

MINUTES
UMATILLA COUNTY BOARD OF COMMISSIONERS
Iberdrola Renewables Helix Wind Power Facility
Public Hearing of January 4, 2013
2:00 p.m.
Umatilla County Courthouse, Room 114
Pendleton, Oregon

COMMISSIONERS PRESENT: Larry Givens, Chairman; Bill Elfering, Vice Chairman; Dennis Doherty, Commissioner Pro Tem

COUNTY COUNSEL: Doug Olsen

STAFF: Connie Caplinger, Umatilla County Executive Assistant; Robert Pahl, Umatilla County Finance Officer; Paul Chalmers, Umatilla County Assessment and Taxation Director

GUESTS: Sara Parsons, Iberdrola Senior Business Developer; Cindy Severe, Helix area resident; Greg Shannon, constituent; Debbie J. Kelley, constituent; Norm Kralman, constituent; Richard Jolly, constituent; Clinton Reeder, Umatilla County Planning Commission member; Bryan Wolfe, constituent; Lou Ann Wolfe, constituent; Jack Esp, constituent; Kirk Terjeson, constituent; Adam Kobos, Partner at Stoel Rives, counsel for Iberdrola Renewables; Dave Price, constituent

CALL TO ORDER

The meeting was called to order at 2:01 p.m. Chairman Givens reminded all present that the meeting was a public forum.

BUSINESS ON AGENDA

Staff Report: The staff report was presented by both county staff and representatives for Iberdrola Renewables as follows.

a. **Connie Caplinger, Umatilla County Executive Assistant:** Connie Caplinger began by relating that the early work on the proposal began as an informational discussion as to whether or not to enter into a SIP agreement with Iberdrola. That took place in 2011. Through the discussions, it was known that the county was required to make a decision as to whether or not to enter into SIP agreement with Iberdrola by public hearing although the statutory SIP program was managed by Oregon Business Development Department as a form of tax abatement used throughout the state on large projects. The Helix project, therefore, was one of many.

Connie Caplinger introduced Sara Parsons of Iberdrola Renewables' US office in Portland.

Commissioner Doherty commented that the process was not the first time the county or Iberdrola had Public Hearing – Iberdrola SIP

considered or entered into SIP agreements. Connie Caplinger agreed, stating that the Iberdrola project, if approved would be the county's 4th SIP agreement, over roughly eight to eleven years. Doug Olsen added that two SIP agreements were done in 2009.

Connie Caplinger commented that the benefit plans typically do not see funding until about a year after production begins. Commissioner Doherty explained that it was the developers' responsibility to apply for SIP and then the parameters were provided by statute for the developer and the county entity to develop a mutual agreement.

Connie Caplinger picked up the history, stating that Iberdrola contacted her initially and then she was assigned the responsibility of assembling the SIP team of Doug Olsen, Robert Pahl, Paul Chalmers and herself. The team's responsibility was to negotiate the terms of the agreement. This was in place to keep the commissioners at arms' length from the proposal. She emphasized that no decision making discussion was had with the commissioners to the current point. Commissioner Givens asked for input from the rest of team. Paul Chalmers proposed that could be postponed unless there were specific items of inquiry. Robert Pahl concurred.

b. **Sara Parsons, Iberdrola Renewables Senior Business Developer:** Sara Parsons opened, stating that she took over the project from Chase Whitney on his promotion and introduced Adam Kobos from Stael Rives. She reported that the company started as PPM Energy and merged with Iberdrola, a Spanish company. Iberdrola had over 700 employees with about 400 of those in Oregon, the US base of operations.

The projects started at Pacificorp with 900 megawatt facilities in Sherman and Gilliam counties. The Helix project would be the first program in Umatilla County. She reported that PGE and Iberdrola paid \$43 million to Sherman County annually.

Ms. Parsons then provided a brief summary of the company's non-wind projects and invited the board to visit the company's national control center in Portland. She described the Helix project, specifically phase 1 next to the current Stateline project and Phase II off Butler Grade Road, as sited in a traditional area for wind projects in the county, which took up a small area of land. The project was approved up to 2.1 megawatts total and the company had a year and a half to start construction to qualify for tax credits.

Iberdrola representatives had been talking with the county since 2008 and she felt that they had come to a final agreement consistent with existing SIP agreements. Iberdrola began its experience with the SIP program in agreements with Gilliam and Sherman counties.

Sara Parsons also provided an explanation of the components in a SIP agreement, explaining that through the minimum revenue account via a SIP agreement, the advantage was the stability of the funding versus the standard where the Department of Revenue appraised valued declines over time, also causing a rapidly declining stream of tax revenue. Sara Parsons also pointed out that the developer did not have the authority to decide where the funds generated through the agreement were directed.

c. **Paul Chalmers, Umatilla County Assessment and Taxation Director:** Paul Chalmers added that the \$25 million baseline would be indexed by 3% per year for 15 years.

d. **Robert Pahl, Umatilla County Finance Director:** Robert Pahl commented that experience had

been the SIP values stabilize the unpredictable nature of the non-SIP valuation.

e. **Summary and discussion on depreciation process:** Paul Chalmers commented that the Department of Revenue viewed valuation as a net cost approach. Commissioner Doherty and Paul Chalmers then discussed the comparison between the effect of no SIP versus a SIP on a given company's property taxes.

