

AccuWeather.com Forecast

TODAY	SATURDAY	SUNDAY	MONDAY	TUESDAY
Mostly sunny and pleasant	Sunny	Mostly sunny and not as warm	Comfortable with plenty of sun	Nice with plenty of sunshine
PENDLETON TEMPERATURE FORECAST				
78° 49°	87° 56°	74° 43°	74° 43°	74° 43°
HERMISTON TEMPERATURE FORECAST				
81° 44°	90° 57°	79° 49°	79° 45°	80° 37°

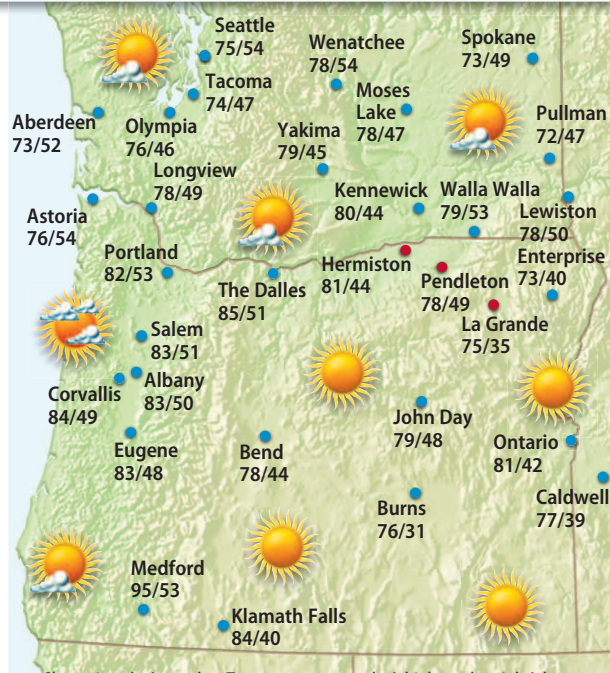
ALMANAC

PENDLETON
through 3 p.m. yesterday

TEMPERATURE

HIGH	LOW
Yesterday 76°	57°
Normals 81°	52°
Records 98° (1981)	34° (1910)

PRECIPITATION
24 hours ending 3 p.m. 0.00"
Month to date 0.35"
Normal month to date 0.12"
Year to date 7.74"
Last year to date 5.66"
Normal year to date 8.54"



HERMISTON
through 3 p.m. yesterday

TEMPERATURE

HIGH	LOW
Yesterday 80°	60°
Normals 82°	51°
Records 99° (1944)	34° (1929)

PRECIPITATION
24 hours ending 3 p.m. 0.00"
Month to date 0.41"
Normal month to date 0.09"
Year to date 5.40"
Last year to date 3.43"
Normal year to date 6.24"

SUN AND MOON

First	Full	Last	New
Sep 9	Sep 16	Sep 23	Sep 30

REGIONAL FORECAST

Coastal Oregon: Partly sunny today. Pleasant and warmer across the north; pleasant in the south.

Eastern and Central Oregon: Sunny and nice today. Clear tonight. Plenty of sunshine tomorrow.

Western Washington: Sunshine today, but partly sunny at the coast.

Eastern Washington: Mostly sunny today. Mainly clear tonight; however, mostly cloudy in the north.

Cascades: Pleasant today with plenty of sunshine. Clear tonight. Plenty of sun tomorrow.

Northern California: Partly sunny at the coast today; hot in central parts. Sunny elsewhere.

