District's Response

The District acknowledges the error in using two different calculations for the current energy assistance need, and has updated its processes to correctly report this percentage in the future.

Auditor's Remarks

We thank the District for its cooperation throughout the examination and the steps it is taking to correct this issue. We will review the status of this issue during our next 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.

SUMMARY SCHEDULE OF PRIOR FINDINGS

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

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

Examination Period:	**Report Ref. No.:**	**Finding Ref. No.:**
January 1, 2019 through December 31, 2021	1035909	2021-001

Finding Caption:

The District 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 or 200% of the federal poverty level, adjusted for household size.

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 their suite of low-income programs.

The District offered only one energy assistance program, which it made available to customers with income levels up to 125% of the federal poverty level. While the District offered a second energy assistance program as of July 31, 2021, that program was available to all the District's customers experiencing financial hardship and disconnection of service.

The District adjusted the eligibility requirements of these programs in January 2022 to include households with income levels up to 150% FPL.

Status of Corrective Action: (check one)

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

Corrective Action Taken:

Upon notification from the previous state audit in September 2024, the District adjusted the FPL level from 150% to the greater of 200% or 80% of area median income for both low-income energy assistance programs to bring the programs into compliance with CETA.

Examination Period:	Report Ref. No.:	Finding Ref. No.:
January 1, 2019 through December 31, 2021	1035909	2021-002

Finding Caption:

The District did not comply with all the energy assistance 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 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 previous energy assistance funding it provided compared to the funding levels needed to meet:

- Whichever is greater: 60% of its current energy assistance need, or an increase of energy assistance by 15% more than the amount it provided in 2018, by 2030; and
- 90% of its current energy assistance need by 2050

Our examination found that while the District reported its 2030 energy assistance funding goal, it did not report to Commerce its 2050 funding goal and did not report its previous energy assistance funding levels compared to those needed to meet its 2030 and 2050 energy assistance funding goals as required by CETA.

Status of Corrective Action: (check one)

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

Corrective Action Taken:

The District corrected the omission of the 2050 funding goal on the April 2024 submitted report.

Examination Period:	Report Ref. No.:	Finding Ref. No.:
January 1, 2019 through December 31, 2021	1035909	2021-003

Finding Caption:

The District did not develop the 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 formally adopt a clean energy implementation plan (CEIP) every four years. As part of that plan, each utility must propose specific targets to pursue all cost-effective, reliable and feasible energy efficiency resources and demand response resources during the plan period. CETA also requires utilities to incorporate the social cost of greenhouse gas emissions values prescribed by Commerce as a cost adder when assessing their cost-effective conservation and demand response potential.

District management did not assess its energy efficiency and demand response resource potential to demonstrate it pursued all cost-effective, reliable and feasible energy efficiency and demand response to support the targets it reported in its CEIP.

For its energy efficiency target, District management relied on an energy efficiency target value it calculated internally using its energy efficiency program budget as a basis. Management was unable to demonstrate the target it reported was based on an assessment that incorporated the cost of greenhouse gas emissions values required by CETA.

The District adopted a zero ("0") megawatt demand response target. However, the District did not perform an assessment of available demand response products it evaluated for cost-effectiveness, reliability and feasibility during the plan period.

Status of Corrective Action: (check one)

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

Corrective Action Taken:

The District still complies with WAC 194-40-330 which specifies that the target should be consistent with the District's resource plan, which has indicated a demand response target of zero. The District did not have the equipment during the CEIP timeframe to perform a formal demand response program. The District did engage a third party to create the District's first IRP (as the District has less than 25,000 customers and is only required to provide simplified Resource Plan) which evaluated possible demand-response programs.

Examination Period:	Report Ref. No.:	Finding Ref. No.:
January 1, 2019 through December 31, 2021	1035909	2021-004

Finding Caption:

The District's controls were ineffective for ensuring its greenhouse gas content calculations were performed correctly in accordance with 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. Further, CETA requires utilities to classify electricity delivered to retail customers as "unspecified source" electricity if the fuel attribute is unknown or has been separated from the electricity. Utilities are also required to apply the emissions rate adopted by the Washington State Department of Ecology to determine the emissions from the unspecified source electricity delivered to retail customers.

District officials did not identify the District had incorrectly classified electricity it delivered to retail customers in the 2021 greenhouse gas content calculation report it submitted for auditor examination.

The District incorrectly classified unspecified source electricity as specified source hydropower without emissions in its 2021 greenhouse gas content calculation it presented for examination. Beginning in 2021, the District sold hydropower and the associated renewable energy credits (RECs), or fuel attributes, to a third-party purchaser in exchange for unspecified source electricity.

The District incorrectly classified all the electricity it obtained from Bonneville Power Administration in 2021 as unspecified source electricity in its greenhouse gas content calculation. While the amount of electricity the District received included unspecified source electricity, most of this amount was produced from renewable and non-emitting resources.

Status of Corrective Action: (check one)

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

Corrective Action Taken:

The District submitted a corrected report to Commerce in December 2023, and has updated its process and calculations for future reporting.

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