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, 2020 through December 31, 2020

Published January 13, 2022

Report No. 1029700

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January 13, 2022

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. The 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

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INDEPENDENT ACCOUNTANT'S REPORT

City of Tacoma, Tacoma Public Utilities – Tacoma Power
January 1, 2020 through December 31, 2020

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

We have examined the 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 Utility:

- Complied with its renewable energy target of 696,648 MWh, developed as a percentage of the Utility's average retail load, in accordance with the Act's requirements. The target compliance period was January 1, 2020 through December 31, 2020.

The Utility's 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 about the renewable energy credits and renewable resource energy acquired 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 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, 2020.

Our examination disclosed no issues that are required to be reported under *Government Auditing Standards*.

Pat McCarthy, State Auditor

Olympia, WA

December 28, 2021

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

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

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

		Energy Production Year 2019		
Facility Name	**WREGIS Generating Unit ID**	**Biomass RECs (MWh)**	**Geothermal RECs (MWh)**	**Wind RECs (MWh)**
BPA Tier I				
Condon Wind Power Project – Phase II	W833	--	--	2,405
Condon Wind Power Project	W774	--	--	2,347
Klondike Wind Power – Phase I	W238	--	--	2,920
Klondike Wind Power – Phase III	W237	--	--	7,724
Stateline (WA)	W248	--	--	10,451
Burley Butte Wind Park	W1864	--	--	56,106
Elkhorn Valley Wind Farm	W186	--	--	32,000
Hot Springs Wind Farm	W543	--	--	27,515
Milner Dam Wind Park	W1863	--	--	51,216
Neal Hot Springs Geothermal	W3155	--	18,000	--
Nine Canyon Wind Project – Phase 3	W697	--	--	5,846
Nine Canyon Wind Project	W684	--	--	10,529
Payne's Ferry Wind Park	W1866	--	--	61,653
Pilgrim Stage Station Wind Park	W1884	--	--	31,677
Power County Wind Park North	W2532	--	--	26,797
Power County Wind Park South	W2533	--	--	23,203
Sierra Pacific Industries (SPI) Biomass Cogeneration Facility – Aberdeen, WA	W1640	10,648	--	--
Sierra Pacific Industries (SPI) Biomass Cogeneration Facility – Aberdeen, WA – Onsite Load	W1744	25,371	--	--
White Creek Wind	W360	--	--	49,694
Totals (MWh):		**36,019**	**18,000**	**402,083**
Total MWh value of 2019 RECs acquired for 2020 compliance		**456,102**		

		Energy Production Year 2020			
Facility Name	**WREGIS Generating Unit ID**	**Biomass RECs (MWh)**	**Solar RECs (MWh)**	**Incremental Hydropower (MWh)**	**Wind RECs (MWh)**
BPA Tier I					
Bonneville Dam	W3996	--	--	3,138	--
Chief Joseph Dam – Generating Unit 1	W4395	--	--	883	--
Chief Joseph Dam – Generating Unit 2	W4396	--	--	886	--
Chief Joseph Dam – Generating Unit 3	W4397	--	--	881	--
Chief Joseph Dam – Generating Unit 4	W4398	--	--	884	--
Chief Joseph Dam – Generating Unit 5	W4399	--	--	1,243	--
Chief Joseph Dam – Generating Unit 6	W4400	--	--	1,246	--
Chief Joseph Dam – Generating Unit 7	W4401	--	--	1,243	--
Chief Joseph Dam – Generating Unit 8	W4402	--	--	1,242	--
Chief Joseph Dam – Generating Unit 9	W4403	--	--	1,243	--
Chief Joseph Dam – Generating Unit 10	W4404	--	--	1,244	--
Chief Joseph Dam – Generating Unit 11	W4405	--	--	1,248	--
Chief Joseph Dam – Generating Unit 12	W4406	--	--	1,244	--
Chief Joseph Dam – Generating Unit 13	W4407	--	--	1,247	--
Chief Joseph Dam – Generating Unit 14	W4408	--	--	1,245	--
Chief Joseph Dam – Generating Unit 15	W4409	--	--	892	--
Chief Joseph Dam – Generating Unit 16	W4410	--	--	881	--
Cougar Dam – Generating Unit 2	W4422	--	--	265	--
Grand Coulee Dam – Generating Unit 3	W3802	--	--	28,442	--
Hills Creek Dam – Generating Unit 1	W10805	--	--	134	--
Lookout Point Dam – Generating Unit 3	W5088	--	--	704	--
Palisades Dam – Generating Unit 3	W7663	--	--	3,029	--
ID Solar 1	W5076	--	47,221	--	--
NorWest Energy 4 – Bonanza Project	W7352	--	11,815	--	--
NorWest Energy 7 – Eagle Point	W5844	--	18,173	--	--
NorWest Energy 9 – Pendleton Solar	W7351	--	11,958	--	--
Stateline (OR)	W249	--	--	--	8,000
Stimson Lumber - Plummer	W813	8,549	--	--	--

