



Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with the Clean Energy Transformation Act

City of Sumas

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

Published June 11, 2026

Report No. 1039936



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

June 11, 2026

Mayor and City Council
City of Sumas
Sumas, 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 Sumas 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 Sumas January 1, 2022 through December 31, 2024

Mayor and City Council
City of Sumas
Sumas, Washington

We have examined the City of Sumas 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 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 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. Accordingly, we express no such opinion.

Our examination disclosed the following material noncompliance with two of the three specified requirements. The City did not:

- Make programs and funding for energy assistance available to all low-income households during the entire period we examined.
- Comply with the energy assistance assessment reporting requirements.

In our opinion, because of the significance of the noncompliance described in the preceding paragraph and findings 2024-001 and 2024-002, the City did not comply, 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.

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 style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

June 4, 2026

SCHEDULE OF FINDINGS AND RESPONSES

City of Sumas January 1, 2022 through December 31, 2024

2024-001 The City did not comply with the low-income energy assistance program offering requirements of the Clean Energy Transformation Act for 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. CETA defines “energy assistance” as a program undertaken by a utility to reduce the energy burden of its customers.

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 for low-income households. Specifically, utilities must provide low-income households the opportunity to receive some form of energy assistance from their suite of low-income programs. Utilities may offer energy assistance in several ways, and to prioritize customers with high energy burden effectively, utilities might provide different services to different customers based on their circumstances. We shared and discussed the responses we received from Commerce with City management on February 21, 2024.

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 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 Whatcom 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 all household sizes.

We issued a finding on the City's compliance with this requirement in our prior examination report, published on December 23, 2024.

Description of Condition

The City did not offer any low-income energy assistance programs until July 1, 2024, when it offered bill credits to income-qualified customers through Commerce's Washington Families Clean Energy Grant program. The program ended September 15, 2024.

Effective August 26, 2024, the City brought its programs into compliance with CETA when its Council adopted a resolution incorporating household income into the eligibility requirements of its existing Electric Bill Donation Recipient Program and adding two new low-income specific programs: an Electric Base Fee Waiver Program and a Senior Electric Discount Program.

In December 2024, we issued a finding in our previous examination because the City did not undertake any low-income-specific energy assistance programs by the July 31, 2021 implementation date required by CETA.

Cause of Condition

Management did not fully understand the requirement and had not obtained the information it needed to adjust its portfolio of energy assistance programs until the later part of the period we examined. City management and officials needed time to develop its strategy and adjust its operating budget to bring itself into compliance.

Effect of Condition

The City did not comply with the CETA's low-income energy assistance program offering requirements for 32 months of the 36-month period we examined. Specifically, the City did not make energy assistance available to households with annual income of 80% AMI until July 1, 2024, and did not offer more than one low-income energy assistance program until August 26, 2024.

Recommendation

We recommend the City continue to work with Commerce in obtaining guidance and clarification on how it is to comply with requirements and retain that guidance in support of its actions.

Since the City made corrections to its programs after non-compliance was brought to the City's attention in our previous examination, we have no further recommendation regarding compliance.

City's Response

During the prior audit examination, the City determined that certain programs it had believed to be compliant with Section 120 of the Clean Energy Transformation Act (CETA) were, in fact, not compliant. Because the audit occurred near the end of the period currently being examined, the City had limited time to fully understand the requirements and develop appropriate programs. The auditors working with the City were instrumental in helping staff better understand the requirements of Section 120 of CETA. Despite these constraints, the City successfully implemented three programs that brought it into compliance for the final four months of the audit examination.

Auditor's Remarks

We commend the City for its efforts in resolving this issue. We thank the City for the cooperation and assistance its management provided during the 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.

SCHEDULE OF FINDINGS AND RESPONSES

City of Sumas

January 1, 2022 through December 31, 2024

2024-002 The City did not address all the energy assistance assessment reporting requirements of the Clean Energy Transformation Act.

Background

The Clean Energy Transformation Act (CETA) requires electric utilities to report to the Washington Department of Commerce an assessment of their 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 in its assessment:

- The amount and type of energy assistance and the number and type of households, if applicable, served for programs the utility administered
- 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 the Department of Commerce requests
- The programs and mechanisms the utility used 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 American 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 2022 and 2023 by April 1, 2024.

We issued a finding on the City's compliance with this requirement in our prior examination report, published on December 23, 2024.

Description of Condition

The City did not respond with all the information CETA requires in the biennial energy assistance assessment it submitted to Commerce. Specifically, the City did not respond with:

- The cumulative assessment of previous funding levels for energy assistance compared to its 2030 and 2050 funding levels and progress it made toward those levels
- Changes it made to improve the effectiveness of its programs during the assessment period

In addition, the City incorrectly reported a Low-Income Home Energy Assistance Program (LIHEAP) in its assessment report. The program was not responsive to the City's compliance with CETA as it was undertaken by a third-party community organization. The City applied payments to customer accounts at the direction of the organization.

The City submitted its biennial energy assistance assessment to Commerce on June 24, 2024, after the reporting deadline of April 1, 2024.

Cause of Condition

The City did not undertake any low-income specific energy assistance programs during 2022 and 2023 to properly inform its assessment report.

Management did not fully understand the requirements and had not obtained the information it needed to adopt low-income specific energy assistance programs until July and August 2024.

Effect of Condition

The City did not comply with CETA's low-income energy assessment reporting requirements and was unable to demonstrate it made the progress in reducing customer energy burden consistent with CETA's requirements.

The City reported an assessment of energy assistance programs that were not responsive to the City's compliance. Not having its own low-income energy assistance programs to promote, the City performed outreach to inform its low-income customers of the availability of the LIHEAP program offered by the third-party community organization.

