To: Policymakers and staff working on the 2025 Oregon Special Session on Transportation
From: Brett Morgan, Transportation Policy Director, Climate Solutions - Kristopher Fortin Grijalva, Transportation Program Manager, Oregon Environmental Council
Date: 8/26/25 - V4
RE: Changes needed in RUC structure from HB 2025 -23, and other considerations for a fair, equitable, and climate-forward RUC for cars and trucks.

Executive Summary

- Federal EV support has whipsawed, slowing momentum. Oregon is already behind on ZEV uptake. Moving forward with a misaligned RUC now would **penalize clean vehicles** and undercut climate, air-quality, and affordability goals.
- The HB 2025 RUC structure—especially the **5% gas-tax index (≈20 MPG)**—would make many Electric driver and plug in hybrid electric vehicles (PHEVs) owners pay **more** than comparable gasoline drivers, flip price signals, and disincentivize clean vehicle adoption.
- The Delivery RUC proposal in HB 2025 was not a consensus policy, and will result in more polluting diesel trucks on our roads, and negligible revenue.

How to easily correct these issues for the 2025 Special Session:

- ➔ Correct the RUC MPG Indexing to be at least 30MPG, which would set gas and electric cars on the same footing, and paying each their fair share.
- ➔ Retain the rulemaking elements related to PHEV, giving the rulemaking an option to pause implementation of PHEV RUC payments if it not clear the state can come up with a consumer-friendly option to avoid double taxation of gas tax and a RUC.
- ➔ (ALREADY BEEN REMOVED FROM SPECIAL SESSION BILL) ~~Remove the delivery RUC from the package, or extend it to also apply to diesel trucks in e-commerce fleets, so it is a true delivery RUC. The current proposal will result in more polluting diesel trucks on our roads, confusion, and negligible revenue.~~

What's misaligned in the current Passenger Vehicle RUC

1) Passenger RUC indexed to 5% of the gas tax (≈20 MPG breakeven) penalizes clean cars. This changed in early framework development, but the suggestion

- EVs are far more energy-efficient; many gas cars now average around 30–40 MPG. Treating all Electric and plug-in hybrid vehicles as if they get **20 MPG** over-charges and **reverses climate price signals**. The current RUC design could charge EV drivers as much as several hundred dollars more than a gas car, especially if they are a rural driver.
- at the **20 MPG** index (2.3¢/mi), high-mileage rural drivers pay notably more than at **30 MPG** (1.53¢/mi). Raising the MPG index to **30** simply reduces that per-mile charge, so **savings grow linearly with mileage**.

- **Revenue impact of setting EV RUC to 30 MPG vs 20 MPG:** At **12,000 mi/yr** that's **~$92 per EV/year**. So statewide loss is **~$7–$9M/yr** (assuming **~80–100k EVs** at full participation). Revenue lost is cost savings for Oregonians, which for rural drivers could be hundreds per year and thousands over the life of a vehicle.
- See Page 4 to see the breakdown.
- In short: Under the HB 2025 RUC structure, during many realistic driving cases, EV owners would pay **more** than a typical gas driver—contrary to public health, climate, and consumer-savings goals. This may dampen EV adoption and weaken consumer support for a RUC.

2) PHEV double payment is real unless explicitly prevented.

- PHEVs pay **gas tax on every gallon** and the **full per-mile RUC** unless credited or exempt—an unfair outcome that discourages a key bridge technology.
- PHEV charging behavior varies widely; flat average-MPG assumptions misstate fuel use. Any RUC must either **credit fuel tax paid** or temporarily **exempt PHEVs** pending better data tools.
- While rulemaking may help create a system that helps reduce double payment, it is unclear if current technologies and reporting systems in cars allow for the necessary data needed to accomplish this. **Having an option to delay PHEV RUC implementation if the RUC cannot find a consumer-friendly solution to address double taxation of PHEVs is needed.**

3) The Delivery RUC is highly targeted and punitive, and is not a delivery RUC.

