



KATE BROWN  
Governor

June 24, 2016

The Honorable Peter Courtney  
President of the Senate  
S-201 State Capitol  
Salem, OR 97301

The Honorable Tina Kotek  
Speaker of the House  
H-269 State Capitol  
Salem, OR 97301

Dear Senate President and Speaker Kotek:

Thank you for establishing the Oregon Department of Energy Oversight Committee. This committee is a positive reflection of our shared responsibility to the people of Oregon to restore the Department of Energy beyond the problems that have plagued it for years. The Department of Energy is a critical component of our efforts to curtail climate change; that work will be less effective unless we collaboratively rebuild confidence in the agency and its programs. The Oversight Committee plays a pivotal role in ensuring that the future of the Department of Energy includes a well-functioning set of programs designed for the increasingly serious problems we face in the 21st century.

Last December, I asked the director of the Department of Administrative Services to lead an internal review team to examine the Department of Energy. That review is complete and I am writing to share the following with you:

1. The Oregon Department of Energy should continue to play an integral role in leading the state to a safe, clean, and sustainable energy future through the agency's divisions that work on energy planning and innovation, nuclear safety, and energy facility siting.
2. While energy tax credits resulted in remarkable growth in the past, serious legacy issues associated with these types of financial incentives continue at the department. I recommend that three tax incentive programs at the department – (1) Residential Energy Tax Credit, (2) Biomass Producer and Collector Tax Credit, and (3) Energy Incentive Program – be allowed to meet their legislatively established sunset at the end of 2017.
3. In addition, in my 2017 budget, I will be requesting funds to move the Small Scale Energy Loan Program to Business Oregon.
4. Finally, I am looking forward to the results of the Secretary of State's audit of the former Business Energy Tax Credit program. Depending on the findings of this audit, I may include a request for funds for a follow-up, comprehensive review of this program in my budget for 2017-19.



The Honorable Peter Courtney

The Honorable Tina Kotek

June 24, 2016

Page Two

While I am recommending the end of the Department of Energy's current tax credit programs, I believe that the state has a responsibility to invest in the reduction of greenhouse gas emissions by transforming the types and amount of energy used in the state so that we continue to make progress on our climate change goals. We have a clear understanding of the factors affecting climate change; it's imperative that we continue to address those causes. We also have learned lessons from how the state designed and administered the Business Energy Tax Credit. It is well past time to implement those lessons to design programs that make sense, efficiently use resources throughout the state, have defined goals, and are administratively manageable. I look forward to Oregon community leaders, environmental and energy advocates, the business community, and the legislature working together to explore new ways to invest our state's limited resources to address the energy and climate change nexus in our state.

Sincerely,

A handwritten signature in black ink that reads "Kate Brown" with a long horizontal flourish extending to the right.

Governor Kate Brown

GKB:IT/sh

Cc: Sen. Lee Beyer, Co-Chair, Joint Interim Committee on Department of Energy Oversight  
Rep. Paul Holvey, Co-Chair, Joint Interim Committee on Department of Energy Oversight