

DRAFT

Date

The Honorable xx
U.S. Senate/House
Washington, D.C. 20510/5

Dear Senator/Congressman:

I/We am/are writing to express our support for a fair and reasonable solution to the problems posed by the "private use" restrictions on public power bonds and to urge you to oppose any effort to tax state and local government revenues as a part of electricity industry restructuring.

Legislation (S. 2182) was introduced in the 105th Congress by Senators Slade Gorton (R-WA), Robert Kerrey (D-NE), and a bipartisan group of ten other Senators that appropriately resolves the "private use" issue. The Gorton/Kerrey bill provides state and locally owned utilities with three options for obtaining the necessary level of relief they need to enter competitive electricity markets without jeopardizing the tax-exempt status of outstanding bonds or raising rates. At the same time, it requires those taking this relief to make significant concessions on the future use of tax-exempt bonds. Importantly, however, the bill respects state and local authority by allowing those decisions to be made at the state and local level. Senators Gorton and Kerrey have indicated they will re-introduce their legislation early in the 106th Congress.

I/we believe this is a fair and balanced approach to dealing with an issue that is widely recognized as a significant barrier to participation by state and locally owned utilities in retail electricity markets and I/we urge you to support it. Moreover, I/we believe that it meets the concerns expressed by private utilities about potentially unfair advantages.

In addition I/we are legitimately concerned about proposals to tax the revenues of state and local government. The trade association for the private utilities, continues to oppose the Gorton/Kerrey bill, in large part because it does not impose federal taxes on electric revenues of state and locally owned utilities. Private utilities also sponsored legislation in the 105th Congress (and are expected to do so again in the 106th) that would require federal income tax payments on portions of such revenues.

Proposals to tax state and local revenues, no matter what the purported justification, are fundamentally inconsistent with our system of government. Breaching the historical tax immunity between the levels of government would be a serious and dangerous precedent. I/we urge you to reject any such proposal.