



February 13, 2023

Chair Pam Marsh
Vice Chair Bobby Levy
Vice Chair Emerson Levy
House Committee on Climate, Energy & Environment
900 Court Street NW
Salem, Oregon 97301

RE: Requesting Amendments to HB 2534, Relating to the Use of Energy in this State.

Dear Chair Marsh, Vice Chair Bobby Levy, Vice Chair Emerson Levy, and Members of the Committee:

Oregon Municipal Electric Utilities Association (OMEU) is made up of eleven municipally owned and operated electric utilities. The Oregon People's Utility District Association (OPUDA) includes all of Oregon's six PUDs. As consumer-owned utilities (COUs) we are directly accountable to the people we serve through our city councils and local governing boards. Our rates are not-for-profit and set to cover the costs of service, not to earn a rate of return for investors.

Our biggest concern with HB 2534 is the lack of a funding source for ODOE to “contract with third parties for assistance” with technical or facilitation services required for the state energy strategy. Additionally, the -1 amendment also authorizes these third-party contracts on a continued basis as necessary for required periodic updates.

Given the breadth of the factors and inputs outlined in the -1 amendment, these contracts could be numerous and expensive. **To remedy this, we suggest an amendment similar to last session's HB 2058— “The department may not use moneys collected through the energy resource supplier assessment required under ORS 469.421 (8) to fund development of a state energy strategy, including contracts with third parties.”**

The bulk of ODOE's funding comes from an energy supplier assessment (ESA), which all Oregon utilities pay. ESA costs are then passed on to our ratepayers. Because the ESA is outside of the general fund (GF), ODOE expenditures are rarely subject to the same legislative scrutiny as those coming from the GF fund. We urge the committee to remember that ODOE's agency requirements and budget have a direct impact on energy burden and the affordability of electric rates.

Despite ODOE's support for development of a state energy strategy (e.g. – Director Benner's letter accompanying the 2022 Biennial Energy Report and ODOE testimony on hydrogen legislation), it is noteworthy that Governor Kotek's budget proposal does not include GF dollars for this effort.

COUs are becoming increasingly concerned about the growth in the ESA, particularly given record high inflation, arrearages from the pandemic, and the skyrocketing cost of running a utility. For example, recently Ashland Electric received a 16.5% price escalation for a transformer that was ordered just two months prior.

With the legislatively approved 21-23 budget, we saw a 12% increase in the ESA. This summer, the agency requested budget assumed another 6.7% ESA increase. We are awaiting ESA assumptions in

Governor Kotek’s proposal, but there is no question the agency must prioritize its work and address costs.

OMEU and OPUDA utilities get nearly all of our power from the Bonneville Power Administration (BPA); our BPA contracts are our largest expense. Our BPA rates include funding for the Northwest Power & Conservation Council (NWPCC). The NWPCC, which includes two Oregon Council members, recently finished an update of the “Northwest Power Plan” https://www.nwcouncil.org/fs/17680/2021powerplan_2022-3.pdf . There are considerable resources that go into this NWPCC work, including sophisticated modeling. While an Oregon specific plan may have value, we don’t think our ratepayers should have to fund another similar effort through the ESA.

With respect to policy components of the bill, **for transparency, we think that an advisory work group should be mandatory, not discretionary.** All meetings should be recorded and open to the public. Further, we would like to see the legislature **enumerate stakeholders, including COUs, that would serve on the advisory work group to assure balance.** The -1 amendment just names state agencies and tribes.

Like (3) (d) “energy burden & affordability,” “reliability” should be a stand-alone factor and the preeminent one considered by the agency in development of the strategy. We need a laser-like focus on reliability as Oregon works to decarbonize through electrification. We do not want to be issuing cell phone alerts to prevent blackouts—like California had to during a heat wave last September.

Finally, a starting point for any state energy strategy should be the maintenance of productive and economic carbon free resources. Hydropower is the key to our clean energy future. Hydroelectric dams help balance the fluctuations of intermittent wind and solar. This assumption—maintenance of productive and economic carbon free resources—should be called out in (3) the legislation.

Thank you for your consideration of these proposed amendments. Based on conversations, there seems to be considerable interest in the development of a state energy strategy. OMEU and OPUDA would like seats at the table and are committed to engagement.

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