



Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with the Energy Independence Act

Public Utility District No. 1 of Franklin County

For the period January 1, 2022 through December 31, 2022

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

August 12, 2024

Board of Commissioners
Public Utility District No. 1 of Franklin County
Pasco, 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 13 such electric utilities with more than 25,000 customers operating in Washington State. Public Utility District No. 1 of Franklin 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 Franklin County January 1, 2022 through December 31, 2022

Board of Commissioners
Public Utility District No. 1 of Franklin County
Pasco, Washington

We have examined Public Utility District No. 1 of Franklin 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 32,675 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, 2022 through December 31, 2022.

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.

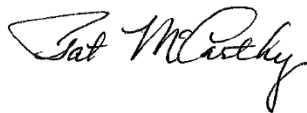
Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the Public Utility District No. 1 of Franklin County complied, in all material respects, with the aforementioned requirements as of the annual renewable energy compliance period ended December 31, 2022.

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

July 25, 2024

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

Attachment A: Public Utility District No. 1 of Franklin 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 2021	Energy Production Year 2022	
Facility Name	WREGIS Generating Unit ID	Wind RECs (MWh)	Wind RECs (MWh)	Hydroelectric RECs (MWh)
Esquatzel Hydroelectric Facility	W2460	--	--	5,626*
Nine Canyon Wind Project – Phase 3	W697	9,464	333	--
Nine Canyon Wind Project	W684	16,164	912	--
White Creek Wind 1	W360	82	94	--
Totals (MWh):		25,710	1,339	5,626
Total RECs and renewable energy for 2022 compliance (in MWh)		32,675		

Public Utility District No. 1 of Franklin County used Renewable Energy Credits (RECs) it purchased and energy it purchased from facilities using eligible renewable resources of a value of 32,675 MWhs to meet its renewable energy target. The District’s renewable energy target for 2022 was 32,675 MWhs, which is 3 percent of its 1,089,172 MWh average retail load sold during the previous two years. The 2022 compliance period was the first year the District was required to comply with the Energy Independence Act’s renewable energy requirements. State law (RCW 19.285.040(3)) requires utilities that become qualifying utilities after December 31, 2006, to meet the renewable energy requirements on a time frame comparable to the time frame provided for utilities that were qualifying utilities as of December 7, 2006. The District is required to meet the 3 percent average retail load value as its target for 2022 and each year through December 31, 2025.

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 classifies the eligible renewable resource energy produced by a facility with a generating capacity of no more than 5 megawatts to be classified as “Distributed Generation.” The Act permits the District 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 recognizes energy produced by wind-driven turbines, and hydroelectric generation from facilities located in irrigation canals as eligible.

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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