REGIONAL CITIES

	Today			Sat.		
	Hi	Lo	W	Hi	Lo	W
Astoria	76	54	pc	72	56	c
Baker City	75	31	s	84	39	s
Bend	78	44	s	85	47	s
Brookings	75	52	s	71	53	pc
Burns	76	31	s	84	39	s
Enterprise	73	40	s	81	48	s
Eugene	83	48	s	88	51	s
Heppner	77	42	s	86	51	s
Hermiston	81	44	s	90	57	s
John Day	79	48	s	88	53	s
Klamath Falls	84	40	s	88	40	s
La Grande	75	35	s	85	48	s
Meacham	73	37	s	83	48	s
Medford	95	53	s	96	55	s
Newport	66	50	pc	65	52	s
North Bend	69	50	s	68	54	s
Ontario	81	42	s	83	50	s
Pasco	79	44	s	88	53	s
Pendleton	78	49	s	87	56	s
Portland	82	53	s	82	53	s
Redmond	80	37	s	89	44	s
Salem	83	51	s	86	52	s
Spokane	73	49	s	80	52	s
Ukiah	74	39	s	83	43	s
Vancouver	81	50	s	82	52	s
Walla Walla	79	53	s	86	59	s
Yakima	79	45	s	90	51	s

WORLD CITIES

	Today			Sat.		
	Hi	Lo	W	Hi	Lo	W
Beijing	90	65	pc	88	65	pc
Hong Kong	87	78	sh	87	80	c
Jerusalem	86	69	s	88	69	s
London	73	63	pc	70	51	r
Mexico City	74	49	pc	75	53	pc
Moscow	58	47	c	59	47	pc
Paris	79	55	s	80	62	pc
Rome	83	66	t	82	65	t
Seoul	81	65	pc	82	67	pc
Sydney	75	57	pc	72	54	r
Tokyo	88	75	s	87	73	pc

WINDS

(in mph)	Today	Saturday
Boardman	VAR 3-6	WSW 4-8
Pendleton	NNW 3-6	WSW 6-12

UV INDEX TODAY

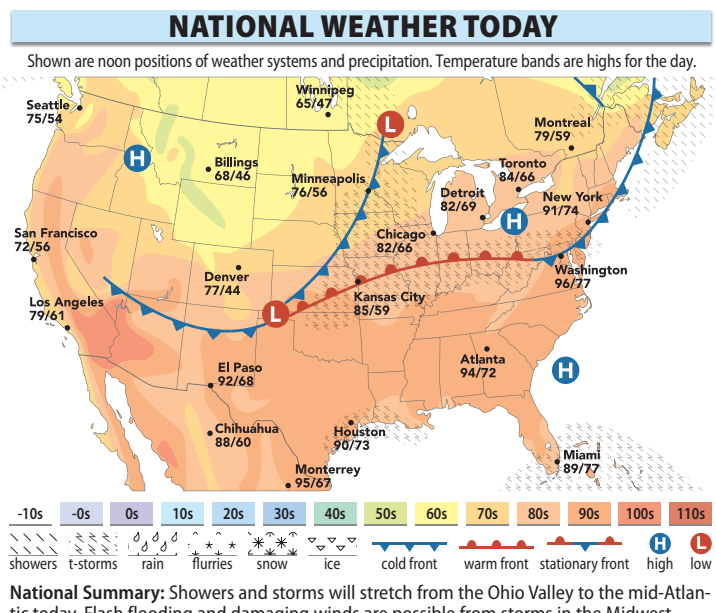
1 3 5 5 3 1

8 a.m. 10 a.m. Noon 2 p.m. 4 p.m. 6 p.m.

0-2, Low 3-5, Moderate 6-7, High; 8-10, Very High; 11+, Extreme

The higher the AccuWeather.com UV Index™ number, the greater the need for eye and skin protection.

