



February 11, 2025

Senator Lew Fredrick, Co-Chair
Representative Emerson Levy, Co-Chair
Joint Committee on Ways & Means,
Subcommittee on Natural Resources
Oregon State Capitol
900 Court Street NE
Salem, OR 97301

RE: Consumer-Owned Utilities' Opposition to SB 5518, Oregon Department of Energy (ODOE) Budget Proposal with 18% increase in Energy Supplier Assessment (ESA) Tax.

Dear Co-Chair Fredrick, Co-Chair Levy and Members of the Joint Committee on Ways & Means, Subcommittee on Natural Resources:

The Oregon Municipal Electric Utilities Association (OMEU) is made up of eleven municipally owned and operated electric utilities. Eugene Water and Electric Board (EWEB) is the state's largest consumer-owned utility (COU). The Oregon People's Utility District Association (OPUDA) includes all of Oregon's six PUDs. The Oregon Rural Electric Cooperative Association (ORECA) represents eighteen electric cooperatives. COUs serve over one million Oregonians. 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.

Throughout the Executive Branch 2025-27 budget development process, COUs have been sounding the alarm about ODOE's budget request, which proposes an 18% increase in the Energy Supplier Assessment (ESA). A substantial portion of ODOE's funding comes from the ESA tax, which all fuel suppliers—including electric utilities—pay. As COUs provide power at cost, the ESA must be passed on to our customers on their utility bills. We cannot soften the blow by forgoing shareholder profits.

We know policymakers are very concerned about utility rate increases. A lot of legislation has been introduced on this topic. At a time when the state is so clearly concerned about the dramatic increase in utility rates, we believe it is counterproductive to have an 18% ESA rate increase at ODOE.

As utilities, we understand that government is facing inflationary pressures. We are also seeing significant increases in labor and material costs. However, we urge the legislature to soften this blow to something more realistic. If faced with the potential of a similar increase within our

utilities, we would scrub our current service level budgets to ensure that we are doing all we can to bring the rate of the increase down. We see no commitment to that approach by ODOE. Including this current budget proposal, since the 2013-15 biennium we have seen a 94.8% increase in the ESA. During that period, the rate of inflation was 34.8%.

As legislative budget writers we know that your focus is on the General Fund, Federal Funds, and Lottery Funds. The ESA gets buried in “Other Funds,” which includes additional sources beyond the ESA—including one-time General Fund investments. This makes it difficult to decipher what is actually happening.

We appreciate the agency’s willingness to provide information about their budget and engage in conversation, but the fact is the Executive Branch has not addressed this huge ESA rate increase. In October, the Governor’s Office advised us that while “energy affordability is a priority for the Governor” and that “ODOE is committed to doing what it can to limit the increase in the ESA” the Governor’s budget proposal still relies on an 18% increase in the ESA. With no new programs funded by ESA dollars, why are we seeing an 18% increase? Would a similar rate of increase in General Fund dollars be acceptable to the Legislature?

Prior to the election, the Governor’s Office mentioned that ODOE was waiting for the distribution of Federal funds that could not be incorporated into ODOE’s budget request. It was noted that these Federal funds could reduce the amount of agency overhead coming from ESA dollars. As ODOE acknowledged in their testimony before the Subcommittee yesterday, there is now considerable uncertainty about the agency’s receipt of Federal funding for several programs. If those Federal funds fail to materialize there will be even more pressure on the ESA.

Knowing the Legislature is concerned about the affordability of utility bills, we urge YOU to act. The ESA is a lever within your control that can be used to help reduce ratepayer burden. Please use this lever and make the prudent cuts that are necessary to reduce the ESA to a single digit increase.

Thank you.

Sincerely,

Jennifer Joly
Director
Oregon Municipal Electric Utilities Assn

Jason Heuser
Policy & Government Program Manager
Eugene Water & Electric Board

Ted Case
Executive Director
Oregon Rural Electric Cooperative Assn

Tucker Billman
Director of Government Relations
Oregon Rural Electric Cooperative Assn

Danelle Romain
Lobbyist
Oregon People’s Utility District Assn

Mike Freese
Lobbyist
Oregon People’s Utility District Assn