

**June 12, 2019**

**To:** Joint Ways and Means Subcommittee on Natural Resources

**Re:** SB 5545 Oregon Department of Energy Budget

Dear Committee Members,

We are writing to highlight some important considerations regarding the adoption of the State Department of Energy's (ODOE) 2019-21 biennial budget.

While we appreciate Director Benner and her team's outreach to consumer-owned utilities, we continue to have concerns with the Energy Supplier Assessment (ESA) and activities funded with those dollars. Like ODOE, COUs support programs that promote increased energy efficiency, conservation, and electric vehicle infrastructure planning (as examples). COUs around the state continue to invest in these efforts making ODOE's efforts in these areas duplicative. As you know, utilities pay for a significant portion of ODOE's operating budget via the ESA. Without changing the scope of the agency's reach and without substantial General Fund support, the ESA will continue to increase.

Utility customers should receive value for the payments they make to state agencies. That is why ODOE's, or a potential successor agency's work should be focused on relevant programs that are not duplicative of work already being performed by other state agencies, the NW Power Planning Council, or utilities.

Energy suppliers, including not-for-profit publicly owned utilities, pay a gross receipts tax to ODOE in the form of the ESA. The ESA has been in existence for nearly 40 years and was originally enacted in 1971 as a true fee for service to fund nuclear siting. However, beginning in 2007, the Legislature began to raise serious concerns about the expanding use of the ESA by ODOE.

The ESA is a general purpose gross receipts tax used by ODOE to backfill every department in their agency budget, pay their rent, and even pay litigation costs to, ironically, defend themselves on the issue of whether the ESA is a tax or a fee.

The ESA is absolutely unique within our Oregon agency budget structure. In recent years, ESA payers have faced upwards of 25-to-70 percent increases in their ESA tax rate orders determined by ODOE after Sine Die. This tax gets passed down to utility customers on their electric bills.

In SB 5545, the ESA would provide nearly \$14 million toward the operations of the department. We support the recommended reduction to the ESA by 8% from the amounts charged in the 2017-19 biennium. However, we urge further ESA reductions and a reduced reliance on utility customers to fund this agency. This includes meaningful reductions in the ESA statutory cap.

We look forward to working with you to define the appropriate roles and funding mechanism for ODOE or its successor.

