

Energy companies named in tax-credit audit

Non-conclusive violations could total \$347 million

By **TED SICKINGER**
The Oregonian/OregonLive

PORTLAND — Some of the biggest names in Oregon’s renewable energy and forest products industries landed on a list of suspicious state giveaways during an investigative audit of Oregon’s Business Energy Tax Credit Program. The list included tax credits large and small, subsidizing everything from gigantic wind farms to a fat-rendering technology that was supposed to make biodiesel from meat scraps. It never worked and only operated briefly, but still collected more than \$1.1 million in taxpayer subsidies for equipment that was left piled in a parking lot. The forensic audit was conducted by Marsh Minick, a financial crime consulting service hired last summer by Oregon Secretary of State Jeanne Atkins. The audit identified 165 projects with \$347 million in tax credits as potentially concerning. Marsh Minick delivered its results to the secretary of state in late August. Separately, it forwarded a report to the Oregon Department of Justice detailing projects it red-flagged during its investigation through the use of fraud detection tech-

nology, its review of project files, interviews and other research. The firm’s findings weren’t conclusive. It noted, for example, that it didn’t complete a full inquiry of the tax credits in question, and that its list of questionable deals, culled from more than 14,000 the department processed from 2006 to 2014, was not comprehensive. But it’s another embarrassing coda to a program that some Oregon lawmakers would love to forget. The audit details ongoing and costly failures by staff at the Oregon Department of Energy in applying the most fundamental rules of the program or performing basic due diligence to ensure tax credit applicants qualified for the money and used it as intended. Its release comes as a joint oversight committee appointed to look at restructuring the department meets Friday to discuss its recommendations for the Legislature. It also leaves the open question of whether Attorney General Ellen Rosenblum will pursue her own investigation of the questionable credits. A spokeswoman, Kristina Edmunson, said the Justice department was “still reviewing for any potential

criminal or civil violations.” Neither the Energy Department nor any of the companies on the list contacted by The Oregonian/OregonLive have heard from Rosenblum’s office in the two months since the report was forwarded. “I would hope the DOJ has several people investigating those allegations in depth,” said Sen. Doug Whitsett, R-Klamath Falls and a member of the oversight committee. “These are serious allegations of misuse of public funds ... and I think the people deserve to know where that money got spent.” Marsh Minick divided its list of questionable tax credits into two buckets: large projects in which the costs and resulting tax credit exceeded program limits; and “projects of concern.” The former is tied to qualifying expenditures. State law sets a maximum tax credit for each facility, per year, of \$10 million, or 50 percent of eligible project costs up to \$20 million. But Marsh Minick found that a variety of applicants exceeded their maximum eligible program costs, and had requested multiple credits for the same project in the same calendar year. Among those companies:

Klondike Wind Farm: The Sherman County wind farm was developed by the Portland-based developer Iberdrola Renewables, now known as Avangrid. The project was developed in four phases, and Klondike III alone applied for and received three separate \$11 million tax credits in the same year. Art Sasse, a spokesman for Avangrid, says the company’s projects are separate and distinct and that it will cooperate with the Justice Department if contacted. **SolarWorld:** Marsh Minick said the Hillsboro solar manufacturer applied for multiple credits on separate projects and may have violated the program’s separate and distinct facilities. It ultimately received tax credits with a face value of \$42 million. The report said the company’s applications exceeded maximum allowable costs. The company sent a statement: “SolarWorld operates in conformance to the highest legal and ethical standards. Regarding this investigation, we have not been approached with any questions.” **Pacific Ethanol:** This company built an ethanol production plant and distribution facilities in

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Boardman, aided in part by two tax credits worth \$18.2 million. Both projects were completed in September 2007. Marsh Minick said there were possible violations of the separate and distinct facilities standard and that they exceeded maximum allowed costs. Paul Koehler, a vice president for Pacific Ethanol, said the California-based company simply followed instructions from program managers at the Department of Energy when applying for tax credits. He maintains the two projects were separate, remain operational and represent a success for the program. Marsh Minick labeled its second bucket of questionable tax credits as “projects of concern,” which were flagged for multiple reasons. They included a series of solar projects built by SunEdison and SolarCity. Both companies used highly

complex financial arrangements that resulted in opaque project costs and ownership shared among multiple subsidiaries. In the case of Missouri-based SunEdison, Marsh Minick said it was unclear who owned the physical assets subsidized by Oregon taxpayers. As for SolarCity, Marsh Minick pointed to cost reporting problems, and allegations that false documents and invoices had been used to make the case for tax credits. It also said there was a possibility that the California-based company generated positive net proceeds through state and federal subsidies. Forest products companies were heavy users of the BETC program to upgrade their facilities, and a number of them were flagged as dubious, including Bear Mountain Forest Products, Boise Paper, Rough & Ready Lumber Co., and Douglas County Forest Products. Marsh Minick found projects undertaken at the same facility with conflicting goals. In some cases, tax credits were finalized before projects were inspected. Some facilities closed or were sold soon after tax credits were granted; in one case, the equipment subsidized by taxpayers was found sitting in shipping containers, uninstalled and non operational.

