



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, 2023 through December 31, 2023

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

January 30, 2025

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 13 such electric utilities with more than 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, 2023 through December 31, 2023

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 680,841 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, 2023 through December 31, 2023.

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, 2023.

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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

January 23, 2025

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 2022		
Facility Name	WREGIS Generating Unit ID	Biomass RECs (MWh)	Solar RECs (MWh)	Wind RECs (MWh)
BPA Tier I				
Condon Wind Power Project	W774	--	--	1,485
Condon Wind Power Project – Phase II	W833	--	--	1,523
Stateline (WA)	W248	--	--	9,821
Klondike Wind Power – Phase I	W238	--	--	1,002
Klondike Wind Power – Phase III	W237	--	--	7,030
Cassia Gulch Wind Park	W823	--	--	2,322
Chopin Wind Farm	W5210	--	--	3,126
Harvest Wind	W1306	--	--	23,623^
Horse Butte Wind	W3260	--	--	1,418
Longview – Turbine Generator 1	W3832	1,379	--	--
Longview – Turbine Generator 2	W3833	11,108	--	--
Longview – Turbine Generator 4	W3860	36,336	--	--
Longview – Turbine Generator 5	W3861	11,320	--	--
Longview Pulp Mill – Seven Turbine	W1788	57,497	--	--
Longview Pulp Mill – Six Turbine	W1787	42,159	--	--
Meadow Creek Wind Farm – Five Pine Project	W3186	--	--	19,893
Meadow Creek Wind Farm – North Point Wind Farm	W3185	--	--	4,963
Mountain Air Wind Projects	W2869	--	--	82,734

		Energy Production Year 2022		
Facility Name	WREGIS Generating Unit ID	Biomass RECs (MWh)	Solar RECs (MWh)	Wind RECs (MWh)
Mt Home Solar 1	W5616	--	5,000	--
Nine Canyon Wind Project	W684	--	--	4,034
Nine Canyon Wind Project – Phase 3	W697	--	--	2,422
Orchard Windfarm 1	W10840	--	--	792
Orchard Windfarm 2	W10842	--	--	1,708
Orchard Windfarm 4	W10844	--	--	960
White Creek Wind 1	W360	--	--	851
Totals (MWh):		159,799	5,000	169,707
Total 2022 renewable energy and RECs for 2023 compliance (in MWh)		334,506		

		Energy Production Year 2023			
Facility Name	WREGIS Generating Unit ID	Biomass RECs (MWh)	Incremental Hydropower RECs (MWh)	Solar RECs (MWh)	Wind RECs (MWh)
BPA Tier I					
Bonneville Dam	W3996	--	3,371	--	--
Chief Joseph Dam – Generating Unit 1	W4395	--	997	--	--
Chief Joseph Dam – Generating Unit 2	W4396	--	996	--	--
Chief Joseph Dam – Generating Unit 3	W4397	--	992	--	--
Chief Joseph Dam – Generating Unit 4	W4398	--	999	--	--
Chief Joseph Dam – Generating Unit 5	W4399	--	1,404	--	--
Chief Joseph Dam – Generating Unit 6	W4400	--	1,407	--	--

		Energy Production Year 2023			
Facility Name	WREGIS Generating Unit ID	Biomass RECs (MWh)	Incremental Hydropower RECs (MWh)	Solar RECs (MWh)	Wind RECs (MWh)
Chief Joseph Dam – Generating Unit 7	W4401	--	1,404	--	--
Chief Joseph Dam – Generating Unit 8	W4402	--	1,402	--	--
Chief Joseph Dam – Generating Unit 9	W4403	--	1,402	--	--
Chief Joseph Dam – Generating Unit 10	W4404	--	1,402	--	--
Chief Joseph Dam – Generating Unit 11	W4405	--	1,405	--	--
Chief Joseph Dam – Generating Unit 12	W4406	--	1,404	--	--
Chief Joseph Dam – Generating Unit 13	W4407	--	1,407	--	--
Chief Joseph Dam – Generating Unit 14	W4408	--	1,406	--	--
Chief Joseph Dam – Generating Unit 15	W4409	--	995	--	--
Chief Joseph Dam – Generating Unit 16	W4410	--	999	--	--
Cougar Dam – Generating Unit 2	W4422	--	152	--	--
Grand Coulee Dam – Generating Unit 3	W3802	--	32,147	--	--
Hills Creek Dam – Generating Unit 1	W10805	--	277	--	--
Lookout Point Dam – Generating Unit 3	W5088	--	484	--	--
Palisades Dam – Generating Unit 3	W7663	--	2,561	--	--
Chiloquin Solar	W6979	--	--	10,622	--
Goodnoe Hills	W536	--	--	--	45,687
Harvest Wind	W1306	--	--	--	415^
Jackpot Solar	W15123	--	--	10,727	
Leaning Jupiter I	W200	--	--	--	22,300
Longview – Turbine Generator 1	W3832	1,918	--	--	--
Longview – Turbine Generator 2	W3833	1,503	--	--	--
Longview – Turbine Generator 4	W3860	8,548	--	--	--

		Energy Production Year 2023			
Facility Name	WREGIS Generating Unit ID	Biomass RECs (MWh)	Incremental Hydropower RECs (MWh)	Solar RECs (MWh)	Wind RECs (MWh)
Longview – Turbine Generator 5	W3861	3,016	--	--	--
Marengo Wind Farm	W185	--	--	--	35,210
Marengo Wind Farm II	W772	--	--	--	24,831
Meadow Creek Wind Farm – North Point Wind Farm	W3185	--	--	--	303
Mountain Air Wind Projects	W2869	--	--	--	42,950
Nine Canyon Wind Project	W684	--	--	--	2,563
Nine Canyon Wind Project – Phase 3	W697	--	--	--	1,521
OR Solar 2 – Agate Bay	W10967	--	--	13,597	--
OR Solar 3 – Turkey Hill	W6982	--	--	15,777	--
OR Solar 5 – Merrill	W6983	--	--	12,801	--
OR Solar 6 – Lakeview	W6984	--	--	13,537	--
OR Solar 8 – Dairy	W6986	--	--	16,216	--
Priest Rapids Dam – Generating Unit 2	W7513	--	782	--	--
Priest Rapids Dam – Generating Unit 3	W7511	--	332	--	--
Wanapum Dam – Generating Unit 3A	W7453	--	488	--	--
Wanapum Dam – Generating Unit 5A	W7500	--	799	--	--
Wanapum Dam – Generating Unit 6A	W7501	--	88	--	--
Wanapum Dam – Generating Unit 7A	W7503	--	45	--	--
White Creek Wind 1	W360	--	--	--	747
Totals (MWh):		14,985	61,547	93,277	176,527
Total 2023 renewable energy and RECs for 2023 compliance (in MWh)		346,336			

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 680,842 MWhs to meet its renewable energy target. The District's renewable energy target for 2023 was 680,841 MWhs, which is 15% of its 4,538,939 MWh average load delivered to its grid during the previous two years. The District's average load delivered to its grid exceeded its average retail load over the same period.

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 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 1 applied 20% 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.

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 is 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.

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