BOARD OF COMMISSIONERS

AGENDA REQUEST & STAFF REPORT

MEETING DATE: September 2, 2026

SUBJECT: Board Discussion re: Quaise Energy's Request for a Five-Year Tax Abatement through the RRED Zone Program

BACKGROUND AND POLICY IMPLICATIONS:

RRED Zone Program:

Rural Renewable Energy Development (RRED) Zones offer a tax exemption incentive to encourage new investments in renewable energy. The incentive is a 100 percent (full) exemption from the property taxes normally assessed for the first 3-5 years of project operation. The zone encompasses the entire territory of Deschutes County, except for property inside the urban growth boundary as acknowledged for the City of Bend.

For the standard three-year enterprise zone exemption period, the business must:

- Increase the full-time, permanent employment of the firm by at least one new job or 10 percent (except with special-case local sponsor waivers);
- Generally speaking, have no concurrent job losses outside the zone boundary within Oregon, especially beyond 30 miles of the zone boundary;
- Maintain the minimum employment level during the exemption period;
- Enter into a first-source agreement with local Worksource Oregon office (state Employment Department); and,
- Satisfy any additional local condition that has been established in an urban zone.

For an abatement period of four or five years in total, the business needs to meet the following additional criteria in conjunction with requirements for the three-year period:

- Special local approval (before authorization application is approved) by written agreement between the business and local zone sponsor (Deschutes County);*
- Agreement must provide for payment of school support fee in fourth and fifth year, based on rate established between the school district and zone's sponsoring governments in the range of 15 percent of all property taxes foregone in each of those years; and
- Except in the urban zones of the Salem and Portland areas, the average of new employees'
    - Compensation including benefits, during all years of the abatement, must be

at or above 150 percent of the county average wage as set at the time of authorization; and
    - Compensation must continue to be greater than or equal to 150 percent of the county average wage during the exemption period.

*The sponsor may reasonably request additional requirements for the business to also satisfy.

Local zone sponsors might consider the following examples of additional requirements for extended abatements (or in other relevant cases):

- Availability of childcare or other specific types of benefits for workers;
- Community involvement or financial/in-kind donations to charities;
- Compensation of temporary/part-time employees or for construction labor;
- Contributions to public infrastructure/services or local workforce training programs;
- Mandatory hiring of/from certain groups or sources, or employee retention;
- Nonproprietary reporting or transparency regarding company practices;
- Onsite training or certification for employees;
- Safety or environmental assurances with new facility operations or general policies (sustainability), as well as facility's physical appearance; and,
- Using local-area contractors, suppliers and so forth, based on a clearinghouse or other method that is not explicitly restricted in terms of geography.

Quaise Energy:

Quaise Energy builds geothermal power plants that generate electricity from the Earth's heat deep underground. Their millimeter wave technology can access superhot rock at depths and temperatures other technologies cannot reach economically.

Business Operations with Proposed Project:

Project Obsidian is a 50 MW (net) superhot rock engineered geothermal power project in Newberry, Oregon. The project will develop, construct, own, and operate a geothermal electric generating facility and will produce wholesale electric energy and related products, including environmental attributes, capacity-related benefits, and ancillary services. The project is structured under a long-term power purchase agreement for a 15-year delivery term, with delivery of power to remain in Oregon.

Project description:

Project Obsidian will involve a multi-phase capital investment to develop, construct, and operate a 50 MW superhot rock engineered geothermal power project in Newberry, Oregon. The project is expected to include geothermal wells and wellfield infrastructure, power generation equipment, electrical interconnection facilities, supporting roads, controls and monitoring systems, and ancillary site improvements necessary to produce and deliver clean, firm geothermal power.

Construction and investment are expected to proceed in phases. Project Obsidian is structured as a 50 MW project, with Phase I representing 20 MW of contracted capacity and Phase II representing 30 MW of contracted capacity. The current milestone schedule

contemplates a commercial operation date of June 1, 2030. The broader development process includes site evaluation, site control, interconnection, permitting, engineering, procurement, financing, construction, and commercial operation.

Request:

Quaise Energy is requesting Board consideration of an extended five-year tax abatement through the RRED Zone Program.

Financial Implications:

Below are two financial tables, provided by EDCO, with the estimated tax impacts with and without an approved RRED tax abatement for the Quaise Energy project. Please note the estimate of the tax abatement assumes that the full scale of the taxable project will be taxed starting year one. It is possible this project will have "overlapping exemption periods" which staff is prepared to discuss in further details at the Board's request.

	Fully Taxable		
	Taxable Value	**Tax Rate**	**Taxes Owed**
Year 1	$ 173,100,000.00	1.27826%	$ 2,212,668.06
Year 2	$ 173,100,000.00	1.27826%	$ 2,212,668.06
Year 3	$ 173,100,000.00	1.27826%	$ 2,212,668.06
Year 4	$ 173,100,000.00	1.27826%	$ 2,212,668.06
Year 5	$ 173,100,000.00	1.27826%	$ 2,212,668.06

	RRED			
	Taxable Value	**Taxes Owed**	**School Support Fee**	**Total Owed**
Year 1	$ -	$ -		$ -
Year 2	$ -	$ -		$ -
Year 3	$ -	$ -		$ -
Year 4	$ -	$ -	$ 331,900.21	$ 331,900.21
Year 5	$ -	$ -	$ 331,900.21	$ 331,900.21

Project eligibility and process for RRED Zone Program:

- If Quaise satisfies the applicable requirements and completes the required authorization process, the project should be eligible for the standard three-year RRED exemption, subject to the Assessor's review of the qualifying property and exemption claims.

- The fourth and fifth years are subject to the additional requirements and approvals applicable to an extended exemption period. Those years should therefore be treated separately from the underlying three-year eligibility.
    - If the company requests extended abatement, the sponsor (Deschutes County) must notify the jurisdiction's governing body and wait at least 21 days before execution of the requisite written agreement between the sponsor and the eligible business firm, which may contain additional local requirements that the business firm would need to satisfy.
    - When approving the application, County rules may apply in terms of notification and requirements for a positive resolution approving the project depending on any specific county requirements or terms in the resolution establishing the zone. A resolution would also be necessary if the County decides to waive the additional employment requirements.
    - Approval is granted by the sponsor (Deschutes County) and Assessor and submitted to the Department of Revenue.
- The company must file the required exemption claim with the Assessor for each year in which it seeks the exemption. The exemption is not automatically carried forward without the required annual filings.

BUDGET IMPACTS:

Dependent on approval of RRED Zone Application and for the length of the abatement approved. The final tax impact can also depend upon the specific property qualifying for exemption, its assessment - which in this case would be an Oregon Department of Revenue centrally assessed property, the applicable tax rates, and the timing of the exemption.

ATTENDANCE:

Scot Langton, County Assessor
Tana West, Assessor's Office, Deputy Director
Jen Patterson, Deschutes County, Strategic Initiatives Manager
Enterprise Zone Manager:

- Patricia Lucas, SLED, Executive Director
- Jon Stark, EDCO, CEO