Federal judge rejects dismissing Hanford nuclear lawsuit

SPOKANE, Wash. (AP) — A federal judge on Thursday rejected the U.S. Department of Energy’s motion to dismiss a lawsuit filed by Washington state over worker safety issues at the Hanford Nuclear Reservation. U.S. District Court Judge Thomas Rice rejected an Energy Department argument that the federal agency was not endangering enough Washington residents to allow the state to sue. “The state has an inherent and fundamental sovereign

interest in ensuring that all Washington workers are safe,” Rice wrote in his opinion. Washington Attorney General Bob Ferguson filed the lawsuit last fall against the Energy Department and its contractor, Washington River Protection Solutions. The lawsuit contends that hazardous tank vapors pose a serious risk to Hanford workers. “This motion was just another example of the federal government’s culture of indifference to worker

safety at Hanford,” Ferguson said Thursday. Ferguson’s office contends that hundreds of workers have been exposed to vapors escaping from nuclear waste storage tanks since the early 1980s and that those breathing the vapors developed nosebleeds, chest and lung pain, headaches, coughing, sore throats, irritated eyes, and difficulty breathing. Hanford for decades made plutonium for nuclear weapons, and now is engaged in cleaning up a massive

inventory of radioactive and chemical wastes left over from that work. Much of the waste is stored in 177 giant underground storage tanks at Hanford, which is located near Richland. After more than 50 workers were exposed to tank vapors earlier this year, Ferguson asked a federal court to immediately order the government to implement enhanced safety measures. That motion is still pending before the court. Officials for the Energy

Department in Richland did not immediately return a telephone call seeking comment on Thursday. Lawyers for the Energy Department had argued that the state lacked legal standing to file the lawsuit, in part because it involved about 2,000 workers out of

a population of millions of residents. The agency also contended that no evidence has been provided showing that Hanford workers have been harmed by vapors. Symptoms like headaches are common, they have said. The trial is set for May 22, 2017.

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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AccuWeather.com Forecast

TODAY

Mostly sunny
63° 41°

SATURDAY

A shower late in the afternoon
63° 46°

SUNDAY

Clouds yielding to some sun
58° 45°

MONDAY

Clouds and breaks of sun
63° 45°

TUESDAY

Mild with sunshine
63° 42°

PENDLETON TEMPERATURE FORECAST

63°	41°	63°	46°	58°	45°	63°	45°	63°	42°
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HERMISTON TEMPERATURE FORECAST

62°	37°	61°	47°	62°	42°	63°	43°	65°	41°
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ALMANAC

PENDLETON
through 3 p.m. yesterday

TEMPERATURE	HIGH	LOW
Yesterday	65°	45°
Normals	55°	36°
Records	76° (1975)	10° (1935)

PRECIPITATION
24 hours ending 3 p.m. 0.00"
Month to date 0.00"
Normal month to date 0.11"
Year to date 10.39"
Last year to date 6.64"
Normal year to date 10.14"

HERMISTON
through 3 p.m. yesterday

TEMPERATURE	HIGH	LOW
Yesterday	67°	39°
Normals	57°	35°
Records	72° (1945)	0° (1935)

PRECIPITATION
24 hours ending 3 p.m. 0.00"
Month to date 0.00"
Normal month to date 0.10"
Year to date 7.33"
Last year to date 4.59"
Normal year to date 7.41"

SUN AND MOON
Sunrise today 7:40 a.m.
Sunset tonight 5:37 p.m.
Moonrise today 11:52 a.m.
Moonset today 9:28 p.m.

First

Full

Last

New

Nov 7

Nov 14

Nov 21

Nov 29

Shown is today's weather. Temperatures are today's highs and tonight's lows.

REGIONAL FORECAST

Coastal Oregon: Mostly sunny today; pleasant in central parts.

Eastern Washington: Mostly sunny today. Partly cloudy tonight. A passing shower tomorrow afternoon.

Cascades: Mostly sunny and warm today; pleasant in central parts.

Eastern and Central Oregon: Mostly sunny today; pleasant in the south. Mainly clear tonight.

Western Washington: Sunshine mixing with clouds today; areas of fog in the morning.

Northern California: Mostly sunny today. Rain and drizzle at the coast tonight; clear elsewhere.

