

GOP wants probe of energy tax credit allegations

By HILLARY BORRUD
Capital Bureau

SALEM — Republican state lawmakers are calling for a probe of allegations that employees at the Oregon Department of Energy and Department of Revenue violated state law on energy tax credits, engaged in favoritism and allowed some people to evade the capital gains tax.

The lawmakers outlined the allegations in letters sent Monday to Oregon Attorney General Ellen Rosenblum, the state's U.S. Attorney, the FBI, the IRS and Marion County District Attorney Walter Beglau.

The legislators who sent the letter were state Sen. Doug Whitsett, R-Klamath Falls; Rep. Gail Whitsett, R-Klamath Falls; Rep. Cliff Bentz, R-Ontario; Rep. Mark Johnson, R-Hood River; and Rep. John Davis, R-Wilsonville.

"We hope to achieve a broad legal investigation of what may or may not have gone on," Whitsett said. "That was the purpose of sending the letter to six different law enforcement agencies and (carbon copying) the others so everybody knew they got it."

Lawmakers based their allegations on interviews with whistleblowers who were former or current employees of the Department of Energy and Department of Revenue.

Tax credits for renewable energy

The state issued the tax credits to owners of renewable energy and efficiency projects. Project owners could use the credits to offset their taxes, or sell them at a discount to raise capital. Those sales produced a capital gain for the purchaser.

Business energy tax credits issued between 2006 and 2014 could cost the state up to \$968.1 million in tax revenue, according to the Department of Energy. A majority of that cost — \$703.6 million — comes from tax credits that were sold to investors.

The companies and individuals who bought those credits could realize a total gain of \$209.4 million, which is the difference between the value of the tax credits and the price taxpayers paid to purchase them, according to an analysis by the EO Media Group/Pamplin Media Group Capital Bureau.

The lawmakers wrote that "(business energy tax credits), as they were issued by the (Department of Energy), were hand-delivered by a (Department of Energy) employee to a select buyer of those credits without an opportunity for others to bid." The same employee allowed the tax credit recipients to ignore state price

regulations on the sales of the energy tax credits.

"The capital gain on the sale of the credits by the entity purchasing the credits was not appropriately reported to either the state or federal taxing authorities," lawmakers wrote. A state auditor who raised the issue was told to "stand down," and the Department of Energy never issued 1099 tax forms to report the capital gains, according to the lawmakers.

Well-connected broker

The EO Media Group/Pamplin Media Group Capital Bureau reported many of the same issues in recent months.

For example, the bureau reported in August that the well-connected energy tax credit broker Blue Tree Strategies was able to get the Department of Energy to change the rules for energy tax credits. The bureau also reported in June that wealthy individuals and companies were able to avoid paying taxes on capital gains they realized by purchasing discounted energy tax credits, because auditors at the Department of Revenue were told by top officials in 2012 to ignore the problems.

"It certainly appears that there was some favoritism going on," Whitsett said Tuesday. "There certainly sounds like there may have been significant taxes foregone ... It certainly sounds as if there was one particular brokerage that was garnering great favoritism."

Democrats considering legislation

Whitsett said the Republican lawmakers decided to send the letter because Democratic lawmakers are considering possible legislation to address liability the state could face as a result of the Department of Energy's handling of the tax credits, including a new type of tax credit that replaced the business energy tax credit. The leaders of the Oregon House and Senate revenue committees, Gov. Brown's energy policy adviser and lawyers from the Legislature and state Department of Justice met behind closed doors at the capitol Wednesday to discuss the issue, as first reported by the Oregon Capital Insider online newsletter.

"We understood there was an effort being made to bring some legislation to clean up this thing," Whitsett said. "We thought perhaps it would be a good time to let the public know how bad it might be, before we started the cleanup."

A spokesperson for Rosenblum's office said the attorney general is reviewing the letter.

The Capital Bureau is a collaboration between EO Media Group and Pamplin Media Group.

LNG opponents want state to block Jordan Cove project

By HILLARY BORRUD
Capital Bureau

SALEM — Opponents of the Jordan Cove liquefied natural gas project asked the State Land Board on Tuesday to decide whether the state should issue permits for parts of the project.

The interim director of the Department of State Lands, Stephanie Hallock Cummins, would normally make a decision on whether to approve two "removal fill" applications by developers of the Jordan Cove project and related pipeline. Under state law, the developers need the permits before any construction work in wetlands.