Connie Caplinger added that it was an advantage to the county because there would then be some discretion on the term as to when extra funds come in. That effect can carry out up to 18 years.

Commissioner Elfering asked if there would be some swing in the payments from year to year. Sara Parsons explained that because there is a minimum revenue amount, there would be a minimum amount.

Commissioner Doherty commented that he was aware that if the Board decided it would enter into a SIP agreement, the special districts in the taxing area would be part of it. Doug Olsen replied that it is part of the community service fee portion.

Commissioner Givens asked Paul Chalmers if the community service fee portion would cover the education district information. Paul Chalmers explained that the K-12 funding in Oregon currently was such that if, for example, Helix received \$1 million to operate and \$750,000 was generated, the state must backfill \$250,000, which could have the effect of reducing the rate per thousand in the SIP area if the agreement was not entered into.

Public Comment:

Commissioner Givens opened the floor to public comment at 2:36 p.m. and provided the parameters for public comment as remaining related specifically to the SIP.

a. **Jack Esp, Candidate for Umatilla County Commissioner:** Jack Esp asked what would happen on the 16th year after the SIP agreement terminated. Paul Chalmers replied that the property would go on the tax roll at the depreciated value.

b. **Dave Price, Constituent:** Dave Price stated that based on the information, he thought the agreement had both positive and negative effects. He felt that the first requirement of the Board would be to determine the use of the SIP agreement to the county and suggested that an analysis could be done to compare the result of the previous agreements and that the participants should approve of the funds available.

He added that the 29 residences affected by the project should be considered and said that 15 landowners did not enter into participating agreements within the contour decibel line and would not gain from a SIP agreement. He felt the only way to correct the problem would be to produce the ordinance to the future projects. Commissioner Givens suggested that the literature provided by Mr. Price be entered into the record as Exhibit 2. **Commissioner Doherty moved to enter the literature provided by Dave Price**

into the record as Exhibit 2 to the minutes and include the PowerPoint presentation by Iberdrola as Exhibit 1. Commissioner Elfering seconded and the motion carried 3-0.

c. **Cindy Severe, Constituent:** Cindy Severe asked if the payments were subject to the budget committee's work and, if not, why. She went on to ask if the allocations payments could be changed by the Board of Commissioners. She further asked if someone could explain the difference in the property valuation since Oregon Wind Farm had been in operation for some time and if there were someone who could explain the difference in the property tax valuation and SIP payment.

Paul Chalmers answered the third question, stating that the intent of the SIP agreement was to provide a level revenue stream over an extended period of time to the county rather than a large influx of revenue at the beginning of the project's operations with a rapid decline starting roughly after the 5th year due to the devaluation of the personal property for the project.

Doug Olsen replied that the Board of Commissioners could not change the payments, except the discretionary amounts, which could be moved to a different source.

Cindy Severe commented that in a statement in July of 2009, a special advisory group to the Helix Wind Power Facility was assigned which named the county board of commissioners as that group. She cited the ORS relative to that assignment, adding that it should be a firewall for affected citizens. She further cited the SIP statement referring to Exhibit 3 and claimed that the roles were conflicting and opposing, producing no incentive to make objective decisions on behalf of the county. She, therefore, was asking the Board of Commissioners to voluntarily relinquish its appointment as the special advisory group and to ask EFSC to appoint an advisory group with no interest in the process. Further, Cindy Severe stated that she sat through quite a few meetings where Iberdrola claimed to want to be a good neighbor.

Commissioner Elfering moved that the letter and comments from Cindy Severe be entered into the record of the hearing as Exhibit 3. Commissioner Doherty seconded. The motion carried 3-0.

d. **Norm Kralman, Constituent:** Norm Kralman commented that he was struggling with how the base value for the SIP agreement was determined and whether there would be any provision for the construction of additional towers. He asked if that were defined in the agreement. Sara Parsons replied that the company was permitted up to 201 megawatts, but would not determine how much of that capacity would be included until the negotiations were complete with their power customer. However, she stated that the \$25 million valuation amount as the base requirement would be the minimum. Paul Chalmers added that the \$25 million valuation would stay on the tax rolls regardless of the valuation determined by the Department of Revenue.

The remainder of the valuation would be the defined amounts at a minimum determined by negotiation with the county. That would make the build out a business decision, not a county decision. Norm Kralman claimed that there was no information available on SIPs and that he had to use propaganda from Public Hearing – Iberdrola SIP

the energy companies. He continued, stating that it sounded as if there would be a decision without an evaluation that the public could use to analyze the difference between the tax valuation and the SIP program. Norm Kralman claimed that the process was more an advantage to the company and a result of the good old boy network.

Commissioner Givens pointed out that the Board had not made a decision, so there was no need to allege that one had been made. The agenda in use, if that was what he was using to make his assumption, was a template. He added that as there were comments and questions to be answered, the board would likely defer a decision.