REGIONAL CITIES

	Today			Sat.		
	Hi	Lo	W	Hi	Lo	W
Astoria	66	56	pc	61	53	r
Baker City	58	28	s	58	36	s
Bend	65	40	s	59	37	r
Brookings	63	54	pc	59	52	r
Burns	59	24	s	61	34	s
Enterprise	62	37	s	61	40	pc
Eugene	66	50	s	58	50	r
Heppner	65	42	s	65	43	r
Hermiston	62	37	s	61	47	r
John Day	68	42	s	68	44	pc
Klamath Falls	63	32	s	57	37	r
La Grande	62	39	s	64	43	pc
Meacham	62	38	s	62	42	pc
Medford	66	42	s	59	45	r
Newport	64	55	s	58	52	r
North Bend	68	56	s	61	53	r
Ontario	60	32	s	59	38	s
Pasco	60	39	s	58	48	pc
Pendleton	63	41	s	63	46	pc
Portland	66	53	s	58	51	r
Redmond	67	39	s	62	42	r
Salem	64	50	s	58	50	r
Spokane	57	41	s	55	44	pc
Ukiah	65	35	s	64	39	pc
Vancouver	66	52	s	57	50	s
Walla Walla	61	45	s	60	47	pc
Yakima	64	43	s	57	44	c

WORLD CITIES

	Today			Sat.		
	Hi	Lo	W	Hi	Lo	W
Beijing	62	39	s	68	32	s
Hong Kong	78	73	s	80	75	pc
Jerusalem	68	53	s	67	52	s
London	50	35	r	48	35	pc
Mexico City	69	50	pc	70	50	pc
Moscow	33	26	sn	31	18	sf
Paris	48	42	r	52	36	pc
Rome	69	57	pc	71	63	r
Seoul	62	52	c	66	50	pc
Sydney	83	67	c	74	58	s
Tokyo	63	55	s	68	54	s

WINDS

	Today		Saturday	
(in mph)	Today	Sat	Today	Sat
Boardman	NNE 3-6	NE 3-6		
Pendleton	NE 4-8	SW 4-8		

UV INDEX TODAY

	0	1	2	2	1	0
	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 WEATHER TODAY

Shown are noon positions of weather systems and precipitation. Temperature bands are highs for the day.

National Summary: Thunderstorms will drench part of the Southwest today, while showers dot part of northern Florida. Most other areas will be dry as cool air pushes southward in the East and warmth builds in the West.

Yesterday's National Extremes: (for the 48 contiguous states)
High 95° in McAllen, Texas
Low 11° in Bodie State Park, Calif.

NATIONAL CITIES

	Today			Sat.		
	Hi	Lo	W	Hi	Lo	W
Albuquerque	57	48	t	63	47	t
Atlanta	79	52	s	74	48	s
Atlantic City	62	40	s	60	48	s
Baltimore	62	38	s	61	43	s
Billings	67	39	s	65	40	s
Birmingham	79	51	s	77	50	s
Boise	63	39	s	65	44	s
Boston	55	35	s	53	42	pc
Charleston, SC	77	50	pc	71	45	s
Charleston, WV	61	36	pc	61	36	s
Chicago	60	44	s	66	44	s
Cleveland	55	41	pc	62	45	s
Dallas	75	62	pc	76	58	pc
Denver	71	41	pc	68	41	pc
Detroit	56	40	s	64	42	s
El Paso	74	60	t	75	53	c
Fairbanks	23	10	pt	17	7	pc
Fargo	62	40	s	64	48	s
Honolulu	84	73	sh	84	73	pc
Houston	86	65	pc	81	60	pc
Indianapolis	60	40	s	63	43	s
Jacksonville	82	57	c	74	56	pc
Kansas City	70	44	s	69	44	pc
Las Vegas	80	61	pc	81	59	s
Little Rock	75	46	s	69	43	pc
Los Angeles	82	58	s	78	58	s
Louisville	68	42	s	67	44	s
Memphis	74	49	s	72	50	pc
Miami	81	69	pc	81	71	pc
Milwaukee	59	45	s	63	46	s
Minneapolis	64	44	s	66	47	s
Nashville	73	45	s	71	42	s
New Orleans	68	48	s	63	65	pc
New York City	60	41	s	56	46	pc
Oklahoma City	73	51	pc	71	52	pc
Omaha	71	44	s	71	46	pc
Philadelphia	61	39	s	60	45	pc
Phoenix	82	63	pc	84	63	s
Portland, ME	51	27	s	50	36	pc
Providence	58	32	s	55	40	pc
Raleigh	70	42	pc	66	40	s
Rapid City	72	37	s	70	41	pc
Reno	67	35	s	69	41	s
Sacramento	74	45	s	72	54	s
St. Louis	67	45	s	68	44	s
Salt Lake City	61	41	s	62	43	s
San Diego	75	60	s	74	59	s
San Francisco	71	54	s	69	58	s
Seattle	62	53	pc	59	50	r
Tucson	77	52	pc	80	53	pc
Washington, DC	64	44	s	64	48	s
Wichita	73	45	s	72	49	pc