



Office of the Washington State Auditor
Pat McCarthy

**Report on Compliance with the Energy
Independence Act**

**Public Utility District No. 1 of Clallam
County**

For the period January 1, 2016 through December 31, 2016

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

July 24, 2017

Board of Commissioners
Public Utility District No. 1 of Clallam County
Carlsborg, Washington

Report on Compliance with the Energy Independence Act

In November 2006, Washington voters approved Initiative 937, also referred to as the Energy Independence Act. The Act requires electric utilities with more than 25,000 customers to meet renewable energy and energy conservation targets.

Our Office is required to examine municipal utilities' and public utility districts' compliance with these targets. As of this reporting period, 12 such utilities with more than 25,000 customers were operating in Washington State, including Public Utility District No. 1 of Clallam County.

Please find attached our report on Public Utility District No. 1 of Clallam County's compliance with the Act.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

INDEPENDENT ACCOUNTANT'S REPORT

Public Utility District No. 1 of Clallam County January 1, 2016 through December 31, 2016

Board of Commissioners
Public Utility District No. 1 of Clallam County
Carlsborg, Washington

We have examined Public Utility District No. 1 of Clallam County's compliance with the requirements of the Energy Independence Act codified in the Revised Code of Washington (RCW) 19.285.040. Specifically, we examined whether the District:

- Complied with its renewable energy target of 54,981 MWh, developed as 9 percent of the District's average retail load, in accordance with the Act's requirements. The target compliance period was January 1, 2016 through December 31, 2016.

The District's management is responsible for the District's compliance with those 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 on 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 that the evidence we obtained about renewable energy credits claimed for compliance, as summarized in Attachment A, is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Public Utility District No. 1 of Clallam County complied, in all material respects, with the aforementioned requirements as of the annual renewable energy compliance period ended December 31, 2016.

Our examination disclosed no issues that are required to be reported under *Government Auditing Standards*.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

May 26, 2017

Attachment A: Public Utility District No. 1 of Clallam County
Schedule of Claimed Renewable Energy Resources

Facility Name	WREGIS Generating Unit ID	2015 generation		2016 generation	
		Biogas ¹ RECs (MWh)	Wind ² RECs (MWh)	Biogas RECs (MWh)	Wind RECs (MWh)
Klondike I	W238	--	507	--	--
Klondike III	W237	--	1,035	--	--
Stateline (WA)	W248	--	1,438	--	--
Condon	W774	--	381	--	--
Condon II	W833	--	434	--	--
Roseburg Landfill Gas Project	W2616	22,346*	--	23,172*	--
Big Sky Dairy Digester	W1814	--	--	2,544*	--
Rock Creek Dairy – CHP1 & CHP2	W3743	--	--	98*	--
The Dry Creek Dairy Biofactory Project	W388	--	--	3,026*	--
Totals:		22,346	3,795	28,840	--

Public Utility District No. 1 of Clallam County used Renewable Energy Credits (RECs) it purchased to meet its renewable energy target for the 2016 compliance period, which is 9 percent of its 610,897 MWh average retail load, or 54,981 MWh.

¹ “Biogas RECs” are renewable energy credits from electricity generated using methane created from the decomposition of specific organic materials.

² “Wind RECs” are renewable energy credits from electricity produced by wind-driven turbines.

The Act defines a “Renewable Energy Credit,” or “REC,” as a tradable certificate of proof of at least one megawatt-hour (MWh) of electricity produced from an eligible renewable resource other than freshwater. To be eligible for use toward the District’s renewable energy target, the Act requires all RECs claimed from power producing facilities (or generating units) to be recorded and tracked in the Western Renewable Energy Generation Information System (WREGIS). The System is an independent, renewable energy tracking system maintained by the Western Electricity Coordinating Council (WECC). The District uses this system to track all of the RECs it owns.

Each generating unit is identified by a unique identification number, or WREGIS Generating Unit ID, in the system. Each REC is registered in the District’s own account with a unique serial number. When the District uses a REC toward compliance, it labels the REC as having been used to meet the Act’s requirements to ensure it is removed from further sale, transfer or use.

The Act (RCW 19.285.040 (2)(b)) considers each REC produced by a small generating unit with a capacity of no more than 5 megawatts to be classified as “Distributed Generation.” The Act permits the District to count each REC associated with Distributed Generation at two times its MWh value towards its renewable energy target. We indicated MWh values associated with Distributed Generation using an asterisk (*) in the schedule, above.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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