



April 8, 2019

Senator Michael Dembrow, Chair
Senate Committee on Environment & Natural Resources
900 Court Street NE
Salem, Oregon 97301

Dear Chair Dembrow and Members of the Senate Committee on Environment & Natural Resources:

The Oregon Municipal Electric Utilities Association (OMEU) is made up of eleven members representing municipally owned and operated electric utilities. As consumer-owned utilities (COUs), we are directly accountable to the people we serve through our city councils and local governing boards.

As the State begins implementation of a Cap and Trade program, effective administration is critical. We appreciate the Governor's aims in proposing the Oregon Climate Authority (OCA) in SB 928, but have concerns with the legislation as introduced.

When we first learned about the Governor's plans to eliminate the Oregon Department of Energy (ODOE) and reduce the energy supplier assessment (ESA) by 25% in the next biennium we saw the proposal as a step in the right direction. Our membership has long been concerned about transparency in the use of ESA funds for activities that do not have a nexus to our municipal electric utility ratepayers.

Our primary concerns with SB 928 include:

- **May result in an increased ESA.** While we appreciate the Governor's commitment to decrease the ESA by 25% this biennium and look forward to seeing a breakdown of how that is achieved, the statutory ESA rate remains the same in SB 928 and the ESA is tapped for shared costs of OCA administration. We support Senator Olsen's proposed -1 Amendment to reduce the ESA statutory cap from 0.375% of gross operating revenue to 0.15%. We see the amendment as a good faith commitment that the energy service activities of the new agency are properly prioritized and will not radically increase from year to year. It is our expectation that revenues derived from the new Cap and Trade program will eventually replace the ESA.
- **Largely Transfers Existing ODOE Programs to the Oregon Climate Authority.** SB 928 calls for an Energy Program Review Task Force to examine which current ODOE functions and powers should be abolished, amended or transferred, and to provide findings to the Legislative Assembly by September 15, 2021. Multiple taskforce and legislative efforts have already reviewed ODOE and its current programs. There is ample data to support making appropriate changes instead of largely moving ODOE activities into the Climate Authority for yet another study. The time to act is now. If the Legislature opts to wait, the composition of the Task Force

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should be far more inclusive and include input from energy suppliers paying the ESA. Prior to the Governor's proposal to create the Oregon Climate Authority, ODOE leadership had embarked on a process with broad stakeholder involvement to examine and update its mission. Any renewed evaluation efforts that the Legislature deems necessary must also include ESA payers.

While the Governor's goals in proposing the Oregon Climate Authority are sensible, we cannot support SB 928 as drafted. However, we stand ready to work with the Legislature and Carbon Policy Office to make the necessary amendments to that will work for ESA payers and achieve proper administration of the State's new Climate Action Program.

Sincerely,



Gordon Zimmerman
President