



**ELECTRIC UTILITIES APPLAUD REPS. HAYWORTH AND ENGLISH
ON INTRODUCTION OF BILL TO REMOVE TAX BARRIERS
TO GROWTH OF THE COMPETITIVE MARKET**

WASHINGTON, D.C., July 27, 2000 --Three organizations representing publicly and privately owned electric utilities applauded Congressmen J.D. Hayworth (R-AZ) and Phil English (R-PA) for introducing The Electric Power Industry Tax Modernization Act. The bill addresses industry-wide tax issues that need to be updated to accommodate the emerging competitive electricity market.

The American Public Power Association (APPA), Edison Electric Institute (EEI), and the Large Public Power Council (LPPC) are urging Congress to enact the proposed legislation this year. The measure is needed immediately so that the utility industry can respond fully to federal deadlines designed to facilitate the growth of interstate competition. One such deadline is the Federal Energy Regulatory Commission's October 15, 2000 deadline for filing intentions to join regional transmission organizations (RTOs).

Another deadline forcing these tax changes is the Internal Revenue Service's temporary proposed output regulation, which is set to expire in January 2001 and could leave community-owned electric utilities with no guidance on how to proceed in the new marketplace.

The three organizations thanked Reps. Hayworth and English, and other bill cosponsors -- Wally Herger (R-CA), Nancy Johnson (R-CN), Robert Matsui (D-CA), Richard Neal (D-MA), Jim Ramstad (R-MN), Clay Shaw (R-FL), Karen Thurman (D-FL), Wes Watkins (R-OK) and Jerry Weller (R-IL) -- for their efforts to ensure continued growth of a competitive marketplace that is fair and inclusive of all participants.

The two industry sectors have joined together to support Congressman Hayworth's bill as a complete package. The bill would modify private use provisions of the tax code so that community- and state-owned electric utilities can provide open access transmission and participate in RTOs. For shareholder-owned utilities, the bill would eliminate taxes on "Contributions in Aid of Construction" that discourage upgrade of transmission facilities, defer taxes on the sale and eliminate taxes on the spin-off of transmission facilities to facilitate formation of independent RTOs, and modify tax treatment of nuclear decommissioning funds in competitive markets.

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