



Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with the Energy Independence Act

Public Utility District No. 1 of Cowlitz County

For the period January 1, 2020 through December 31, 2020

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

February 23, 2023

Board of Commissioners
Public Utility District No. 1 of Cowlitz County
Longview, Washington

Report on Compliance with the Energy Independence Act

In November 2006, Washington voters approved Initiative 937, 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 electric utilities' and public utility districts' compliance with these requirements. As of this reporting period, our Office was required to examine 12 such electric utilities with more 25,000 customers operating in Washington State. Public Utility District No. 1 of Cowlitz County is one of those utilities.

Please find attached our report on the District's compliance with the Act.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT ACCOUNTANT'S REPORT

Public Utility District No. 1 of Cowlitz County January 1, 2020 through December 31, 2020

Board of Commissioners
Public Utility District No. 1 of Cowlitz County
Longview, Washington

We have examined Public Utility District No. 1 of Cowlitz County's compliance with the following requirements of the Energy Independence Act codified in the Revised Code of Washington (RCW) 19.285.040 (the specified requirements). Specifically, we examined whether the District:

- Complied with its renewable energy target of 715,331 megawatt-hours (MWh), developed as a percentage of the District's average retail load, in accordance with the Act's requirements. The target compliance period was January 1, 2020 through December 31, 2020.

Management of the District is responsible for the District's compliance with the 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 of 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 as summarized in Attachment A, is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our engagement.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the Public Utility District No. 1 of Cowlitz County complied, in all material respects, with the aforementioned requirements as of the annual renewable energy compliance period ended December 31, 2020.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; and fraud or noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on compliance with the specified requirements of the Act. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over compliance and other matters; accordingly, we express no such opinions.

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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

February 17, 2023

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

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

This list is not intended to be a complete representation of all eligible renewable resource energy and/or RECs the District had available as of January 1 of the compliance period.

		Energy Production Year 2019		Energy Production Year 2020		
Facility Name	WREGIS Generating Unit ID	Biomass RECs (MWh)	Wind RECs (MWh)	Solar RECs (MWh)	Wind RECs (MWh)	Incremental Hydropower RECs (MWh)
BPA Tier I						
Condon Wind Power Project	W774	--	6,859	--	469	--
Condon Wind Power Project – Phase II	W833	--	7,028	--	480	--
Klondike Wind Power – Phase I	W238	--	9,894	--	2,518	--
Klondike Wind Power – Phase III	W237	--	16,980	--	3,179	--
Stateline (OR)	W249	--	42,625	--	6,688	--
Stateline (WA)	W248	--	33,910	--	1,900	--
Bonneville Dam	W3996	--	--	--	--	3,285
Chief Joseph Dam - Generating Unit 1	W4395	--	--	--	--	925
Chief Joseph Dam - Generating Unit 2	W4396	--	--	--	--	922
Chief Joseph Dam - Generating Unit 3	W4397	--	--	--	--	924
Chief Joseph Dam - Generating Unit 4	W4398	--	--	--	--	923
Chief Joseph Dam - Generating Unit 5	W4399	--	--	--	--	1,299
Chief Joseph Dam - Generating Unit 6	W4400	--	--	--	--	1,298
Chief Joseph Dam - Generating Unit 7	W4401	--	--	--	--	1,300
Chief Joseph Dam - Generating Unit 8	W4402	--	--	--	--	1,303
Chief Joseph Dam - Generating Unit 9	W4403	--	--	--	--	1,300
Chief Joseph Dam - Generating Unit 10	W4404	--	--	--	--	1,300
Chief Joseph Dam - Generating Unit 11	W4405	--	--	--	--	1,302
Chief Joseph Dam - Generating Unit 12	W4406	--	--	--	--	1,302
Chief Joseph Dam - Generating Unit 13	W4407	--	--	--	--	1,303
Chief Joseph Dam - Generating Unit 14	W4408	--	--	--	--	1,299
Chief Joseph Dam - Generating Unit 15	W4409	--	--	--	--	924
Chief Joseph Dam - Generating Unit 16	W4410	--	--	--	--	923
Cougar Dam - Generating Unit 2	W4422	--	--	--	--	289
Grand Coulee Dam - Generating Unit 3	W3802	--	--	--	--	29,739
Hills Creek Dam - Generating Unit 1	W10805	--	--	--	--	142

