



Office of the Washington State Auditor
Pat McCarthy

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

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

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

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Report No. 1021100





Office of the Washington State Auditor
Pat McCarthy

April 16, 2018

Board of Commissioners

Public Utility District No. 1 of Lewis County

Chehalis, 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 Lewis County is one of those utilities.

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

INDEPENDENT ACCOUNTANT'S REPORT

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

Board of Commissioners
Public Utility District No. 1 of Lewis County
Chehalis, Washington

We have examined Public Utility District No. 1 of Lewis 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 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 Lewis 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

March 13, 2018

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

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.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov

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

		2015 Generation		2016 Generation	
Facility Name	WREGIS Generating Unit ID	Biomass ¹ RECs (MWh)	Wind ² RECs (MWh)	Biomass RECs (MWh)	Wind RECs (MWh)
Condon Wind Project – Phase I	W774	--	--	--	687
Condon Wind Project – Phase II	W833	--	--	--	705
Klondike Wind Project I	W238	--	756	--	706
Klondike Wind Project III	W237	--	1,541	--	1,821
Nine Canyon Wind Project	W684	--	4,465	--	12,359
Nine Canyon Wind Project – Phase III	W697	--	2,590	--	4,099
Stateline Wind Project (WA)	W248	--	1,915	--	2,876
Sierra Pacific Industries Cogeneration Plant - Aberdeen	W1640	26,181	--	4,730	--
Totals (MWh):		26,181	24,825	4,730	24,915
Total all RECs (MWh):		80,651			

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.

Public Utility District No. 1 of Lewis 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 896,122 MWh average retail load, or 80,651 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

¹ “Biomass RECs” cited above are renewable energy credits from electricity produced using organic by-products of pulping and the wood manufacturing process.

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

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.