



Renewable Energy Work Session Agenda
April 19, 2018
10am-2pm

1.0 Call Meeting to Order

2.0 Introductions

Additions to Agenda

3.0 — Land Use

4.0 Repower

4.1 Current SIP

4.2 Next Steps – What happens when SIP ends

5.0 Next Meeting

*~*Lunch Provided @ 12 noon*~*



**SHERMAN COUNTY COURT
RENEWABLE ENERGY WORK SESSION
BURNET BUILDING, MORO**

MINUTES

April 19, 2018

Opened Work Session: 10:22 a.m.

Present: Judge Gary Thompson, David Van't Hoff, Administrative Assistant Kayla von Borstel, Commissioner Joe Dabulskis, Commissioner Tom McCoy, Nate Stice, Georgia Macnab, Ross Turney, Dana Peck, Don Coats, Brian Skeahan

A County Court quorum was present. No news media was present.

Additions to Agenda

None

1. Call to Order

The meeting was called to Order at 10:22 a.m.

2. Introductions

A round of introductions were made.

~~3. Land use~~

4. Repower

4.1 & 4.2 Current sip & Next steps – what happens when SIP ends

Dave Van't Hoff, consultant to Mid-Columbia Economic Development Association, looked through Sherman and Gilliam's Strategic Investment Programs (SIP's), and stated they are pretty consistent and appear to contemplate and provide for repowering under the SIP with the entity by installing new turbines. He did not think that would require an amendment or new SIP agreement to be created, provided the entity meets the limitations set in the specific agreement, around the maximum name plate capacity. Every project should be evaluated for where it currently produces compared to the maximum name plate capacity. A wind list should also be created for each County of where each project is during its life cycle; each project has a 15 year life span.

Dave can see potential for amending or reopening repower agreements if both the County and developer mutually agree. Don Coats, Community Renewable Energy Association, inquired if the SIP was available due to the Enterprise Zone. Georgia Macnab, County Planner, reported no that SIP is a separate tax than an Enterprise Zone. Judge Thompson stated "Klondike 2" project was an Enterprise Zone, however the rest of

the projects were SIP's. Brief discussion was held on tax roll limits. Don asked, if a developer wanted to repower before the end of the 15 years, would have to enter into a new SIP. Dave responded no unless they exceeded their agreement limitations. Dave's assumption is to make the process easy as possible, not renegotiate, and have as limited regulatory requirements as possible. Judge Thompson stated that a valid reason for not wanting to renegotiate would be the power purchase agreement would be for 25 years which is 10 years after the SIP ends.

To Dave's knowledge, there are a few different ways to repower the sites. One option is to replace portions of, or the entire turbine, within the same footprint making the structure taller and somewhat larger; if there is more swept area, there may need to be reconfiguring of the footings for each site. He does not know if this would still be considered repowering under the SIP, however, he believed that if it still falls under 450 megawatts, and is improving, that it would be categorized under SIP. Judge Thompson mentioned it would depend on if it is the name plate or production being looked at. It was asked if repowering could go beyond the name plate; Dana Peck, Goldendale Chamber of Commerce, stated no, the name plate is part of the machine.

It was questioned if there were projects being proposed to repower currently; Gilliam County has one to everyone's knowledge. The most recent project implemented between the Counties was 10 years ago. A factor that makes the process difficult is the permitting is in megawatts, but the production is in megawatt hours. Megawatt hours do not take in account for capacity factor. To date it seems repowering contractors are tearing down existing structures to the ground and rebuilding from scratch. Dana stated we need to make it attractive here to repower instead of developing somewhere else. Discussion was held on how to move forward with the process the easiest with amending a site certificate or with starting a new project. The Counties should be encouraging developers to increase the name plate size and investment. Commissioner McCoy reported that Sherman SIPs end in six years, and asked if they can be renegotiated once they expire as he believed Sherman's would need to be a new SIP. There was some concern among the group of developers possibly going to Wyoming to develop instead of staying in Oregon. Sherman SIP funds decrease drastically to almost zero over the next six years.

Discussion was held by Ross Turney, County Assessor, on the hypothetical models of the tax burden once SIP agreements expire. His guess is that it would not be lower than one million dollars; but there are many unknowns at this point. Don believed that it was subject to legislative activities, and could be adjusted as it is not set in stone. Dave responded it would be very unusual for legislature to dictate the value that is applied.

With a combination of technologic advancements, and the Production Tax Credit (PTC) extension declining phase out, there is a significant amount more megawatt hours that can be gained out of a repowered machine, and there are incentives to accomplish this, as the incentives decrease every year. Dave stated the County would need to think about a threshold question: does the County feel they are better off with these projects repowered or not, given that the SIPs are going to end. There will be some tax increase coming out of these projects, and if the County feels better off to see the projects repowered, is there a strategic time to gain the PTC. Brian Skeahan, Community Renewable Energy Association, mentioned that construction would need to begin before January 1, 2020, the phase out would be reduced 20% for facilities with construction in 2017, reduced 40% for facilities with construction in 2018, reduced 60% for facilities in 2019 and after January 2020 it is gone. It was pointed out that roads, lines and substations are already in place so repowering wouldn't have to start completely from scratch. There is an assumption that projects pre 2007/2008 are getting a good look at to be possibly repowered. It was asked if the renegotiation would last another 15 years from the date of execution. An answer could not be given. Dave mentioned the County would want to make sure to capture the tax value of any repowering improvements, versus it continuing to be exempt due to already meeting the threshold under the SIP.

