



# Renewable Energy Development Grant Auction Report Presented to the Oregon Legislative Assembly January 2012

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## Introduction

During the 2011 Legislative Assembly, the legislature authorized the Oregon Department of Revenue (DOR) and the Oregon Department of Energy (ODOE) to conduct an auction of Renewable Energy Development tax credits, to fund grants for renewable energy development projects. The auction program replaced direct tax credits to renewable energy development project owners.

HB 3672 limited the amount to be auctioned for energy tax credits at \$1.5 million per year (or \$3 million for the 2011-2013 biennium), and set the minimum bid amount at 95 percent of the face value of the credit (e.g., \$950 for a \$1,000 tax credit).

The total amount of revenue generated from the two auctions (October 24 – November 4 and December 1 – December 9, 2011) was \$464,283.06, with \$463,253.85 available for Renewable Energy Development Grants, after deducting the statutorily limited DOR administrative costs.

This report, as required by HB 3672, Section 32a, (2011) provides information on the operation of the auction.

## Auction process

After several consultative meetings with ODOE and an informational meeting with the Executive Director of the Office of Film and Television (who will use a similar auction process in 2012), the Department of Revenue adopted temporary Administrative Rules on October 11, 2011<sup>1</sup>. The temporary rules established the rules and procedures to conduct the tax credit auction. Agency representatives agreed to begin the auction on October 24, 2011 and end the auction on November 4, 2011. A subsequent auction was held between December 1 and December 9, 2011.

The structure of the auction process was:

- At the first auction, 1,500 increments of \$1,000 tax credit certificates (\$1,500,000 total) were made available for bidding. This amount was chosen to encourage broad participation
- Minimum bid was \$950 (95 percent of the value of the credit)
- Bids were submitted online through the DOR website
- Bidders made sealed bids with each bidder able to submit multiple bids
- Bidding was a two-step process
  - Online submission of bid and bidder information to DOR website
  - Submission of guaranteed payment by bidder

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<sup>1</sup> OAR 150-315.HB3672

- The order in which bids were submitted was recorded by an electronic date and time stamp
- DOR confirmed bids and notified bidder that payment was due
- Bidders had to submit payment to DOR within one week of the close of the bidding
- DOR determined winning bids the week of November 14
- DOR notified ODOE of the winners and ODOE issued the tax credit certificates to the winning bidders of the first auction on December 9, 2011
- DOR processed payments from the winning bidders and transferred the funds to ODOE
- ODOE deposited the funds in the Renewable Energy Development Fund

## Bid Distribution

The DOR received valid<sup>2</sup> bids for a total of 406 of the 1,500 credits (27 percent) up for auction. The average bid was \$1,014.53. All bidders successfully completed the two-step bidding process; there were no incomplete or failed bids. Bidders purchased less than one-third of the available credits.

A second auction was held between December 1, 2011 and December 9, 2011. The average bid was \$954.20, required to be paid by December 16, 2011. DOR used the same process as the first auction. This auction resulted in the sale of 55 energy tax credit certificates that sold for \$52,600, with a face value of \$55,000. ODOE issued the tax credit certificates to the winning bidders of the second auction on December 28, 2011. Bid distribution is illustrated in Addendum A attached to this report.

## Summary of Auction Results

- Total number of tax credits sold in 2011: 461
- Total raised: \$464,283.06
- Total tax credit amount: \$461,000.00
- Available tax credits for purchase: \$1.5 Million
- Percent sold: 30.73 percent

## Marketing and Media coverage

There were no funds allocated by the Legislature for marketing or advertising. ODOE and DOR posted information on their websites, DOR provided a toll free number and a dedicated email address for questions concerning the auction, and both agencies sent several listserv notifications to agency stakeholders, including Oregon tax professionals. Stakeholder outreach provided information about the auction, and included information in speaker presentations given to tax professionals. Additionally, ODOE issued two news releases and two public notices through GovDelivery. DOR also issued news releases. Both ODOE and DOR conducted a number of local and national media interviews, including interviews with tax journals. A variety of media requested the names of winning bidders; one newspaper used social media to announce the auction.

## Administrative Costs

HB 3672 states that DOR's costs to administer the auction can be covered by up to 0.25 percent of the auction proceeds. This provided administrative funding to DOR of \$1,029.21; therefore, the total amount available through the auction for Renewable Energy Development Grants at the time of this report is \$463,253.85.

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<sup>2</sup> A "valid bid" means that the bidder submitted an online bid and made a timely payment

Addendum A: Bid Distribution

<u>Auction 1</u>	Number of Bidders	Number of increments	Bid amount (\$)	Total Bid	Total Certificate Amount (Tax Credit)
October 24 – November 4, 2011	1	140	\$1,105.00	\$154,700.00	\$140,000.00
	1	10	\$1,100.00	\$11,000.00	\$10,000.00
	1	11	\$977.00	\$10,747.00	\$11,000.00
	1	42	\$970.00	\$40,740.00	\$42,000.00
	1	100	\$961.00	\$96,100.00	\$100,000.00
	4	33	\$960.00	\$31,680.00	\$33,000.00
	4	42	\$955.00	\$40,110.00	\$42,000.00
	1	1	\$953.05	\$953.05	\$1,000.00
	1	1	\$952.01	\$952.01	\$1,000.00
	1	1	\$951.00	\$951.00	\$1,000.00
	8 (1 corporation)	25	\$950.00	\$23,750.00	\$25,000.00
	<b>Total</b>	<b>24</b>	<b>406</b>		<b>\$411,683.06</b>

<u>Auction 2</u>	Number of Bidders	Number of increments	Bid amount (\$)	Total Bid	Total Certificate Amount (Tax Credit)
December 1 – December 9, 2011	1	4	\$970.00	\$3,880.00	\$4,000.00
	1	14	\$961.00	\$13,454.00	\$14,000.00
	1	12	\$958.00	\$11,496.00	\$12,000.00
	1	5	\$952.00	\$4,760.00	\$5,000.00
	1	10	\$951.00	\$9,510.00	\$10,000.00
	5	10	\$950.00	\$9,500.00	\$10,000.00
<b>Total</b>	<b>10</b>	<b>55</b>		<b>\$52,600.00</b>	<b>\$55,000.00</b>