



Legislation Text

File #: 981018, Version: 0

Support For Senate Bill 2182 (B)

As you know many public power utilities, including Gainesville, have financed generation, transmission and distribution facilities with tax exempt debt. Existing federal tax law and regulations severely restrict the uses to which such facilities may be put. With retail competition and participation in regional transmission organizations on the horizon, many public power utilities are concerned that the use of those facilities in a more competitive environment may require the violation of those statutory restrictions. If that occurs, the interest on the debt becomes retroactively taxable.

The American Public Power Association (APPA) and many public power systems have petitioned the Internal Revenue Service, the Treasury Department and Congress to afford them greater flexibility in this regard, but recently issued regulations have granted only very limited relief. Only legislation enacted by Congress can solve this problem.

In June, 1998, Senator Slade Gorton (R-WA) introduced legislation (S.2182) to address public powers' concerns regarding private use restrictions. The bill is being supported in the Senate by a group of eleven bipartisan co-sponsors. The bill would allow those public power systems with private use problems to elect to eliminate the private use limitations on existing facilities, but only if they also elect to forego the use of tax-exempt financing of new generation. The key to the bill is this local control exercised when affected public power systems make their own choice on this critical issue. Unfortunately, the trade association for the private utilities continues to vigorously oppose the bill in large part because it does not require public power to pay federal taxes on any of their revenues. While S.2182 isn't perfect and is not preferred by public power, APPA and its member utilities believe it represents a reasonable compromise.

Accordingly, it is important that public power utilities communicate their support of this bill and ask for the support of their respective delegations and others in position to affect the legislative outcome. A draft, proposed form of letter for that purpose is attached.

The City Commission authorize the Mayor, Members of the Commission, and the General Manager for Utilities to communicate support of S. 2182 (the Gorton Bill) to members of the Florida congressional delegation and to communicate its approval and support of S 2182 to such other persons and in such other manner as may be appropriate to ensure passage of this or substantially similar legislation.

There is no fiscal impact if this recommendation is approved.

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