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NATIONAL CITIES

	Today			Sat.				Today			Sat.		
	Hi	Lo	W	Hi	Lo	W		Hi	Lo	W	Hi	Lo	W
Albuquerque	91	60	pc	80	57	s	Louisville	89	75	t	86	61	t
Atlanta	94	72	s	93	72	s	Memphis	95	76	s	88	67	t
Atlantic City	88	75	pc	86	74	pc	Miami	89	77	t	89	77	pc
Baltimore	94	73	pc	94	72	pc	Milwaukee	80	64	c	73	54	c
Billings	68	46	pc	81	52	s	Minneapolis	76	56	t	70	54	pc
Birmingham	94	71	s	93	72	s	Nashville	94	71	s	89	62	t
Boise	76	49	s	82	54	s	New Orleans	91	77	t	91	78	t
Boston	90	67	s	75	68	pc	New York City	91	74	pc	89	74	pc
Charleston, SC	93	71	s	91	73	s	Oklahoma City	95	65	pc	81	56	t
Charleston, WV	87	70	t	92	63	pc	Omaha	78	55	r	74	56	s
Chicago	82	66	c	72	54	c	Philadelphia	93	76	c	94	76	pc
Cleveland	83	70	c	85	62	t	Phoenix	102	79	s	105	81	s
Dallas	96	75	pc	84	68	t	Portland, ME	88	60	pc	76	61	s
Denver	77	44	s	82	52	s	Providence	89	68	s	80	69	pc
Detroit	82	69	pc	79	57	t	Raleigh	95	71	s	93	72	pc
El Paso	92	68	pc	81	64	s	Rapid City	65	41	pc	79	46	s
Fairbanks	57	35	pc	59	37	s	Reno	88	54	s	92	56	pc
Fargo	69	49	pc	72	55	pc	Sacramento	91	57	s	92	57	s
Honolulu	87	74	pc	88	76	sh	St. Louis	89	70	t	79	57	pc
Houston	90	73	t	89	73	t	Salt Lake City	79	50	s	85	61	s
Indianapolis	81	70	t	78	56	t	San Diego	77	66	pc	76	67	pc
Jacksonville	93	69	s	93	70	s	San Francisco	72	56	pc	73	57	pc
Kansas City	85	59	t	75	52	s	Seattle	75	54	s	75	55	pc
Las Vegas	101	77	s	102	78	s	Tucson	94	70	s	97	73	s
Little Rock	95	77	pc	87	65	t	Washington, DC	96	77	pc	96	76	pc
Los Angeles	79	61	pc	80	62	pc	Wichita	92	61	t	79	56	s

Weather (W): s-sunny, pc-partly cloudy, c-cloudy, sh-showers, t-thunderstorms, r-rain, sf-snow flurries, sn-snow, i-ice.

EAST OREGONIAN

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Audit: 'Suspicious behavior' on energy credits forwarded to DOJ

No direct evidence of fraud found

By CLAIRE WITHYCOMBE
Capital Bureau

SALEM — Finding no direct evidence of fraud, Oregon Secretary of State Jeanne Atkins nevertheless has forwarded “circumstantial evidence of suspicious behavior” in 79 projects that received business energy tax credits to the Oregon Department of Justice.

The Secretary of State's Office released Thursday the results of an independent audit of record records kept by the program, which was administered by the Oregon Department of Energy.

The tax credits became mired in controversy after allegations of fraud and other suspicious activity surfaced; the program ended in 2014 at the behest of the legislature.

Between 2007, when the program was expanded, and 2014, when it ended, the department issued more than \$1 billion in business energy tax credits.

In a letter to the state Legislature Thursday, Atkins said there was about \$347 million worth of tax credits where records contained evidence of risk factors that were concerning to auditors.

The auditors, a private vendor contracted for the service earlier this year, performed a forensic data analysis of the 14,494 projects that received business energy tax credits between 2007 and 2014.

Auditors found conflicts of interest, insufficient documentation, projects that never got off the ground, businesses that closed or failed, and “illogical projects,” among other issues that were concerning.

The auditors examined most of the large projects — those with costs exceeding \$1 million — individually. Of the 311 large projects they examined, more than 25 percent showed one concerning characteristic, according to Atkins' letter.

Auditors also reviewed a small sample of smaller projects and extrapolated their findings to the rest of the projects, estimating that



This 430.95-kilowatt solar array is located at the Hermiston Agricultural Research and Extension Center, which serves nearly 500,000 acres of irrigated agricultural in Oregon and Washington's Columbia Basin.

about \$7.2 million of tax credits issued for smaller projects was concerning.

Atkins also said that the department left itself vulnerable to financial risks by doing only what statute required when it came to “major program controls.”

“The records show that the priority for Department management was achieving the goals of the program as directed by state leadership,” Atkins wrote. “Past leadership of the agency did not further refine the boundaries of the program by employing formalized risk management assessments or by establishing management controls to assure that projects and credits met high standards of financial management. As a result, there were many financial risks for which there were no adequate controls.”

