



Office of the Washington State Auditor
Pat McCarthy

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

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

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

Published November 16, 2017

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

November 16, 2017

Board of Commissioners
Public Utility District No. 1 of Snohomish County
Everett, 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. Public Utility District No. 1 of Snohomish County is one of those utilities.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

INDEPENDENT ACCOUNTANT'S REPORT

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

Board of Commissioners
Public Utility District No. 1 of Snohomish County
Everett, Washington

We have examined Public Utility District No. 1 of Snohomish 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 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 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 Snohomish 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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 7, 2017

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

Attachment A: Public Utility District No. 1 of Snohomish County
Schedule of Claimed Renewable Energy Resources¹

		Energy Production Year 2015			Energy Production Year 2016			
Facility Name	WREGIS Generating Unit ID	Biomass RECs (MWh)	Wind RECs (MWh)	Solar RECs (MWh)	Incremental Hydro (MWh)	Biomass RECs (MWh)	Wind RECs (MWh)	Solar RECs (MWh)
Woods Creek	--	--	--	--	1,267	--	--	--
Hampton Lumber Mill Biomass Facility, Darrington, WA*	W2794	34,956*	--	--	--	8,038*	--	--
BPA Tier 1								
Condon Wind – Phase I	W774	--	3,985	--	--	--	4,843	--
Condon Wind – Phase II	W833	--	4,575	--	--	--	4,958	--
Klondike I Wind Project	W238	--	5,307	--	--	--	4,968	--
Klondike III Wind Project	W237	--	10,846	--	--	--	12,797	--
Stateline (WA) Wind Project	W248	--	15,128	--	--	--	20,207	--
White Creek Wind Project – Phase I	W360	--	47,225	--	--	--	--	--
Snohomish County PUD’s Solar Express Program:								
Solar Express – A*	W3708	--	--	514*	--	--	--	448*
Solar Express – B*	W3710	--	--	580*	--	--	--	516*
Solar Express – C*	W3711	--	--	528*	--	--	--	488*
Solar Express – D*	W3712	--	--	576*	--	--	--	528*
Solar Express – E*	W3713	--	--	296*	--	--	--	272*
Solar Express – F*	W4046	--	--	616*	--	--	--	566*
Solar Express – G*	W4047	--	--	802*	--	--	--	704*
Solar Express – H*	W4634	--	--	506*	--	--	--	466*
Solar Express – I*	W4635	--	--	618*	--	--	--	548*
Solar Express – J*	W4636	--	--	564*	--	--	--	526*
Solar Express – K*	W4637	--	--	900*	--	--	--	832*
Solar Express – L*	W4986	--	--	542*	--	--	--	544*
Solar Express – M*	W4987	--	--	414*	--	--	--	444*
Solar Express – N*	W4988	--	--	212*	--	--	--	296*
Solar Express – O*	W4989	--	--	250*	--	--	--	444*
Solar Express – P*	W4990	--	--	160*	--	--	--	464*

¹ This list is not intended to be a complete representation of all renewable resource energy the District had available as of January 1 of the compliance period.

		Energy Production Year 2015			Energy Production Year 2016			
Facility Name	WREGIS Generating Unit ID	Biomass RECs (MWh)	Wind RECs (MWh)	Solar RECs (MWh)	Incremental Hydro (MWh)	Biomass RECs (MWh)	Wind RECs (MWh)	Solar RECs (MWh)
Solar Express – Q*	W4991	--	--	60*	--	--	--	468*
Solar Express – R*	W4992	--	--	22*	--	--	--	544*
Solar Express – S*	W4993	--	--	2*	--	--	--	606*
Qualco Energy Biogas Facility*	W3954	4,006*	--	--	--	3,134*	--	--
Wheat Field Wind Project	W806	--	182,345	--	--	--	--	--
Hay Canyon Wind – Phase I	W978	--	196,799	--	--	--	--	--
Totals (MWh)		38,962	466,210	8,162	1,267	11,172	47,773	9,704
Total Renewable Energy, RECs, and Incremental Hydro generation for 2016 compliance (in MWh)		583,250						

(* MWh values from these facilities are presented at two times the REC quantity in WREGIS. The Act considers energy produced by a small generating unit with a capacity of no more than 5 megawatts as “Distributed Generation.” RCW 19.285.040 (2)(b) allows the District to count each REC associated with distributed generation at two times its MWh value towards its renewable energy target.)

Public Utility District No. 1 of Snohomish County used renewable resource energy it produced and Renewable Energy Credits (RECs) and bundled renewable resource energy it purchased to meet its renewable energy target for the 2016 compliance period, which is 9 percent of its 6,480,546 MWh average retail load, or 583,249 MWh. The power and/or RECs the District is claiming was created from the following eligible renewable resources:

- “Incremental hydropower” is the amount of additional electricity a hydropower project produces due to efficiency improvements made to the project.
- “Biomass” electricity is generated using wood waste produced from the processing of lumber, or from methane created from the decomposition of cow manure and organic waste.
- “Wind” is electricity produced by wind-driven turbines.
- “Solar” is electricity produced by solar panels installed on utility customer homes.

The Act (RCW 19.285.030 (20)) 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. In general, a REC represents the environmentally related characteristics, or “non-power” attributes, associated with the 1 MWh of energy produced

from a renewable resource. To meet its target, the Act allows utilities to use a combined 1 MWh of energy and its associated REC (called “bundled renewable energy”), or the utility may use just the REC without the MWh of energy.

The District claimed a portion the incremental amount of bundled renewable energy produced from efficiency improvements it made to its Woods Creek dam, and its purchase of wind power and associated RECs from the White Creek, Hay Canyon, and Wheat Field wind projects.

To be eligible for use toward the District’s renewable energy target, the Act requires all RECs claimed from power producing facilities (called “generating units”) to be recorded and tracked in the Western Renewable Energy Generation Information System (WREGIS). WREGIS is an independent, renewable energy tracking system maintained by the Western Electricity Coordinating Council (WECC). The District uses WREGIS to track all of the RECs it owns.

WREGIS identifies each generating unit using a unique identification number, or WREGIS Generating Unit ID. 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.

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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