

DERRICK KITTS
State Representative
Majority Whip

DISTRICT 30



HOUSE OF REPRESENTATIVES
900 COURT ST NE
SALEM, OREGON 97301

RECEIVED

OCT 19 2005

October 15, 2005

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

Dear Chairman Beyer:

I am writing to you regarding the current permanent rulemaking on SB 408. As the House Majority Whip, it was my responsibility to educate my caucus about major policy issues before voting on the House Floor. In essence, I helped ensure that our members understood the intent of each piece of legislation they voted on. In this capacity, I believe it is important to make sure that the rules you are currently developing accurately reflect the intent of the Legislature.

I voted for SB 408 in response to the concerns of ratepayers that the taxes they pay in their electric or gas utility rates go to units of government, and when they didn't that ratepayers would be credited back the difference. As described by supporters of the bill to my caucus, the bill would call for adjustments for differences in the taxes collected by energy utilities and the taxes paid, dollar for dollar. Any actual adjustments would occur through the establishment of an automatic adjustment clause based on actual taxes paid information available after the 2006 tax year. The bill was also not intended to change basic ratemaking principles or to apply outside of this framework in any way.

I am very disturbed at the definition of "properly attributed" that has emerged in the Commission's temporary rules on SB 408 implementation. At no time did the Legislature contemplate taking away tax benefits from businesses affiliated with utilities when their consolidated tax group pays as much or more in taxes than the utility itself collects in rates. Such an allocation of tax benefits to ratepayers would be an extraordinary stretch beyond the basic problem that the Legislature sought to address in passing SB 408. I encourage the Commission to carefully consider the serious negative impact such a policy could create.

All the best,

A handwritten signature in dark ink, appearing to read "Derrick Kitts".

Derrick Kitts
Majority Whip
Copies:

Commissioner Ray Baum
Commissioner John Savage
Governor Theodore R. Kulongoski