Opportunity Zones were mentioned to be potentially used as a tool, as Sherman County as a whole is one census tract being considered. Advantages would be capital gains could be reinvested into the project and be tax free at the Federal level for a certain amount of time, creating a tax shelter for potential investors. If developers can be enticed to successfully repower now within Sherman and Gilliam Counties, that may make it less likely for them to invest elsewhere.

It was noted the entity that holds the site certificate for the project has the obligation to restore the area back to its original state after the projects expire and if they no longer move forward.

Ross stated if the developers repower, it does not constitute a new SIP as statute rules state a new SIP cannot be on an existing SIP site. New SIPs have to be all new – new land, new equipment, etc. He is unsure if re-negotiating a SIP is even possible. Gilliam County recently amended a SIP, however, it was on a project that had not been built yet which is different than a project that already exists. It is thought that with an existing SIP, you can renegotiate but not extend the agreement. It is also believed however that Business Oregon may have some approval authority in the matter.

Nate Stice, Regional Solutions, put a call into Art Fish, Business Oregon, to clarify information for the group as he is Business Oregon's expert on Strategic Investment Program. Dave gave Art a brief background on the situation of investors potentially interested in repowering projects by installing new equipment that would capture more energy than the current projects; the Counties have about 5 years left to encourage developers to repower. The question asked was if there was a way to extend or renegotiate a SIP on an existing project with new equipment invested into it for another 15 years? Art responded that it is different with a project that has not been developed yet, versus one that has already been implemented. There are a couple of possibilities, a SIP spans for 15 years and the project property is getting exemption which is unique to the wind projects, and have been defined by a name plate cap. There is language the Business Oregon Commission adopted based upon the applications and local agreements, to distill what the project property should involve with a cap and time limit. There is also usually language given on how to replace property and repower as long as the project doesn't exceed the megawatt (name plate) cap, it could potentially be reinvested subject to the local agreement. Property could be retired and replaced with different property, as long as more megawatts are not being produced than allowed. The new property would be covered under SIP only for the remaining years, and if the Counties want to change the megawatt cap to something larger, they would need to go back to the Commission for renegotiation of the project description, however, would not be able to gain additional years. The County could let the exemption end early and enter into a new agreement for 15 new years that would cover the project repower.

Dave asked Art, if there is anything in the law or Business Oregon rules, that would prohibit parties from agreeing to create a new SIP, or amend a SIP, with extended time beyond the original 15 years.

Art stated revisions could be made, but not to extend the amount of time; he doesn't believe there would be a problem with the current agreement in switching out one turbine for another, but the County would still be bound by the megawatt cap in the agreement. Nate wanted to clarify, there would be no way to extend a current SIP through renegotiation of the timeline, but with significant enough investment one might be able to create a new SIP going forward. Art replied, that was correct, and the new SIP would be for new property. Nate also questioned if a new turbine was brought in to replace the current one, would be considered new property and need a new SIP to be created. Art answered yes, around those new investments. Dave mentioned that it seems there would be new equipment installed among the old equipment, and some developers might be concerned with having contracts that expire at different times as opposed to all contracts expiring at the same time. He inquired if there was a way to have one expiration date; Art responded no, due to the way it's written in the statute. Business Oregon has no ability to authorize otherwise.

The County will need to come up with a letter of request for project owners within Sherman County (Avangrid and Portland General Electric) to schedule a meeting with each entity to discuss the possibility of repowering, and why it's in the best interest of both parties to do so before the end of the SIP lifespan. This may give the developers long term certainty of the new investment. Kayla von Borstel, Sherman County Administrative Assistant, will create and send the letters to the developers.

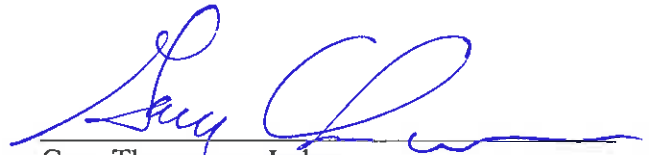
Brief discussion was held on property tax in relation to SIP, and the difference between newly created jobs versus retained jobs on SIP projects listed in the support packet.

5. Next Meeting

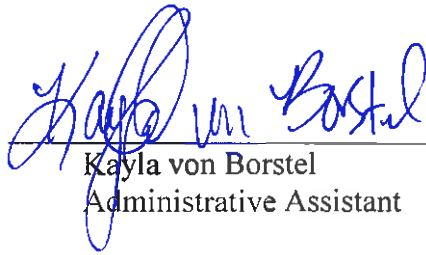
The letter to the developers will be sent out for review before being sent to each entity. The next meeting will be scheduled soon after.

Being no further business the Work Session was adjourned at 2:00 p.m.

Sherman County Court



Gary Thompson, Judge

Attest: 

Kayla von Borstel
Administrative Assistant



Tom McCoy, Commissioner



Joe Dabulskis, Commissioner