- **The Delivery RUC has not been mentioned in any public materials to date**, but is now under consideration for the special session bill.
- The Delivery RUC, as proposed in HB 2025, is structured in such a way that it will tax e-commerce deliveries per mile, but is **narrowly tailored to only apply to Amazon**. Notably, the delivery RUC excludes diesel trucks, also making deliveries.
- **As a result, the net effect is to redeploy electric delivery vans to other states and continue making diesel deliveries, resulting in negligible revenue and fewer clean truck deliveries.**
- **It is also unclear if a company like Platt Electric**, who has delivery fleets and operates Rivian delivery trucks, runs an e-retail website, and may have a fleet size large enough to trigger the provisions outlined in HB 2025, and therefore **would accidentally be captured in the delivery RUC.**
- As currently structured, the delivery RUC would only generate at max about ~$450K (see page 6 to track) in revenue based on known number of e-delivery trucks, with the actual revenue potentially far lower as Amazon redeploys electric trucks to other states or shuffles how it subcontracts to not hit the 10 truck fleet minimum..
- These issues could be mitigated by ensuring that diesel trucks also pay a delivery RUC. You could set differential rates to account for air quality impacts in neighborhoods.

Technical Analysis for Passenger Vehicle RUC:

Assumptions and Scenario Setup

- **Gas Tax Rate:** All scenarios assume a state fuel tax of **$0.46 per gallon**. This is treated as the baseline gas tax (up from $0.40 in the original table).
  Annual Mileage: A **standard driver** is assumed to drive **12,000 miles per year** (approximately the Oregon statewide average). An additional **rural driver** scenario uses **15,000 miles per year** (roughly 20% higher than average, as rural drivers tend to log more miles).
- **Vehicle Types:** We compare the same vehicle categories as the original table:
  - Gasoline car at 25 MPG
  - Gasoline car at 40 MPG
  - Hybrid car at 40 MPG
  - Plug-in hybrid (PHEV) at 40 MPG (with ~1/3 of miles on electric)
  - Full electric vehicle (EV)
- **Road Usage Charge (RUC) Rates:** We examine per-mile RUC rates set at three levels, expressed as a percentage of the gas tax rate:
  - **5% of $0.46/gal = $0.023 per mile** (approximately equivalent to the cost per mile of a 20 MPG gas car)
  - **3.333% of $0.46/gal = $0.0153 per mile** (equivalent to a 30 MPG gas car's tax burden)
  - **2.5% of $0.46/gal = $0.0115 per mile** (equivalent to a 40 MPG gas car's tax burden)
- **Registration Fees:** All **annual registration fees** (including any extra fees for hybrids/EVs) are included. Under the latest proposal, base registration is ~$84 for gas vehicles (0–19 MPG), scaling up to $114 for 40+ MPG, and **$194 for full EVs** not on a RUC program. However, **vehicles enrolled in RUC pay only the base registration fee** (no added fuel-efficiency surcharges). In other words, if an EV or hybrid is paying per-mile RUC, it **does not** owe the higher "electric vehicle" registration fee – it pays the same base fee as a low-MPG gas car.
- **Fuel Tax Credits for RUC Users:** For hybrids and PHEVs on the RUC, it is assumed that any **gas taxes paid at the pump are credited back or reimbursed** to avoid double payment. (We also illustrate the cost if such reimbursement did *not* occur – shown as a second value separated by "/" for those cases – to underscore the importance of the credit.)

Annual Cost Comparison Table (12,000 miles vs. Rural 15,000 miles)

The table below compares the **annual total cost of fuel taxes + registration fees** for each vehicle type under different scenarios. Costs are shown for paying only the gas tax versus paying a RUC at 5%, 3.333%, or 2.5% of the gas tax rate. An extra column shows the case of a **rural driver** (15,000 mi/yr) under the 5% RUC scenario (higher mileage increases RUC costs). All values are in US dollars per year. This analysis is built on work done by Charlie Loeb with the Emerald Valley Electric Vehicle Association.

Vehicle (MPG)	**Gas Tax Only** ***(12k mi @ $0.46/gal)***	**RUC @ 5%** ***($0.023/mi)*** ***20mpg equivilant***	**RUC @ 3.333%** ***($0.0153/mi)*** ***30mpg equivilant***	**RUC @ 2.5%** ***($0.0115/mi)*** ***40mpg equivilant***	**Rural 15k mi** ***(@ 5% RUC)*** ***20mpg equivilant***
Gas car (25 MPG)	$310	$310	$310	$310	$365
Gas car (40 MPG)	$252	$252	$252	$252	$287
Hybrid (40 MPG)	$252	**$360 / $498**	**$268 / $406**	**$222 / $360**	**$429 / $601**
PHEV (40 MPG) *(⅓ electric)*	$206	**$360 / $452**	**$268 / $360**	**$222 / $314**	**$429 / $544**
Electric (EV)	$194	$360	$268	$222	$429

