



Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with the Clean Energy Transformation Act

City of Cheney

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

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

April 2, 2026

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

Mayor and City Council
City of Cheney
Cheney, Washington

We have examined the City of Cheney's compliance with the following requirements of the Clean Energy Transformation Act codified in the Revised Code of Washington (RCW) 19.405 (the specified requirements). Specifically, we examined whether the City:

- Made energy assistance programs and funding available to low-income households 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 all of the energy assistance assessment and plan 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

March 27, 2026

SCHEDULE OF FINDINGS AND RESPONSES

City of Cheney 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.

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 issued a finding on the City’s compliance with this requirement in our prior examination report, published on December 26, 2024.

Description of Condition

The City was unable to demonstrate it made energy assistance available to all households considered low-income under CETA's definition. The City undertook two energy assistance programs during the period we examined:

- The Clean Energy Credits Grant that it made available to households with annual income levels up to 150% AMI during the four-month period of May to September 2024
- The Energy Efficiency Rebate program for which the City could not demonstrate included rebates exclusive to low-income-eligible households

While the City also applies payments it receives from a third-party local community organization to reduce utility bills for low-income customers, the program was not undertaken by the City and is not responsive to its compliance with CETA.

We independently compared the AMI and FPL income levels applicable during the examination period using FPL data from the U.S. Department of Health and Human Services and AMI data for Spokane County from the U.S. Department of Housing and Urban Development. Our independent comparison showed that income levels at 80% AMI are more than those at 200% FPL for household sizes of one to six during 2022 and 2023 and one to seven during 2024. Income levels at 200% FPL are more than those at 80% AMI for household sizes of seven or more during 2022 and 2023, and eight or more during 2024.

Cause of Condition

Management did not adjust its portfolio of energy assistance programs during the period we examined. City management said it was unable to obtain guidance from Commerce to determine what changes it needed to make. Instead, City management relied on the results of our previous compliance examination, which we published at the end of the current period we examined.

Effect of Condition

The City did not comply with CETA. The City undertook only one low-income-specific energy assistance program that made grant funding available to all households considered low-income by CETA's definition. Through its grant agreement, the City only made the energy assistance grant funding available to households with income levels up to 150% AMI for four months of the 36-month period we examined.

Because the City did not undertake low-income programs during the biennial assessment period, 2022 and 2023, the City was unable to demonstrate the progress in reducing the energy burden on eligible households that CETA requires.

While the City undertook an energy efficiency rebate program, the program was available to all households and did not include rebates exclusive to low-income households. Therefore, the program was not responsive to the City's compliance with CETA.

Recommendation

We recommend City management review and adjust the programs it undertakes to ensure it makes energy assistance available to all low-income households.

We recommend the City annually review the eligibility requirements of its programs against FPL income data from the U.S. Department of Health and Human Services and AMI income data for Spokane County from the U.S. Department of Housing and Urban Development to ensure all households meeting CETA's definition of "low income" are able to obtain energy assistance.

We also recommend the City 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.

City's Response

The City accepts the finding as delineated in the SAO report and is taking corrective action. The recommendations are on target and well received. They will be followed and implemented. The city is committed to establishing two qualifying low income programs to be compliant with CETA requirements.

Auditor's Remarks

We thank the City for the cooperation and assistance its management 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 19.405.100, Rule making

RCW 19.405.120, Energy assistance for low-income households.

WAC 194-40-030, Definitions.

Government Auditing Standards, 2018 Revision, Technical Update April 2021, paragraph 7.42 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control.

SCHEDULE OF FINDINGS AND RESPONSES

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

2024-002 The City did not comply with all energy assistance assessment and plan 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
- Ninety percent of its current energy assistance need by 2050

In addition, CETA requires each electric utility to report its plan to increase the effectiveness of the energy assistance programs and strategies the utility used to reduce short-term and sustained energy burden toward meeting its energy assistance need.

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. 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.

We issued a finding on the City’s compliance with these requirements in our previous examination report, issued December 26, 2024.

Description of Condition

The City did not develop a plan to adopt its own programs or otherwise comply with the energy assistance requirements of CETA in the next period. Instead, the City reported a plan to increase participation in a program undertaken by a local third-party not-for-profit community organization, not a program undertaken by the City, as required by CETA. Through this program, the City provides funding from voluntary customer donations it collects. The City established a fiduciary fund to distribute the donations to customer utility accounts on behalf of and as directed by the local community organization.

In addition, our examination found the City reported to Commerce its previous energy assistance funding levels compared to those it needed to meet its 2030 and 2050 energy assistance funding goals as required by CETA. However, City management could not explain how they estimated the current energy assistance need value the City used to quantify the 2030 and 2050 funding goals it reported.

Cause of Condition

City management said the City was unable to determine how it estimated the current energy assistance need and the related 2030 and 2050 funding levels it reported. Management did not retain support for how they determined the amounts they reported. Management also said they do not have sufficient budget resources to hire consultants with the requisite knowledge to estimate the City's current energy assistance need.

