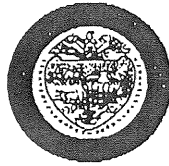


R. THOMAS "TOM" BUTLER
State Representative

OREGON HOUSE OF REPRESENTATIVES
DISTRICT 60



September 29, 2005

Lee Beyer, Chairman
Oregon Public Utility Commission
550 Capitol Street N.E. #215
Salem, OR 97308

Dear Chairman Beyer:

As you know, I chaired the House work group that examined SB 408 as passed by the Senate. I spent dozens of hours in work group meetings, consultations with affected interest groups from all sides, committee hearings and work sessions, and in the House chamber debating Senate Bill 408.

Legislators wanted to respond to the concerns of customers that utility rates reflected costs for income taxes but federal, state, and local governments were receiving less in tax revenues than was being collected in rates. Legislators wanted to "fix the Enron problem" in which the Portland General Electric utility collected tens of millions of dollars for taxes in utility rates while Enron paid little or no tax to the Internal Revenue Service or the Oregon Department of Revenue.

I spent as much time listening to and working with proponents of the bill as I did with its opponents. In all the discussion and debate over this legislation in the House, not a single person raised the idea of shifting tax benefits from another affiliate of the consolidated taxpayer when the consolidated group paid *as much or more* in taxes than its utility affiliate collected in rates. That is not fixing the Enron problem.

The Commission needs to guard against unintended consequences of this legislation that distort its intent and create more problem than are solved. I would not at all be surprised if the Legislature in 2007 still has to fix many aspects of SB 408. In the meantime, the Commission should work to minimize the damage that could be done and not adopt rules that go far beyond legislative intent and thwart investment in the state's utility infrastructure.

Yours very truly,

A handwritten signature in black ink that reads "R. Thomas Butler".

Cc: Governor Theodore R. Kulongoski
Speaker Karen Minnis
Majority Leader Wayne Scott
Commissioner Ray Baum
Commissioner John Savage

