

BEFORE THE OREGON PUBLIC UTILITIES COMMISSION

UM 1121

In the Matter of

**OREGON ELECTRIC UTILITY
COMPANY, LLC, et al.**

**Application for Authorization to
Acquire Portland General Electric
Co.**

LIST OF ISSUES

BY

UTILITY REFORM PROJECT, ETC.

The Utility Reform Project (URP) and associated intervenors offers the following issues, in addition to those which may be raised by any other party:

1. **Should the Commission recognize the "double leveraged" capital structure proposed by the Applicants for PGE?**

The Applicants propose that OEU buys PGE. OEU would have a capital structure that includes at least \$707 million of new debt. But the Applicants propose that most of this debt be considered "equity" on the PGE balance sheet. Should the Commission recognize this hypothetical PGE capital structure, or should it pierce the double leverage and consider OEU debt to be PGE debt (thereby justifying lower rates in all future rate cases)? In piercing the double leverage, should the Commission apply the existing requirement that PGE maintain a capital structure with not more than 48% debt?

2. **Should the Commission require PGE to actually pay to government all federal and/or state income taxes that are charged to ratepayers?**

Since 1997, PGE has charged ratepayers over \$650 million for "federal income taxes" and "state income taxes" that have never been paid, either by Enron or by PGE. It appears that continuing charges for phony taxes is an integral part of the Applicants' proposal and includes charging ratepayers for local income-based taxes that the Applicants do not expect PGE to actually pay. Should the Commission approve a transaction based upon the assumption that PGE will continue to charge ratepayers for "federal income taxes" and "state income taxes" that it does not actually pay to any government?

3. **Should the Commission allow the equity ownership of PGE/OEU to be secret?**

The Applicants have declined to identify the investors in the funds that would be used to buy the PGE stock. Those funds include TPG III, TPG IV, and apparently some fund or funds at Oaktree Capital Management. With huge amounts of ill-gotten funds now in the hands of former Enron executives, and TPG's history of deals with Enron (led by those executives), one wonders why the Applicants are so reluctant to reveal who or what is providing the equity funds for the proposed transaction.

4. **Should the Commission determine public benefit by comparing the proposed transaction to the status quo or to the public purchase of PGE that the TPG plan preempted?**

The City of Portland offered to buy PGE from Enron at a price very similar to the price Enron accepted from TPG. Various recent studies indicate that a public power entity would save ratepayers easily over \$100 million per year, compared with a private corporate purchaser of PGE, even without access to Bonneville Power Administration (BPA) preference power (access that is required by federal law for any operational public power entity in Oregon). Should the Commission measure public benefit from the benchmark of continued Enron ownership or the benchmark of City of Portland ownership, which is the alternative that the proposed transaction has preempted, at least temporarily?

5. **Should the Commission adopt conditions relating to treatment of gains on subsequent sales of PGE or PGE Assets?**

TPG has indicated its intent to sell PGE within a short period of time. Since the proposed transaction involves selling PGE at a price of less than 1.2 times depreciated book value, PGE claims that its fair market price is 2.0 times book value or higher imply that TPG would be able to sell PGE for a gain of nearly \$2 billion. Should the Commission adopt as a condition that TPG agree that all gains on sales of PGE assets shall be credited to ratepayers?

6. Should the Commission adopt other conditions to protect ratepayers?

The list of potential conditions is long and requires further discovery and study for definition.

Dated: May 13, 2004

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing LIST OF ISSUES BY UTILITY REFORM PROJECT, ETC. by mailing a true and correct copy thereof, placed in a sealed envelope and deposited in the U.S. Postal Service at Portland, Oregon, on May 13, 2004, with the postage prepaid, to every person on the service list UM 1121 proceeding below for whom the list on the OPUC web site this day does not show an email address:

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