Atkins also released a slate of recommendations for improving financial controls at the agency.

The audit of the records kept about the program, which is also referred to by its acronym, BETC, was announced earlier this year.

Energy department director Michael Kaplan, who has acknowledged problems with the program and the department's management of it, wrote in a response to Atkins:

in light of glaring and years-long evidence that shows unequivocally that ODOE simply did not manage BETC well,” Kaplan wrote in a letter to Atkins that was also released Thursday.

However, auditors also concluded that ODOE lacked the necessary internal support to reduce possible financial risks posed by the program.

“The ODOE is an energy agency, not a financial agency, and lacked functional roles reasonably needed to mitigate the BETC risks,” the report states.

But Kaplan also said in his response to Atkins that, despite those structural challenges, the agency did not require legislative changes to fix its management problems.

“It is not enough for a state agency to merely flag problems and expect solutions; ODOE also had the responsibility to solve those problems using a variety of tools, including better in-house oversight and management,” Kaplan wrote. “Requesting fixes in the legislature is a resource to address policy issues and not a mechanism to correct

systemic management challenges.”

Auditors could not find a risk assessment or internal or external audits specific to the BETC program.

According to the auditors' findings, the agency also faced political pressure to keep the tax credit program rolling.

Both governors who were at the helm during the era of expanded BETC saw renewable energy as a legacy initiative, especially former Gov. Ted Kulongoski, according to the auditors' report.

State leaders also rested some hope for economic development on renewable energy. The tax credit program expanded in the midst of the state's economic slowdown.

“The BETC program aimed not just to incentivize businesses to perform energy projects, but also to incentivize economic growth and job creation goals,” the report states. “...the inherent risk of the poor economic situation applied pressures to the BETC program that lacked a fully controlled environment, resulting in the program being vulnerable,

and deficiencies in controls especially exploitable.”

Proposed legislation that would have imposed stricter financial controls stalled or were killed in the lawmaking process. The extant statutes and administrative rules also weakened the agency's ability to deny tax credits.

The energy industry — including companies that were in a position to benefit from the tax credits — also weighed in on state work groups and voiced opinions on proposed rule changes that would have limited or ended the BETC program before 2011, when the Legislature reached agreement on a 2014 sunset date.

The Oregonian reported in 2009 that in early 2007, state officials purposely underestimated the expected impact on state revenues, which turned out to be dramatic.

The estimate of the program's impact on revenue leapt from \$1.9 million to more than \$68 million between 2007 and 2008, according to the report.

Legislators and energy officials tried to staunch the flow of lost revenue, but some legislative efforts were more successful than others.

Project owners could use the credits to reduce their taxes; or they could sell the credits at discount to raise capital.

In 2012, officials at the state's revenue department were discouraged from scrutinizing companies that weren't paying taxes on capital gains from those sales of credits because the

administration of former Gov. John Kitzhaber was aiming to retroactively exempt those sales from being taxed via legislation in the 2013 session, according to archives of the EO Media Group / Pamplin Media Group.

That bill — which according to the report conflicted with federal tax code — failed to make it through. And the report found that the failure to tax those returns on special projects “exposed Oregon to lost opportunities to collect tax revenue from adjustments of errors.”

The secretary of state noted that scope of the office's audit was limited, and did not evaluate whether the program met the goals laid out by the legislature to produce energy savings, increase sources of alternative energy and create jobs.

Atkins also said that she hoped the recommendations would be incorporated into future legislative proposals regarding tax credit programs.

Kaplan said in his reply that his department would implement the secretary of state's recommendations at his department to the extent possible. However, he also said that the expiration of the department's existing tax credit programs with their expected sunset dates was “appropriate.”

Gov. Kate Brown sent a letter to state lawmakers in June calling for those programs to end, according to Kaplan's Sept. 8 letter.

Corrections

The East Oregonian works hard to be accurate and sincerely regrets any errors. If you notice a mistake in the paper, please call 541-966-0818.

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