



CITY OF
PORTLAND, OREGON

1221 SW Fourth Avenue Portland, Oregon 97204
www.portlandonline.com

Tom Potter, Mayor
Sam Adams, Commissioner
Randy Leonard, Commissioner
Dan Saltzman, Commissioner
Erik Sten, Commissioner

March 4, 2005

VIA EMAIL TO: puc.taxwhitepaper@state.or.us

Oregon Public Utility Commission
P.O. Box 2148
Salem, OR 97308-2148

Re: Comments on Department of Justice Memo
Recognizing Tax Liabilities in Setting Utility Rates.

Dear Commissioners:

The City of Portland, Oregon appreciates the opportunity to provide comments to the Public Utility Commission on the regulatory treatment of taxes in setting utility rates.

The Department of Justice has advised you that the Commission has the discretion to decide how to address this issue. We are writing to you to urge that you use that discretion and stop allowing utilities to collect monies from Oregon businesses and residents under the guise of collecting taxes while the utilities pocket the monies.

This sleight of hand is simply indefensible on a policy basis. If nothing else, the utilities characterization of these collections as “taxes” is deceptive, and should be stopped.

As reported in the Oregonian, for Portland General Electric alone, the current regulatory scheme may have cost ratepayers as much as \$720 million since 1997.¹ As reported in Willamette Week, Multnomah County has already lost about \$7 million as a result of this scheme². As far as can be ascertained, these amounts represent funds that do not go to the taxing jurisdictions but instead go to Enron, the current owner of PGE. This is at a time when state and local governments are under significant pressure to cut budgets and important public services are in jeopardy.

Taxpayers view the monies given to the utilities for payment of taxes as taxes. This is understandable because that is how the monies are characterized on their bills and in the Commission’s rate regulations. We would expect that the community would be as shocked as we were to learn that these monies never end up in state or local coffers but are deposited in corporate accounts—with the Commission’s blessing.

¹ Steve Duin, “The Cost of Unregulated Madness”, *The Oregonian* (February 27, 2005)

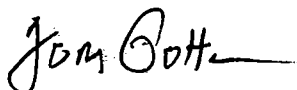
http://www.oregonlive.com/news/oregonian/steve_duin/index.ssf?/base/news/1109423869115390.xml

² Nigel Jaquiss, “Enron’s Tax Holiday: The county taxes you paid to PGE went to Texas”, *Willamette Week* (January 19, 2005).

Currently, the Legislature is struggling with how to adequately fund schools and much-needed social services. The Portland City Council is struggling with how to balance its budget over the next biennium how to avoid closing fire stations, how to keep parks open, and how to keep adequate police protection on the streets to respond to an epidemic of methamphetamine abuse. In time such as these, to have utilities collecting monies from Oregon ratepayers under the guise of paying "taxes" that are never proffered to the government should cause you significant concern, as it does us.

The City has no quarrel with balancing ratepayer interests and ability of utilities to make a reasonable profit. However, balance seems to have been lost in a setting where the Commission defends the diversion of significant tax dollars away from our local community into the hands of out of state entities. We urge you to modify this practice immediately.

Very truly yours,



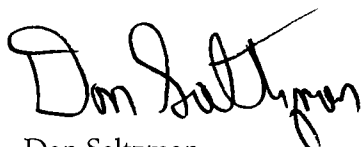
Tom Potter
Mayor



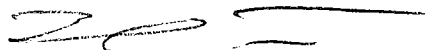
Sam Adams
Commissioner



Randy Leonard
Commissioner



Dan Saltzman
Commissioner



Erik Sten
Commissioner