Recommendation

We recommend the City improve its review processes to ensure its biennial assessment reports are complete, accurate and responsive to the survey questions before submitting them to the Commerce.

We also recommend the City work with Commerce to ensure it understands the type of information Commerce is seeking and how it can use the resources Commerce provides to appropriately address CETA's reporting requirements.

City's Response

The City acknowledges that it did not complete the Cumulative Funding Assessment portion of its required assessment report. This was due, in part, to the complexity and lack of clarity in both the programmatic and reporting requirements, particularly as they apply to a small utility. Additionally, the timing of the prior audit examination overlapped with the reporting period currently under review, which limited the City's ability to fully understand and implement the requirements before subsequent reporting deadlines.

The City has also experienced natural disasters, which placed substantial demands on staff time and resources for years after the disaster occurred. Despite these challenges, the City remains committed to improving its processes and controls. Going forward, the City will be more diligent in its review procedures to ensure that all reporting requirements, including the Cumulative Funding Assessment, are completed accurately and in a timely manner.

Auditor's Remarks

We thank the City for the cooperation and assistance its management provided during the examination and its commitment to resolving this issue. 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.



SUMMARY SCHEDULE OF PRIOR FINDINGS

City of Sumas

January 1, 2022 through December 31, 2024

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

Examination Period: January 1, 2019 through December 31, 2021	Report Ref. No.: 1036322	Finding Ref. No.: 2021-001
Finding Caption: The City did not develop and adopt its Clean Energy Implementation Plan in accordance with the Clean Energy Transformation Act.		
Background: The Clean Energy Transformation Act (CETA) requires each consumer-owned electric utility to develop and submit to Commerce a four-year clean energy implementation plan (CEIP) adopted by its governing body by January 1, 2022. <u>Public input process</u> 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 to the utility during the development of, and before the adoption of the CEIP. 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. <u>Vulnerable populations</u> Each utility must identify the 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 vulnerable populations and highly impacted communities 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. <u>Specific targets</u> 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 following methodologies required by Commerce implementation rules. 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.		

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.

City management was unable to demonstrate its governing body adopted the CEIP it submitted to Commerce through a public process as required.

The City also did not respond with the following required information:

- Identification of vulnerable populations
- Identification of specific actions and how they are consistent with and informed by its long-term strategies
- The forecasted distribution of energy and nonenergy costs and benefits on highly impacted communities and vulnerable populations
- How the City intends to reduce risks to highly impacted communities and vulnerable populations associated with the transition to clean energy

City 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, City management relied on a historical average energy efficiency target value that the Bonneville Power Administration (BPA) provided to assist the City with completing its CEIP. 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 City reported a “0” (zero) megawatt demand response target that was not determined from an assessment of its cost-effective demand response potential, as required.

Additionally, the City did not report any forecasted distribution indicators and did not identify any socioeconomic and sensitivity factors developed through a public process to identify vulnerable populations.

The auditor did not include the City’s compliance with this requirement in the scope of the current examination as the City drafted its next plan for submittal to Commerce after December 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 City of Sumas is in the midst of updating our Clean Energy Implementation Plan to submit for the 2026-2029 planning period. We are continuing to work with Bonneville Power Administration (BPA) to identify a more refined energy efficiency target and demand response target. We have identified highly impacted communities and are working on a community survey to receive recommendations from our community. Through that community survey process, we will identify specific targets and specific actions that will serve to demonstrate our progress towards meeting CETA's targets. The City expects the completion of this updated CEIP by December 31, 2025.

Examination Period: January 1, 2019 through December 31, 2021	Report Ref. No.: 1036322	Finding Ref. No.: 2021-002
Finding Caption: 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, CETA requires utilities to offer more than one energy assistance program just for low-income households. The City did not undertake any low-income-specific energy assistance programs as required.		
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>In 2024 the City of Sumas was able to develop a portfolio of programs offering energy assistance to all demographics of qualifying low-income households. The newly developed programs include the Electric Base Fee Waiver, the Senior Electric Discount Program, as well as the Electric Bill Donation Recipient Program. These programs have been promoted through the City’s official website, Facebook, and the City of Sumas’ Newsletter. Additionally, the City of Sumas has recently added low-income rebate programs, in which the City works with BPA, and an energy consulting group to offer several rebate programs including Heat Pump Water Heater, Ductless Heat Pump Conversion, Prescriptive Duct Sealing, Prime Windows and Doors, Exterior Insulated Doors, and Heat Pump Conversion.</i>		

Examination Period: January 1, 2019 through December 31, 2021	Report Ref. No.: 1036322	Finding Ref. No.: 2021-003
Finding Caption: The City did not fully comply with all the energy assistance reporting requirements of the Clean Energy Implementation 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: <ul style="list-style-type: none"> • 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 • Ninety percent of its current energy assistance need by 2050 The City did not perform and report to Commerce the required cumulative assessment of its previous energy assistance funding levels compared to those it needed to meet its 2030 and 2050 energy assistance funding goals. Additionally, the City did not include its plan to increase the effectiveness of its energy assistance programs and strategies in reducing short-term and sustained energy burden toward meeting its energy assistance need, as required by CETA.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The City of Sumas developed and implemented three energy assistance programs, as well as adding low-income energy rebate programs to the existing programs offered by the City in collaboration with BPA. After a year of implementation, the City has a data set to build from to determine the energy assistance need, and the effectiveness of the programs. Once the program effectiveness is fully determined the City will work to develop a plan to increase the effectiveness.</i>		

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