The State Land Board consists of the governor, secretary of state and treasurer. Gov. Kate Brown did not attend the meeting because she was traveling on the East Coast, according to spokeswoman Kristen Grainger.

The other two members of the board did not agree to consider the permits.

Treasurer Ted Wheeler said he was not necessarily opposed to taking up the decision.

"We want to respect that there's a process underway and personally I want to be respectful of the process," Wheeler said.



EO Media Group

Opponents of the Jordan Cove LNG project proposed for Coos Bay attended a State Land Board meeting on Tuesday in Salem. Many of the opponents dressed in red to distinguish themselves from other attendees.

"I'm not opposed to the land board taking this up," he said. "Nobody has made the case that the process is broken, so let's continue with the process we'd agreed to."

Wheeler said there would be a public meeting in Coos Bay to gather input on the permit applications. The state has also extended by another month the public comment deadline, which is now Jan. 8.

Secretary of State Jeanne Atkins declined to comment on the situation. Molly Woon,

a spokeswoman for Atkins, wrote in an email that "Secretary Atkins will be watching the Department of State Lands closely and will request ongoing briefings as they move forward in decision making."

Several dozen opponents attended the meeting and dressed in red to distinguish themselves, although not all of them spoke. Many said they lived in Portland, and some were also from Coos Bay and southern Oregon.

Emmalyn Garrett, who lives

near Grants Pass, challenged Wheeler to take up the issue and pointed out that environmental issues are important in Portland. Wheeler is running for Portland mayor.

"Treasurer Wheeler, you're looking at a powerful part of your constituency, if you're planning on being mayor of Portland," Garrett said.

Lili Clausen, from the Clausen Oysters farm in Coos Bay, said the state should block the LNG project.

"I'm here because I'm very concerned about the sustainability of the oyster businesses in Coos Bay," Clausen said. "If that pipeline is getting the easement, that would potentially destroy most of the oyster production in Coos Bay because the digging up of the ground and the pipes would create a lot of silt."

Jordan Cove is one of two proposed LNG projects in Oregon. Federal, state and local officials are also reviewing Oregon LNG's proposal for a terminal on the Skipanon Peninsula in Warrenton and a pipeline that would link to a natural gas pipeline in Washington state.

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Cannon Beach selects outside interim fire chief

By DANI PALMER
EO Media Group

CANNON BEACH — The Cannon Beach Rural Fire Protection District's new interim fire chief is on duty. The district's Board of Directors introduced Jim Stearns, of Hermiston, to the public Monday night during its regular monthly meeting.

The district provides firefighting and emergency service to the communities of Cannon Beach, Arch Cape and Falcon Cove. Board members interviewed Stearns and two other Special Districts Association of Oregon candidates, Dale Kamrath and Doug Dawson, in November in executive session. During a special meeting on Dec. 2, they selected Stearns.

"I think he'll be a good new addition," Board President Sharon Clyde said.

Former fire chief Mike Balzer was dismissed in mid-October due to personnel issues and Assistant Chief Frank Swedenborg has covered his post since. Stearns is working with Swedenborg, who is ready to retire and not looking to fill in permanently, to transition into the role.

Stearns spent 31 years — 20 as chief — with Hermiston Fire and Emergency Services. He has served on the state's wildfire management team, performing as incident commander at one point, and been on a federal interagency wildfire team that primarily covered the Western states.

He has also volunteered for the Sumpter Volunteer Fire Department, where he owns a cabin.

"I retired and didn't take to retirement well," he said.

Cannon Beach is Stearns' third interim gig since he began working for the Special Districts Association of Oregon. He most recently served as Washington County Fire District 2's interim chief for six months.

He will likely be in Cannon Beach for half a year, as well.

Stearns is staying in the Cannon Beach RV Resort. His wife, Becky, is a retired

school teacher who's splitting her time between Cannon Beach and Hermiston. They have a daughter in Medford and two sons in the Seattle area.

Stearns said he is "anxious to meet folks in the community" and encourages residents to stop by and visit. When he interviewed for the position there were volunteer firefighters in attendance along with board members.

"It seemed clear to me everyone wanted to focus on

the community and the department being an active part of that community," he said. "That's what I like to see and do."

There has been some community opposition to Balzer's termination. Residents expressed disappointment in the board's handling of the situation during its November meeting.

Stearns said his outlook is to "start from today and move forward."

He and the Special Districts Association of Oregon will assist in the search for a permanent Cannon Beach Fire and Rescue leader.



Jim Stearns

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