



Andy OLSON
STATE REPRESENTATIVE
DISTRICT 15
HOUSE OF REPRESENTATIVES

October 2, 2005

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

Dear Mr. Beyer,

Last Thursday September 29th, I had the opportunity to listen to Matthew Wright, a representative from PacifiCorp at an Albany Chamber of Commerce meeting. Mr. Wright gave a presentation about the MidAmerican/PacifiCorp transaction. I learned that MidAmerican Energy Holdings Company is committed to support PacifiCorp's investment needs, with a long-term investment perspective to enable PacifiCorp to continue its focus on customer service improvement and operational excellence, and that MidAmerican is committed to long-term ownership.

Towards the end of the presentation, Mr. Wright shared that PacifiCorp is greatly concerned by the Oregon PUC's temporary rules implementing SB 408. They believe the rules could adversely impact Oregon's business climate.

I know that you are in the process of developing regulations to implement Senate Bill 408. It is important to ensure that those rules accurately reflect the intent of the Legislature. I am concerned about the approach to rulemaking on SB 408 that is emerging from the Commission. I do not want rules that are not business friendly.

As you are aware, 408 seeks to reconcile gaps between taxes collected in energy utilities' rates and the amount of taxes paid to units of government by the utilities' owners. SB 408 responded to customers' concerns that a utility might collect 100 units of money in rates but the taxpayer of which the utility is a part paid less than the 100 units in total. I share this concern and worked to gain passage of the legislation in the House, which will provide for adjustments, to the extent appropriate, for taxes collected in rates and taxes paid by utilities or consolidated taxpayers including utilities in 2006, with adjustments beginning to flow to customers in 2007.

It is neither good policy nor the intent of the Legislature in passing SB 408 to claim a portion of tax losses from business affiliates with a utility due to the fact they are part of a consolidated tax return. Such a policy would artificially deflate the return a utility owner would be allowed to earn on its utility investment, and would do this because of business activities having nothing to do with providing electric and gas service to Oregonians.

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Members of the House voted to adjust electric and gas bills when taxpayers paid more taxes in rates than units of government collected from the utility or consolidated taxpayer. The House did not intend to shift any benefits of tax losses to utility customers when the consolidated taxpayer paid as much or more in taxes than was collected in rates but had tax losses among its individual affiliated businesses. From my understanding, your temporary rules go beyond the parent company in pursuit of the tax issue. This was not the intent of the legislature.

I appreciate your attention to this issue. Should you have any questions, please feel free to contact me.

Sincerely,



Andy Olson, Representative

AMO/gk

cc: Commissioner Ray Baum
Commissioner John Savage
Governor Theodore R. Kulongoski
Speaker of the House Karen Minnis
House Majority Leader Wayne Scott