



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

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

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

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

**Published February 22, 2018**

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

February 22, 2018

Board of Commissioners  
Public Utility District No. 1 of Benton County  
Kennewick, 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 Benton County is one of those utilities.

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

## INDEPENDENT ACCOUNTANT'S REPORT

### **Public Utility District No. 1 of Benton County January 1, 2016 through December 31, 2016**

Board of Commissioners  
Public Utility District No. 1 of Benton County  
Kennewick, Washington

We have examined Public Utility District No. 1 of Benton 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 v's compliance with the specified requirements based on our examination.

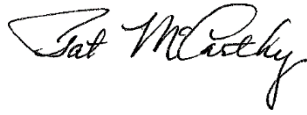
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those 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 the 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 Benton 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 style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

February 13, 2018

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

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

		2015 Generation	2016 Generation	
Facility Name	WREGIS Generating Unit ID	Wind <sup>1</sup> RECs (MWh)	Wind RECs (MWh)	Biogas <sup>2</sup> RECs (MWh)
Condon Wind Project – Phase I	W774	1,006	--	--
Condon Wind Project – Phase II	W833	1,155	1	--
Nine Canyon Wind Project	W684	12,699	14,770	--
Nine Canyon Wind Project – Phase III	W697	7,205	8,376	--
Klondike Wind Project – Phase I	W238	1,340	--	--
Klondike Wind Project – Phase III	W237	2,737	--	--
Stateline Wind Project (WA)	W248	3,818	--	--
Payne’s Ferry Wind Park	W1866	27,573	--	--
LRI Landfill Gas-To-Energy Facility*	W3845	--	--	31,348*
White Creek Wind Project	W360	21,557	24,785	--
<b>Totals:</b>		<b>79,090</b>	<b>47,932</b>	<b>31,348</b>

*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.*

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<sup>1</sup> “Wind RECs” are renewable energy credits from electricity produced by wind-driven turbines.

<sup>2</sup> “Landfill gas RECs” are renewable energy credits from electricity generated using methane created from the decomposition of organic waste materials deposited in the landfill.

Public Utility District No. 1 of Benton County used Renewable Energy Credits (RECs) it purchased to meet its renewable energy target for the renewable energy compliance period compliance period, which is 9 percent of its 1,759,672 MWh average retail load, or 158,370 MWh.

The Act (RCW 19.285.040 (2)(b)) 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. Utilities may use MWh of energy and its associated REC as bundled renewable energy, or may acquire just the REC without having to purchase the MWh of energy to meet its target.

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.

The Act 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 above schedule.

## 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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