In addition, the City did not undertake programs of its own during the two-year assessment period. Without a program of its own, the City directed its plan toward increasing participation in an energy assistance program the local community organization undertook and administered.

Effect of Condition

The City did not comply with CETA's energy assistance assessment reporting requirements. Specifically, City development did not report a plan to undertake its own programs to reduce the energy burden on its low-income customers and was unable to demonstrate progress in reducing energy burden on low-income households as required.

In addition, the City did not establish a process and controls to ensure the current energy assistance need value and funding levels it reported were adequately supported and developed using a method that reasonably represents the excess energy burden of the low-income households it serves.

The City reported a current energy assistance need value of \$197,480. Using the U.S. Department of Energy's Low-Income Energy Affordability Data (LEAD) tool data for 2020 provided by Commerce, we independently estimated the City's current energy assistance need of \$1.2 million for the households located in the four census tracts the City serves. Alternatively, we estimated a current energy assistance need value of \$404,000 based on the 1.9% of households in Spokane County that are located within Cheney city limits. The U.S. Department of Energy estimates the current energy assistance need for Spokane County is \$21.4 million.

This demonstrates how the City's estimated energy assistance need value can vary based on the method applied.

Recommendation

We recommend the City develop and report a plan to undertake its own low-income energy assistance programs and explain how it will improve those programs to reduce the energy burden on low-income households.

We also recommend City management and its governing body work with Commerce's Energy Office to develop a consistent and reasonable process for using the U.S. Department of Energy's LEAD tool data that Commerce provided to estimate the current energy assistance need for low-income households in its service territory.

City's Response

The City agrees with the finding and recommendations and will use for future planning as rates increase. The LEAD Tool was not useful in the City's computations. The City's current electrical rates are one of the lowest in the entire state, if not the lowest at 7.4 cents per kW. This comes out to approximately 4.5-5.5% of household income dedicated to energy, which is below the 6% CETA threshold to be qualified as an energy burden. As rates increase, it is anticipated that the 6% threshold will be crossed and an energy burden to be addressed. Will coordinate with DOC to see what is a better methodology to define current energy assistance need.

Auditor's Remarks

We thank the City for the cooperation and assistance its management provided during the examination and the steps it is taking to address 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 Cheney 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, 2022	Report Ref. No.: 1036423	Finding Ref. No.: 2021-001
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 was unable to demonstrate it undertook any low-income-specific energy assistance programs as of July 31, 2021. While the City provided funding to a not-for-profit organization that offered utility assistance programs to households the City’s utility serves, those programs were not specific to low-income households.		
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:

On May 1, 2024, the city entered into a Grant Agreement with the DOC for the Washington Families Clean Energy Credits and distributed \$246,000 to 1,233 customers as a qualified CETA low-income program. Therefore, progress was made in having one low-income program in place in 2024. On June 10, 2025, the City of Cheney and Cheney Outreach Ecumenical Outreach Ministries signed a new agreement for energy assistance that specifically used CETA definitions of low-income households as a requisite to be eligible for low-income assistance in this program, therefore, crossing the threshold of a CETA low-income qualified program for 2025. The city is currently working with the city of Airway Heights as a partner in applying for a HEAR grant which is a qualified CETA program. If successful before year end of 2025, the City will have meet the two-program requirement as currently recommended by DOC.

Examination Period: January 1, 2019 through December 31, 2022	Report Ref. No.: 1036423	Finding Ref. No.: 2021-002
Finding Caption: The City did not fully 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: <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 In addition, CETA requires each electric utility to report 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. Our examination found the City did not perform and report to Commerce its previous energy assistance funding levels compared to those it needed to meet its 2030 and 2050 energy assistance funding goals as required by CETA. In addition, 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>Previous funding levels were zero according to the State Audit results presented to the city in January 2025. There was no qualifying low-income program in place for the city during this period. Currently, the city is computing what that starting level is, so it can proceed with making funding goals for 2030 and beyond. Also, it is anticipated that the City will join the HEAR program which has programs to reduce short-term and sustained energy burden to meet its energy assistance need. The city is confident that the goal levels will be established and submitted in the CEIP that is due January 1, 2026.</i>		

Examination Period: January 1, 2019 through December 31, 2022	Report Ref. No.: 1036423	Finding Ref. No.: 2021-003
Finding Caption: The City did not fully develop its Clean Energy Implementation Plan in accordance with the Clean Energy Transformation Act.		
Background: <p>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.</p> <p>Our examination found City management did not assess its energy efficiency and demand response resource potential to quantify the targets required by CETA.</p> <p>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.</p> <p>The City did not report a demand response target value in its CEIP as required.</p> <p>The auditor did not include the City’s compliance with this requirement in the scope of the current examination as the City 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.</p>		
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 will establish demand response target values in the CEIP that is to be submitted January 1, 2026.</i>		

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