



Office of the Washington State Auditor
Pat McCarthy

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

**City of Tacoma,
Tacoma Public Utilities – Tacoma
Power**

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



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

January 2, 2018

The Chair and Members of the Public Utility Board
City of Tacoma, Tacoma Public Utilities – Tacoma Power
Tacoma, 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. City of Tacoma, Tacoma Public Utilities – Tacoma Power is one of those utilities.

Please find attached our report on City of Tacoma, Tacoma Public Utilities – Tacoma Power's compliance with the Act.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

INDEPENDENT ACCOUNTANT'S REPORT

City of Tacoma, Tacoma Public Utilities – Tacoma Power January 1, 2016 through December 31, 2016

The Chair and Members of the Public Utility Board
City of Tacoma, Tacoma Public Utilities – Tacoma Power
Tacoma, Washington

We have examined City of Tacoma, Tacoma Public Utilities – Tacoma Power'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 City:

- 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.

Management is responsible for the Utility's compliance with those specified requirements. Our responsibility is to express an opinion on the Utility'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 Utility complied, in all material respects, with the specified requirements referenced above.

An examination involves performing procedures to obtain evidence about whether the Utility 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 Utility's compliance with specified requirements.

In our opinion, City of Tacoma, Tacoma Public Utilities – Tacoma Power 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

December 22, 2017

Attachment A: City of Tacoma, Tacoma Public Utilities – Tacoma Power Schedule of Claimed Renewable Energy Resources

Attachment A: City of Tacoma, Tacoma Public Utilities – Tacoma Power
Schedule of Claimed Renewable Energy Resources¹

		Energy Production Year 2015	Energy Production Year 2016		
Facility Name	WREGIS Generating Unit ID	Wind RECs (MWh)	Wind RECs (MWh)	Biomass RECs (MWh)	Incremental Hydropower (MWh)
BPA Tier I:					
Klondike I	W238	2,674			
Klondike III	W237	5,460			
Stateline	W248	7,619			
Condon I	W774	2,008			
Condon II	W833	2,302			
Bennett Creek Windfarm	W542	20,393	33,522		
Hot Springs Windfarm	W543	24,083	30,659		
Pilgrim Stage Station Wind Park	W1884	28,014			
Milner Dam Wind Park	W1863	47,105			
Burley Butte Wind Park	W1864	51,243			
Nine Canyon Wind Project	W684	11,226	11,451		
Nine Canyon Wind Project – Phase 3	W697	6,370	7,297		
Power County Wind Park North	W2532		24,617		
Power County Wind Park South	W2533		25,383		
SPI Biomass Facility - Aberdeen	W1640			1,684	
Mossyrock* <i>Turbine, transformer, wicket gate improvements</i>					43,351*
Cushman No. 2: <i>North Fork Powerhouse*; Butterfly Valve Improvement</i>					26,726*
LaGrande Unit No. 6 <i>Small generator</i>					2,414
Grant Co. PUD <i>Priest Rapids and Wanapum Dam fish bypass efficiency improvements</i>					3,677
Totals (MWh)		208,497	132,929	1,684	76,168
Total Renewable Energy and RECs for 2016 compliance (in MWh)		419,278			

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.

City of Tacoma, Tacoma Public Utilities – Tacoma Power used renewable resource energy and Renewable Energy Credits (RECs) it produced and purchased to meet its renewable energy target for the 2016 compliance period, which is 9 percent of its 4,658,642 MWh average retail load, or 419,278 MWh.

The RECs the Utility is claiming were created from the following eligible renewable resources:

- “Wind” is electricity produced by wind-driven turbines.
- “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.

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

To be eligible for use toward the Utility’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 Utility also met its compliance using “bundled renewable energy” in the form of incremental hydropower produced from efficiency improvements it made to its Mossyrock, Cushman No. 2, and LaGrande Unit No. 6 dams.

“Bundled renewable energy” is the energy produced, including the environmental attributes associated with the energy. The Act requires incremental hydropower be bundled to be eligible toward the Utility’s target.

The Act permits utilities that construct improvements using apprenticeship programs approved by the Washington State Apprenticeship and Training Council to claim an additional 20 percent for each MWh of additional energy generated as a result of those improvements. The additional generation the Utility claimed from improvements made to Mossyrock dam and to its Cushman

North Fork powerhouse are presented at 1.2 times the MWh value produced, in accordance with RCW 19.285.040 (2)(h). We indicated those MWh values in the table above using with an asterisk (*) in the preceding table.

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.

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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