BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1206

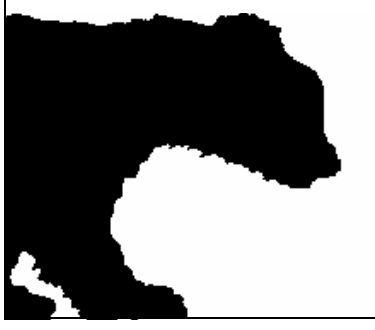
In the Matters of	)
	)
PORTLAND GENERAL ELECTRIC,	)
Application for an Order Authorizing the	)
Issuance of 62,500,000 Shares of New	)
Common Stock.	)
&	)
STEPHEN FORBES COOPER, LLC, as	)
Disbursing Agent, on behalf of the	)
RESERVE FOR DISPUTED CLAIMS,	)
Application for an order allowing the	)
reserve for disputed claims to acquire the	)
power to exercise substantial influence over	)
the Affairs and Policies of Portland General	)
Electric.	)

REPLY OF THE

CITIZENS' UTILITY BOARD OF OREGON

TO THE UTILITY REFORM PROJECT'S

APPLICATION FOR RECONSIDERATION



February 28, 2006

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1206

In the Matters of	)	
	)	
PORTLAND GENERAL ELECTRIC,	)	REPLY OF THE CITIZENS'
Application for an Order Authorizing the	)	UTILITY BOARD OF OREGON
Issuance of 62,500,000 Shares of New	)	TO THE UTILITY REFORM
Common Stock.	)	PROJECT'S APPLICATION FOR
&	)	RECONSIDERATION
STEPHEN FORBES COOPER, LLC, as	)	
Disbursing Agent, on behalf of the	)	
RESERVE FOR DISPUTED CLAIMS,	)	
Application for an order allowing the	)	
reserve for disputed claims to acquire the	)	
power to exercise substantial influence over	)	
the Affairs and Policies of Portland General	)	
Electric.	)	

I. Introduction

The Oregon Public Utility Commission (the Commission) should deny the Utility Reform Project's (URP) request that the Commission compel Enron to continue to own and influence Portland General Electric (PGE). That is the thrust of URP's Application for Reconsideration of Order No. 05-1250 allowing issuance of new PGE stock.[1] The parties who signed the Stipulation supporting the issuance of new PGE stock understood two things: first, it is time to extricate PGE from Enron, and end Enron's presence in this

[1] In the text of the Application, URP applies for reconsideration of OPUC Order No. 04-597, but the Order in question is Order No. 05-1250.

state. CUB cannot see the merit in any perverse theory, such as the one offered by URP in its Application, that argues for keeping the financially and morally bankrupt Enron attached to PGE as a benefit to PGE customers.

Second, the parties to the stipulation recognize that Enron will divest itself of PGE with or without approval from the Commission. The Confirmed Bankruptcy Plan[2] assumes a distribution of PGE common stock under a schedule with a clear termination date. PUC Order, page 5-6. The only other option acknowledged by the Plan is a sale of PGE. Plan, 32.1(c). The Commission denied the sale of PGE to Texas Pacific last year. Order No. 05-114. The Commission found no evidence of a current, plausible sale of PGE on the horizon. Order No. 05-1250, page 15. The City of Portland scoffs at the idea that the United States Bankruptcy Court of the Southern District of New York might exercise preemptive powers over our state utility commission if the Commission were to frustrate the only two paths identified in the Plan to determine and distribute the value of PGE to creditors. City of Portland Brief 38-39. We are not so sanguine about the Bankruptcy Court's patience. We think it is reasonable to believe that if Oregon regulators, given the opportunity, have not allowed either path identified in the Plan, the Bankruptcy Court would consider preempting state oversight. If such were to occur, PGE's future would be determined without direct Commission oversight, and the protection and benefits in the Stipulation might not be a part of a stock issuance overseen by the Bankruptcy Court.

Given Enron's sordid past and the potential risk of losing direct state regulatory oversight over PGE's transition to a stand-alone utility, we cannot see any circumstance

[2] Confirmed by the United States Bankruptcy Court for the Southern District of New York on July 15, 2004, Case No. 01-16034.

that argues in favor of revisiting the Commission's Order. Nor, as we argue below, is there any legal justification to revisit the Order.