Commissioner Givens suggested that Paul Chalmers address the issue of the \$35 million related to the multi-part SIP. Paul Chalmers replied that for all purposes, the information that had those amounts were provided and were always accessible online at the Oregon Biz website. He added that when one looked at a SIP agreement and in looking at the education portion as an option, it would have no impact on the school district. In that respect, the county would not be leaving \$34 million on the table. Another point to consider was that the goal of a SIP, from the county's viewpoint, was to see stabilized revenue for an extended period of time.

Cindy Severe asked for a valuation depreciation estimate on the property. Paul Chalmers explained that was not possible, as it was depended on many economic factors. He only could provide a comparison on similar projects. Commissioner Gives re-stated that a decision had not been made.

e. **Richard Jolly, Constituent:** Richard Jolly commented that he felt a lot better about the proposal. As he understood the history of the program, it was originally intended for telecommunications companies as an incentive to attract them. He added that it could be very difficult to explore the possibility of assessment information for projects in SIP agreements. Paul Chalmers replied that the state did not take that into consideration. Robert Pahl clarified that the property would be assessed, regardless, but that with a SIP in place, the valuation would not affect the revenue to the county.

Richard Jolly asked if the information for the other SIP agreements was available. Paul Chalmers replied that he provided the information and pointed out that the information for Pacific Power was based on obsolete equipment due to the rapidity of depreciation.

Richard Jolly said that he would like to compliment the county over the SIP process this time versus in 2008 because the process is somewhat clouded and that he hoped the board would delay a decision. Sara Parsons emphasized that there was a comparison done on what the company would pay without or with a SIP agreement. Both considerations were parts of the work groups and were the source for the SIP. Iberdrola, she noted, only had 4 years of data on how the Department of Revenue valued the projects that they already had in Oregon.

She pointed out that the purpose of a SIP was to encourage development in the early years and that the benefit of the SIP was that it established stability for both the company and the county rather than the company paying less revenue as time progressed, which is what the trend was without a SIP.

Paul Chalmers added that the county would have regular tax bases with a periodic injection of funds that could reduce rates. This would result in a minimization of impact on the taxpayer. Robert Pahl stated that he would say when the Department of Revenue evaluated the project and people tried to project those values into the future to see where the county will be, that said future is unknown. That would also apply to the developer. So, the county team tries to come to a solution using a best guess and seek a predictable solution. He added that it was very difficult to expect very many companies to provide a \$300 million investment anywhere because there is also the option not to build at all.

f. **Debbie Kelley**: Debbie Kelley asked whether the dollars for the SIP were earmarked for anything yet or would go to the county's general fund. Commissioner Givens responded that the funds did not go into the general fund. Connie Caplinger added that they had not been earmarked for anything yet. Commissioner Givens added that if those monies were deposited into the general fund, there were disadvantages for the county.

Commissioner Doherty hoped that the attendees were able to figure out that the SIP is statutory. He didn't even get introduced to it until well after the county started working with wind projects. When the county got its first application for a SIP, the commissioners spent a lot of time trying to educate themselves and borrowed information from Sherman and Morrow Counties. At that time the county used a consultant and the experience since then taught the county that it would be better to have county staff learn the system.

He commented that the staff had done quite well and have earned his respect and trust. It was clear that none of them were in it to cut a bad deal. His view was that the county optimized its benefit by examining whether the company would buy or hire locally and trying to balance the program as best the county could.

Norm Kralman recalled a question and asked whether anyone could assure him that once the project was not generating power about what was to be done then. Sara Parsons replied that EFSC had state standards setting the requirements for bonding for decommissioning of projects and that the companies were required to remove those towers that were no longer operating.

g. **Bryan Wolfe, Chairman of Oregon Energy and Planning Commission Member**: Bryan Wolfe added that the Oregon statutes related to wind generating facilities were revised annually. Commissioner Givens explained how the board approached decisions regardless of personal feelings and asked that everyone understand that and that information was not withheld; that was the purpose of the hearing.

Cindy Severe asked why the agreement was not posted on the county website. Doug Olsen stated that he did not think of doing that as it was not like a land use hearing. Debbie Kelley suggested that the agenda should be solidified ahead of time and made available at least 7 days before any meeting or hearing.

Commissioner Givens closed the floor to public comment at 3:51 p.m.

Deliberation and Decision:

Deliberation: Commissioner Givens announced that he was not prepared to make a decision at the hearing and polled his colleagues as to their opinions. Commissioner Doherty proposed that the board could take the information provided under advisement and suggested that the hearing be continued to allow for any additional comments as some of the comments received implied that public would like to review and digest the agreement before weighing in more fully. **Commissioner Elfering moved that the hearing should be continued to February 6, 2013 at 2 p.m. Commissioner Doherty seconded. The motion carried 3-0.**

Continued Hearing (optional): The next public hearing will be held Wednesday, February 6, 2013 at 2:00 p.m. in Room 114 at the Pendleton courthouse.

Other Discussion: None.

ADJOURNMENT

The meeting was adjourned at 3:56 p.m.

Respectfully submitted,

Laura Headley
Executive Secretary
Umatilla County
Board of Commissioners