

**Congress of the United States**  
Washington, DC 20515

January 27, 2005

**DEJA VU ALL OVER AGAIN**

**Are Today's Electricity Consumers and Investors Doomed To Repeat History's Mistakes?**

Dear Colleague:

As the Congress prepares once more to take up energy legislation, I am reminded of two quotes by the great Yogi Berra. The first: "This is like deja vu all over again." The second: "You can observe a lot just by watching." On that note, I commend your attention to the January 11, 2005, New York Times article, "Secrecy Stripped From Oregon Utility Sale." The article, detailing the proposed purchase of Portland General Electric, a utility currently owned by Enron, should give Members pause about repealing the Public Utility Holding Company Act of 1935 (PUHCA).

Specifically, the article highlights attempts by a would-be purchaser of Portland General to keep secret from consumers and ratepayers 700 pages of critical information regarding its "debt-laden" merger proposal. Documents recently obtained by a local newspaper reveal that the purchaser may plan to resell the utility in as little as three years, and take other steps inconsistent with the interests of consumers and investors such as the pension fund of Oregon employees.

The Republican leadership reportedly plans to soon schedule comprehensive federal energy legislation based on last year's conference report to H.R. 6, which would have repealed PUHCA and restricted the Federal Energy Regulatory Commission's (FERC) merger authority. As the Enron experience and the Portland General case demonstrate, these are not steps Congress should undertake lightly.

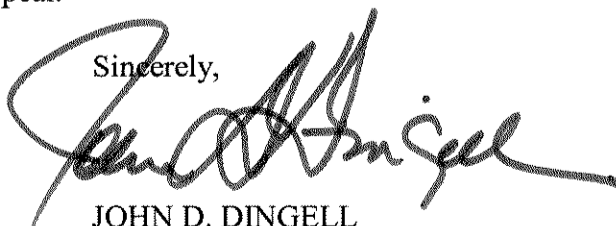
PUHCA was adopted in response to investor and consumer abuses during the 1920's by the Insull Trusts, a network of debt ridden utilities that, like Enron, ultimately collapsed. As the New York Times article points out, the Portland General case illustrates "a growing use of secrecy in utility cases to the detriment of ratepayers," "the growing interest in electric utilities by leveraged buyout firms," and "raises questions about moves in Congress to repeal" PUHCA.

Absent PUHCA's restrictions on investments by and in multi-state utilities, Enron's reach might have extended far beyond Oregon and Portland General. While effective state regulation limited Enron's fallout for Oregon consumers, states will be hard pressed to provide similar protections if Congress repeals PUHCA's rules concerning investments in and by sprawling multi-state utility holding companies.

A number of thoughtful, consumer and investor-oriented approaches to modernize this law have been proposed, but PUHCA's opponents are not interested in reform, only in repeal. This would severely erode federal consumer and investor protections by opening the floodgates to utility purchases by investors who lack experience in utility business and with little or no interest in serving consumers over the long run.

Utilities are not like other businesses because their product is essential to public health, safety, and the nation's economy. Repealing PUHCA without adequate protections is not in the best interest of consumers or investors, and recent events serve to remind us that the need for the law is not outdated. Don't let today's electricity consumers be victimized by a repeat of history's mistakes -- oppose PUHCA repeal.

Sincerely,



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