



THEODORE R. KULONGOSKI  
Governor

September 2, 2005

The Honorable Bill Bradbury  
Secretary of State  
900 Court Street NE – Room 136  
Salem OR 97301

Dear Secretary Bradbury:

I have signed Senate Bill 408. I understand the frustration voiced by Oregonians when they learned that investor owned utilities were collecting monies for payment of taxes, but not paying those monies to government. SB 408 aligns the amount of income taxes collected from Oregon ratepayers with those actually received by government from investor owned utilities and their affiliated companies. I signed the bill because, as to that issue, it is the right public policy.

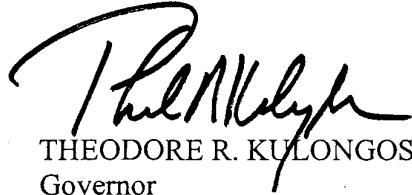
At the same time, I am disappointed that the parties were unable to achieve a reasonable compromise of all issues involved in SB 408. Notwithstanding the considerable work that was done on this issue, much of it capably coordinated by Representative Tom Butler with assistance from Representatives Brian Boquist and Greg Macpherson, the legislation does not address many of the concerns raised by various stakeholders during numerous public hearings, work sessions and other meetings on this subject. In fact, much of that hard work was ignored and the final version of the bill defers many of the difficult questions about the impact and implementation of SB 408 to the Oregon Public Utility Commission (OPUC). Further, the assembly rejected changes that would have preserved the consumer and taxpayer protection elements of the bill, while at the same time ensuring that it could be successfully defended against a legal challenge on constitutional grounds.

While I have great faith in the OPUC's ability to manage and interpret SB 408, I believe the public would have been better served had the legislature taken it upon itself to develop a clearer and perhaps more balanced approach to resolving problems associated with taxes collected in utility rates. In the end, we need to do all we can to ensure the lowest possible rates for consumers in Oregon, while also creating a stable and investment worthy environment for utilities, preferably an environment that encourages Oregon as the headquarters for businesses, including utilities. I am not sure that this

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legislation moves us with certainty in that direction, and any unintended consequences could actually undercut that goal. A more direct prediction is that the legislature will end up addressing these issues in a future session, either because the courts have raised concerns or because the results do not materialize.

Sincerely,

A handwritten signature in black ink, appearing to read "Theodore R. Kulongoski". The signature is fluid and cursive, with a large initial "T" and "K".

THEODORE R. KULONGOSKI  
Governor

TRK:PC:asm