



**EDISON ELECTRIC  
INSTITUTE**

THOMAS R. KUHN  
President

April 29, 2004

The Honorable Bill Frist  
Majority Leader  
United States Senate  
Washington, DC 20510

Dear Senator Frist:

The Edison Electric Institute (EEI) expresses its strong support for inclusion of the energy tax incentives as part of the FSC/ETI bill (S.1637). These provisions promote much needed investment in energy infrastructure, promote fuel diversity and encourage energy efficiency. Consequently, any amendments to strike some or all of the energy tax title should be defeated.

EEI also strongly urges adoption of an amendment proposed by Senators Nickles and Thomas that would reduce the depreciable lives for electric transmission assets from 20 to 15 years. As you know, this provision was included in the conference report on H.R. 6, last year's energy bill. This amendment is critically important as the U.S. needs to expand its transmission capacity. In new, more competitive electricity markets, the transmission grid is being used as a "superhighway" for electric companies. As a result of the increased "traffic," transmission systems are facing dramatic increases in congestion, which threaten system reliability and results in increased costs to consumers.

We also have concerns with two provisions in the underlying text of the FSC/ETI bill, which we believe should be addressed during conference. One provision deals with a proposal to redefine "fines and penalties". We believe this provision is overly broad. Although we understand the provision is intended to heighten compliance by clarifying what are non-deductible fines and penalties, the proposal goes much further. It would make many ordinary business expenses non-deductible. Settlements and other voluntary agreements entered into between business and governmental entities would be made more difficult. This provision should be deleted.

The other provision of concern to us deals with tax deductions related to cross-border leases. The original Senate language would limit tax deductions claimed by lessors with respect to property leased to a tax-exempt lessee (e.g., the Federal government, state and local governments and agencies, hospitals and universities, and foreign companies or governmental entities).

The provision in the Senate bill (not present in the Administration's budget proposal) would impose a new limitation on cross-border leases by denying these tax deductions after January 1, 2005. We believe that applying these new rules to existing leases is both unfair and punitive. Any tax law change in this area should apply only to leases entered into after date of enactment. The Senate language should be modified to accomplish this result.

EEI encourages the Senate to modify the FSC/ETI bill to include the Nickles/Thomas transmission depreciation amendment and to reject any efforts to strip the energy tax provisions from the bill. We also encourage you to remedy the "fines and penalties" and "leasing" concerns we have expressed above.

Thank you for consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas R. Kuhn". The signature is fluid and cursive, with a large initial "T" and "K".

Thomas R. Kuhn

TRK:rcm