

Washington State Auditor's Office
Accountability Audit Report

Energy Northwest
Benton County

Report Date
January 27, 2011

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WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

February 14, 2011

Executive Board
Energy Northwest
Richland, Washington

Report on Accountability

We appreciate the opportunity to work in cooperation with your Agency to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on Energy Northwest's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Benton County
January 27, 2011

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Audit Summary

**Energy Northwest
Benton County
January 27, 2011**

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of Energy Northwest from July 1, 2009 through June 30, 2010.

We evaluated internal controls and performed audit procedures on the activities of the Agency. We also determined whether the Agency complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Cost allocations
- Contracts and agreements
- Procurement – public works
- Procurement – purchases
- Procurement – professional services
- General disbursements
- Small and attractive assets, such as computers
- Credit cards and accounts
- Travel
- Payroll

RESULTS

In the areas we examined, the Agency's internal controls were adequate to safeguard public assets. The Agency also complied with state laws and regulations and its own policies and procedures in the areas we examined.

Related Reports

**Energy Northwest
Benton County
January 27, 2011**

FINANCIAL

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available from the Agency. The firm reported a significant deficiency or material weakness in internal controls over financial reporting regarding the review of significant and complex contracts, particularly the nuclear and purchase power contracts, and significant and complex transactions, particularly those involving manual or spreadsheet calculations, for proper accounting treatment by someone both independent of the preparer and knowledgeable of the accounting.

Description of the Agency

**Energy Northwest
Benton County
January 27, 2011**

ABOUT THE AGENCY

Energy Northwest is a joint operating agency, composed of public power utilities that develop energy-generating resources. The Agency has the following seven distinct business units:

Columbia Generating Station

The Columbia Generating Station, located 10 miles north of Richland, is a 1,150 megawatt boiling water nuclear power plant that produced 8,124 gigawatt hours of electricity in fiscal year 2010.

Packwood Lake Hydroelectric Project

This project consists of a dam at Packwood Lake and powerhouse 1,800 feet below the dam. This project generated approximately 86.07 gigawatt hours of electricity in fiscal year 2010.

Nuclear Projects No. 1 and No. 3

Nuclear Project No. 1, a 1,250 megawatt electric nuclear power plant, and Nuclear Project No. 3, a 1,240 megawatt nuclear power plant, were terminated by the Board of Directors on May 13, 1994. Termination expenses and debt service costs activities related to Project No. 1 are funded through net-billing obligations. The Agency is no longer responsible for any site restoration costs for Project No. 3 as they were transferred with the assets to the Satsop Redevelopment Project. All obligations of the project have been completed and the fund was dissolved by the Executive Board in July 2005. The debt service related activities remain for Project No. 3 and are paid through the net-billing process.

Nine Canyon Wind Project

The Nine Canyon Wind Project consists of 63 wind turbines that produced 226.7 gigawatts of electricity in fiscal year 2010.

Business Development Fund

The Business Development Fund was created by the Executive Board in April 1997 for the purpose of holding, administering, disbursing and accounting for the Agency's costs and revenue generated from engaging in new business opportunities.

Internal Service Fund

The Internal Service Fund was established in May 1957. It is currently used to account for the central procurement of certain common goods and services for the business units on a cost reimbursement basis.

The Agency is located in Benton County and is governed by an 11-member Executive Board and a 28-member Board of Directors. During fiscal year 2010, the Agency had a \$476 million operating budget and approximately 1,100 employees.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Directors:

President	Judy Ridge, Asotin County PUD
Vice President	Larry Reese, Wahkiakum County PUD
Secretary	Lori Sanders, Benton PUD
Assistant Secretary	Bill Gordon, Franklin County PUD
	Tom Casey, Grays Harbor County PUD
	Ann Congdon, Chelan County PUD
	Carol Curtis, Clark Public Utilities
	Bill Gaines, Tacoma Public Utilities
	Linda Gott, Mason County PUD No. 3
	Dan Gunkel, Klickitat County PUD
	Greg Hansen, Grant County PUD
	Jack Janda, Mason County PUD No. 1
	Steve Kern, Seattle City Light
	Merritt (Buz) Ketcham, Cowlitz County PUD
	Clyde Leach, Skamania County PUD
	Ken McMillen, Jefferson County PUD
	Mike Murphy, Whatcom County PUD
	Will Purser, Clallam County PUD
	Raymon Sieler, Richland Energy Services
	Roger Sparks, Kittitas County PUD
	Diana Thompson, Pacific County PUD
	Kathy Vaughn, Snohomish County PUD
	Ed Williams, Centralia City Light
	Dave Womack, Okanogan County PUD
	Chuck TenPas, Lewis County PUD
	(effective July 22, 2009)
	Ed Williams, City of Centralia (effective July 22, 2009)
	Ken Hirsch, Pen Orielle PUD (effective February 1, 2010)
	Doug Abertin, Ferry County PUD (effective February 1, 2010)
	Chris Kroupa, Ferry County PUD (through January 31, 2010)

Executive Board:

Chair
Assistant Chair
Secretary
Assistant Secretary

Sid Morrison, retired executive
Jack Janda, PUD Commissioner
Kathy Vaughn, PUD Commissioner
David Remington, retired energy industry executive
KC Golden, Climate Solutions
Dan Gunkel, PUD Commissioner
Lawrence Kenney, retired organized labor executive
Tim Sheldon, Washington State Senator
William (Skip) Orser, retired nuclear executive (effective June 17, 2010)
Lori Sanders, PUD Commissioner (effective June 17, 2010)
Will Purser, PUD commissioner (effective June 17, 2010)
Edward (Ted) Coates, retired utility executive (through June 16, 2010)
Tom Casey, PUD Commissioner (through June 16, 2010)
Bill Gordon, PUD Commissioner (through June 16, 2010)

APPOINTED OFFICIALS

Chief Executive Director

Vic Parrish, retired June 2010
Mark Reddemann, hired June 2010

Vice Presidents:

Energy/Business Services
Technical Services
Operational Support
Corporate Services/General
Council/CFO
Nuclear Generation/CNO

Jack Baker
Sudesh Gambhir
Dale Atkinson

Al Mouncer
Scott Oxenford

AGENCY CONTACT INFORMATION

Address: Energy Northwest
P.O. Box 968
Richland, WA 99352-0968

Phone: (509) 372-5000

Website: www.energy-northwest.com

AUDIT HISTORY

We audit the Agency on an annual basis. This audit marked the 12th consecutive year no findings were reported for the Agency.



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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
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