



PUBLIC AND PRIVATE ELECTRIC UTILITIES AGREE ON TREATMENT OF TAX ISSUES IN THE COMPETITIVE MARKET

WASHINGTON, D.C., July 11, 2000 -- Three organizations representing publicly and privately owned electric utilities have forwarded a joint proposal to Congress on how relevant tax issues should be treated as the electric utility industry transitions to a more competitive marketplace.

The American Public Power Association (APPA), Edison Electric Institute (EEI), and Large Public Power Council (LPPC) have presented a joint letter to supporters in Congress, urging the House Ways and Means Committee and Senate Finance Committee to act this year to remove major tax barriers to growth of the competitive market.

In a letter to Senators Frank Murkowski (R-AK) and Slade Gorton (R-WA), and Congressmen Phil English (R-PA) and J.D. Hayworth (R-AZ), sponsors of tax bills geared at restructuring-related tax issues, the heads of the organizations urged Congress to act on the tax matters immediately. "Legislation this year," they wrote, "is essential for implementation of full and fair interstate competition in electric markets in conformance with deadlines established by the Federal Energy Regulatory Commission." One such deadline is the Commission's October 15, 2000 deadline for utilities to file their intentions to join Regional Transmission Organizations (RTOs). The CEOs have requested that the proposal be included in the next tax legislation considered in this Congress.

The three organizations have worked for several years to come together on a joint tax proposal to forward to Congress. The agreement would modify private use provisions of the tax code so that public power is fully able to provide open access transmission and participate in RTOs. For shareholder-owned utilities, the agreement would eliminate taxes on "Contributions in Aid of Construction" that discourage upgrades of distribution 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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The letter to Congress, a summary of the agreement, the agreement, and a statement from each organization are posted on the organizations' Web sites: www.APPAnet.org (go to Press Room); www.eei.org (click on Energy Issues, and then News); www.lppc.org (click on Press Releases).

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