II. Argument

URP filed its Application for Reconsideration on February 13, 2006.[3] URP's sole argument is that the Commission failed to factor into its decision the assumption in URP's Application that, with the passage of Senate Bill 408 and the absence of tax liability at Enron, it is in ratepayers' financial interest to keep Enron as the owner of PGE, instead of ushering Enron out of the state. URP argues that this is worth $ 92.6 million to ratepayers annually. URP Application, page 4.

One could argue that SB 408 was intended to end regulatory preference for holding company structures over true stand-alone utilities, rather than extend regulatory preference for bankrupt holding company structures. One could also argue that the legislature did not pass SB 408 to avoid the payment of taxes to government, but to ensure that a fair amount for taxes is collected from utility ratepayers, and that the money collected is paid to government. However, using SB 408 to argue for continuing Enron's presence imbues an intent to SB 408 that we do not recognize.

In any case, URP's argument fails because it raises issues that could have been or were considered during the pendency of the case. SB 408 was signed into law on September 2, 2005. The record in UM 1206 was closed on October 13, 2005. Ruling, October 13, 2005 (allowing time for submission of affidavits). If anyone, including URP as a party to the case, wished to raise SB 408 as an issue, there was ample opportunity. For the signatories to the Stipulation (who knew that SB 408 passed out of the legislature

[3] URP cites ORS 756.661 as authority, but intends to cite ORS 756.561

on August 4, 2005, nearly a month before the Stipulation was signed), SB 408 did not alter the opinion that starting the process to remove Enron from PGE under state regulatory supervision was a benefit. The question was what protections were appropriate to guide the process. The Stipulation identifies those protections.

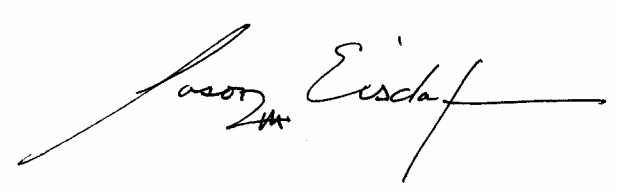
OAR 860-014-0095(3), which sets out the reasons for granting a reconsideration authorized under ORS 756.561(1), identifies four justifications for granting an application for reconsideration. URP relies on 3(c), an error of law or fact in the order which is essential to the decision, and 3(d), good cause for further examination of a matter essential to the decision.

As we understand the Application, URP argues that the error in fact is the finding that the PGE/Cooper Application will be in the public interest and will serve the public utility's customers in the public interest. URP Application, page 5. However, these findings ultimately are conclusions of law supported by underlying factual evidence. Whether an application is in the public interest is determined by reviewing and balancing many facts. The single fact that URP relies on to petition for reconsideration is the presence of SB 408 and the mere presence of SB 408 itself does not make a factual error. If URP argues that by not considering SB 408 in its decision, the Commission made an error, as stated above, all the parties to this case had the opportunity to make this argument, including URP, but did not. There was no error of fact as the record was presented to the Commission. If URP argues that the mistake of fact was the Commission's failure to factor in $92.6 million less in revenue requirement which is dependent on a future interpretation of SB 408 as applied to PGE and Enron's future consolidated tax liability and which is short term in nature given the longer-term intent of

the Bankruptcy Plan's assumptions for PGE, then this issue may not be essential to the Commission's decision.

Likewise, the other justification for reconsideration, good cause, fails both because the opportunity to make the argument was available during the case and because the argument itself is not a good one. URP's argument is situational, using a twisted reading of the intent of SB 408 to make a short-term tax effect more important than the long-term consequences for the utility and its customers. Assuming a full understanding of the rate implications of SB 408, on balance the PGE stock issuance is in its ratepayers' long-term interest.

Respectfully Submitted,
February 28, 2006



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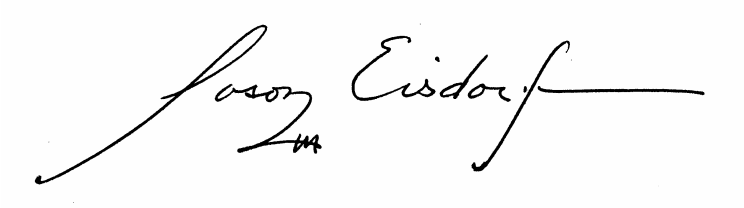
CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of February, 2006, I served the foregoing Reply to Application for Reconsideration of the Citizens' Utility Board of Oregon in dockets UF 4218/UM 1206 upon each party listed below, by email and U.S. mail, postage prepaid, and upon the Commission by email and by sending 6 copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

Respectfully submitted,



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