

Bill Parish of Parish & Company submits the following comment via email, fax and US mail. Note that this comment supercedes an email sent 2/28/05 directly to Chair Beyer.

March 1, 2005

Lee Beyer - Chairman
Oregon Public Utility Commission
PO Box 2148
Salem, OR 97308-2148

Re: Comment on the February 18, 2005 DOJ memorandum on recognizing a corporate parent's tax liability in setting utility rates due to the commission by March 4, 2005.

Dear Mr. Beyer,

I appreciate being provided the opportunity to testify before the commission last week. Please do consider this letter to be my official correspondence to the commission regarding your request for public comment on the DOJ memorandum regarding the treatment of utility taxes. I'll also note that readers may hear the audio file of my testimony regarding the related staff white paper by going to your website at <http://www.puc.state.or.us> and making the following selections: public meetings, listing of audio files, Workshop on White Paper on Utility Income Taxes - February 23, 2005.

As noted in my testimony, Enron's fraud was enabled by cash flow generated from permanent tax differences that allowed Enron to pocket the taxes billed to ratepayers and leverage off this significant cash flow. Frankly, Oregon's previous public utility commissioners are therefore directly responsible for the greatest part of Enron's national fraud because by approving PGE's purchase they in turn handed Enron the cash flow to build and sustain its scheme.

Key to this scheme was using permanent tax differences including losses created by stock option deductions, losses you will not see unless you demand full disclosure of their top level partnership. At Oregon Electric alone, three executives stand to earn more than \$15 million in stock option gains over the next three years, thereby creating one such permanent tax accounting difference. Is it not astonishing that these options and related tax deductions fully vest in only 3 years when TPG indicates they are thinking longer term? See reference archive on my website at <http://billparish.com/20040314pgereferences.html> for more details on how these tax deductions were calculated.

It does also seem clear that your legal support regarding taxes is somewhat weak. For example, your DOJ legal advisor, in defending the current treatment, argued in the hearing that taxes were indeed paid, simply to Enron rather than a recognized taxing authority like the IRS, State of Oregon or Multnomah County. Although he later clarified that

taxes were a "recognized cost," this was still a ridiculous statement. What PGE did was make an intercompany transfer payment to Enron for taxes based upon book income in which no recognition was made of temporary timing nor permanent differences between PGE's financial and tax books.

PGE's management often cites Warren Buffet's purchase of Mid-American as a model similar to TPG's model yet the cashflow generated from such tax deductions will be undisclosed in TPG's case since it receives no SEC oversight. Buffet's fund that purchased Mid-American is instead a publicly traded and SEC regulated mutual fund that fully discloses its cashflow statement. This difference between Buffet's SEC regulated investor utility and a private equity utility owned by TPG's will have dramatic tax consequences unknown to the commission because the often referred to "ring fence", and related permanent differences, will occur behind a curtain for TPG.

It is particularly unfortunate that you are unable to rely on the observations of recognized tax experts like former Chair of the Senate Finance Committee Bob Packwood. In my testimony I related his comment on my work with respect to one such permanent difference and he specifically noted I had done a great public service in identifying this loophole. The loophole is explained in the archive on my website at <http://billparish.com/20040314pgereferences.html>, search using keyword Packwood.

Although my views have seemed somewhat strident regarding these tax issues involving PGE, if you allow these tax treatments to continue, you will clearly be opening pandoras box of legal actions, likely to include both civil and criminal actions against a wide number of public and private figures surrounding this "deal." Denying this tax and cashflow driven acquiring of our local utility will result in no harm and therefore eliminate the basis and standing for most legal actions. Actions that many critics of this deal are far to anxious to initiate. In any event, best of luck to you. This letter including various reference updates will be posted on my website at www.billparish.com.

Sincerely,
Bill Parish

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