		Energy Production Year 2019		Energy Production Year 2020		
Facility Name	WREGIS Generating Unit ID	Biomass RECs (MWh)	Wind RECs (MWh)	Solar RECs (MWh)	Wind RECs (MWh)	Incremental Hydropower RECs (MWh)
Lookout Point Dam - Generating Unit 3	W5088	--	--	--	--	736
Palisades Dam - Generating Unit 3	W7663	--	--	--	--	3,165
American Falls Solar - Phase II	W5375	--	--	15,080	--	--
American Falls Solar	W5376	--	--	14,011	--	--
Chiloquin Solar	W6979	--	--	12,552	--	--
Golden Valley Wind Park	W1862	--	--	--	19,125	--
Harvest Wind	W1306	--	39,170^	--	--	--
Hopkins Ridge	W184	--	25,000	--	--	--
Longview - Turbine Generator 1	W3832	11,509	--	--	--	--
Longview - Turbine Generator 2	W3833	9,749	--	--	--	--
Longview - Turbine Generator 4	W3860	22,130	--	--	--	--
Longview - Turbine Generator 5	W3861	29,116	--	--	--	--
Longview Pulp Mill - Six Turbine	W1787	74,484	--	--	--	--
Longview Pulp Mill - Seven Turbine	W1788	41,059	--	--	--	--
Mountain Air Wind Projects	W2869	--	5,854	--	47,683	--
Murphy Flat Power	W5395	--	--	16,810	--	--
Nine Canyon Wind Project	W684	--	28,932	--	7,594	--
Nine Canyon Wind Project - Phase 3	W697	--	7,819	--	1,932	--
OR Solar 3 - Turkey Hill	W6982	--	--	15,661	--	--
OR Solar 5- Merrill	W6983	--	--	12,286	--	--
OR Solar 6- Lakeview	W6984	--	--	15,213	--	--
OR Solar 8 - Dairy	W6986	--	--	10,063	--	--
Orchard Ranch Solar	W5373	--	--	9,648	--	--
Simcoe Solar	W5372	--	--	14,021	--	--
Thousand Springs Wind Park	W1881	--	--	--	985	--
Tuana Gulch Wind Park	W1883	--	--	--	16,893	--
Wanapum Dam - Unit 8A	W7504	--	--	--	--	2,519
Totals (MWh):		188,047	224,071	135,345	109,446	58,422
Total MWh value of 2020 RECs acquired for 2020 compliance		715,331				

Public Utility District No. 1 of Cowlitz County used Renewable Energy Credits (RECs) it purchased and energy it purchased from facilities using eligible renewable resources of a value of 715,331 MWhs to meet its renewable energy target. The District's renewable energy target for 2020 was 715,331 MWhs, which is 15 percent of its 4,768,870 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.

To be eligible for use toward the District'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 District 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 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 permits the District to count each REC at 1.2 times its MWh value towards its renewable energy target if the generating facility was built using apprenticeship programs used by the Washington State Apprenticeship and Training Council within the state Department of Labor and Industries. We indicate the MWh values where the District applied the 20 percent apprentice-labor credit using a caret (^).

Provided certain requirements are met, RECs created from the utility's share of the electricity resulting from improvements to hydroelectric projects are eligible under the Act. This resource became eligible for compliance periods starting January 1, 2020. The District 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 and Tier 1 projects owned by Bonneville Power Administration.

Energy and RECs produced by wind-driven turbines, solar, and biomass-fueled generators are eligible under the Act. The District used qualified biomass energy RECs it purchased from two of its industrial customers toward compliance; Kapstone Kraft Paper Company's Biomass Facility and a cogeneration facility owned by Nippon Dynawave Packaging Company. The Kapstone biomass facility creates electricity exclusively from the wood waste produced from its manufacturing of packaging products. The Nippon cogeneration facility uses both biomass materials along with non-renewable resources to generate electricity. Only the portion of electricity produced using biomass fuels are eligible under the Act.

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.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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