		Energy Production Year 2020			
Facility Name	**WREGIS Generating Unit ID**	**Biomass RECs (MWh)**	**Solar RECs (MWh)**	**Incremental Hydropower (MWh)**	**Wind RECs (MWh)**
Tacoma Community Solar Project	W10175	--	396*	--	--
Wanapum Dam – Unit 8A	W7504	--	--	3,709	--
LaGrande – Small Generator Unit No. 6	--	--	--	2,810	--
Mossyrock (Unit 51, Unit 52)					
Turbine rebuild	--	--	--	32,453^	--
Wicket gate leakage repair	--	--	--	18,309^	--
Transformer replacement	--	--	--	1,593^	--
Cushman No. 2 – Northfork Powerhouse					
Unit 34	--	--	--	11,278^	--
Unit 35	--	--	--	10,818^	--
Totals (MWh):		**8,549**	**89,563**	**134,434**	**8,000**
Total MWh value of 2020 renewable energy and RECs acquired for 2020 compliance		**240,546**			

* - MWh value represents two times the actual number of RECs claimed to recognize the Act's multiplier available for facilities with a generating capacity of not more than five megawatts.

^ - MWh value represents 1.2 times the actual MWh value to recognize the Act's multiplier available for facilities built using a certain amount of apprentice labor during its construction.

The City of Tacoma, Tacoma Public Utilities – Tacoma Power used Renewable Energy Credits (RECs) it purchased and renewable resource energy it produced of a value of 696,648 megawatt hours (MWhs) to meet its renewable energy target for the 2020 compliance period. The Utility's renewable energy target for 2020 was 696,648 MWhs, which is 15 percent of its 4,644,322 MWh average retail load sold during the previous two years.

The Act (RCW 19.285.030 (20)) defines a Renewable Energy Credit as a tradable certificate of proof of at least 1 megawatt-hour (MWh) of electricity produced from an eligible renewable resource. 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 electricity and the associated REC as "bundled renewable energy" or may acquire just the REC without having to purchase the electricity to meet its target.

To be eligible for use toward the Utility's renewable energy target, all RECs claimed from power producing facilities, called "generating units", must 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 Utility uses WREGIS to track all of its RECs.

WREGIS identifies each generating unit using a unique identification number, or WREGIS Generating Unit ID. Each REC is registered in the Utility's own account with a unique serial number. When the Utility 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 Utility 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.

The Act permits the Utility to count each REC produced by a generating unit at 1.2 times its MWh value towards its renewable energy target if the facility was built using a certain amount of apprentice labor during its construction. The table above indicates the MWh values where the 20 percent apprentice-labor credit was applied using a caret (^).

The Act recognizes as eligible energy produced by solar power, wind-driven turbines, biomass energy, and geothermal energy. The Act also recognizes as eligible the incremental amount of energy produced from efficiency improvements made to a hydro facility owned by a qualifying utility. The Utility purchased a portion of the incremental amount of "bundled renewable energy" produced from Priest Rapids Project, owned by Public Utility District No. 2 of Grant County. The Utility also claimed a portion the incremental amount of "bundled renewable energy" produced from efficiency improvements it made to its Cushman, LaGrande, and Mossyrock dams.

The Act recognizes as eligible RECs from the qualifying utility's share of the incremental amount of electricity output from efficiency improvements to hydroelectric projects whose energy output is marketed by the Bonneville Power Administration, provided certain requirements are met. This resource became eligible for compliance periods starting January 1, 2020.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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