Notes: Hybrid and PHEV entries show two values `X / Y`. The first (X) assumes gas taxes are reimbursed when paying RUC (no double taxation); the second (Y) shows the cost if no reimbursement were provided (i.e. the driver pays both the per-mile charge *and* the fuel tax). PHEV calculations assume ~33% of miles are driven on electric power (no fuel used). Under RUC scenarios, **EVs and hybrids pay only the base registration fee** (≈$84) instead of the higher fees for efficient or electric vehicles (the EV's $194 annual fee is waived when on RUC).

Key Implications

- **EVs and Hybrids vs. Gas Vehicles:** At a high RUC rate of **5% of the gas tax (2.3¢/mi)**, electric and hybrid vehicles end up paying **more annually than comparable gas cars**. For example, an **EV** at 12,000 mi pays about **$360** under the 5% RUC – higher than a gas car getting 25 MPG ($310) or 40 MPG ($252) in gas tax+fees. This undermines the cost advantage of efficient or zero-emission vehicles. By contrast, a lower RUC rate of **2.5% of the gas tax (1.15¢/mi)** yields a much fairer outcome: the **40 MPG hybrid or PHEV cost drops to ~$222**, which is on par with or lower than what gas cars pay at 12,000 miles. In short, a **lower RUC rate (around 2.5%) keeps efficient vehicles paying about the same or less** than gas vehicles, whereas a 5% rate overcharges them. The intermediate **3.333% (30 MPG-equivalent)** RUC scenario is closer to neutral: an EV at 1.53¢/mi pays ~$268, slightly more than a 40 MPG gas car but still less than a 25 MPG car, striking a middle ground.

- **Impact of Vehicle Efficiency:** The breakeven point for the per-mile charge shifts with the rate. A **5% RUC (0.023/mi)** is equivalent to the fuel tax paid by a ~20 MPG vehicle – meaning any vehicle more efficient than 20 MPG (including all hybrids, most modern gas cars, and EVs) would pay **more** per mile under the RUC than they would via gas tax. At **2.5%** (0.0115/mi), the breakeven is ~40 MPG – so an efficient hybrid (40 MPG) pays roughly the same in RUC as in fuel tax, and an EV pays slightly more, but the difference is small. This illustrates that setting the RUC rate proportional to gas tax has a big impact on whether high-MPG and electric vehicles are penalized or not.

- **Rural Drivers:** Drivers who cover more miles annually will pay more under any per-mile system. For a **rural driver** doing 15,000 mi/year, the total fees increase proportionally. In the 5% RUC scenario, a rural EV's annual road charges jump to **about $429** (vs. $360 at 12k miles), and a rural hybrid to **$429** (if gas tax is reimbursed) – significantly higher than what a 25 MPG gas car paying fuel tax would pay even at 15k miles ($365) in that scenario. This highlights a potential equity concern: at higher RUC rates, **rural drivers of EVs/hybrids could pay more than rural drivers of conventional vehicles**, due to the combination of more miles driven and the per-mile charge. A lower RUC rate mitigates this: under the 2.5% RUC, even a high-mileage EV would pay roughly $257 for 15k miles (which is *less* than a gas car's $365). Policymakers should thus consider average mileage differences – a **lower per-mile rate helps keep rural and high-mileage drivers' costs in check**, whereas a high per-mile rate disproportionately

impacts those who drive the most.

Technical Analysis for Delivery RUC

- **Rate:** 10% of $0.52/gal = **$0.052 per mile** (5.2¢/mi) for qualifying E-commerce EV fleets.
- **Mileage per truck:** 100 mi/day × 365 = **36,500 mi/year**.
- **RUC per truck:** 36,500 × $0.052 = **$1,898/year**.
- **Fleet size: ~200** Rivian delivery trucks (current amazon estimate).

Estimated annual revenue:
200 × $1,898 = **$379,600 per year** (≈ **$380k/yr**).

Quick sense check / sensitivity (if useful later):

- At 120 mi/day → ~$456k/yr.
- At 80 mi/day → ~$304k/yr.

(Excludes registration fees; assumes all miles are Oregon miles and that all ~200 Rivians meet the “fleet of 10+ / fulfillment center” criteria.)