



THEODORE R. KULONGOSKI
Governor

September 7, 2005

The Honorable Bill Bradbury
Secretary of State
900 Court Street NE – Room 136
Salem OR 97301

Dear Secretary Bradbury:

I am returning House Bill 3453 unsigned and disapproved.

HB 3453 would provide a property tax exemption on tangible and intangible property that arises from contracts between qualified local governments and energy marketing companies. This bill is a direct result of a ruling by the Oregon Department of Revenue regarding the tax status of PPM's intangible interests in a City of Klamath Falls co-generation facility which is operated pursuant to contracts between the City and PPM. The Oregon Tax Court upheld the Department of Revenue's ruling that such intangible property is assessable and taxable. The parties have appealed that ruling to the Oregon Supreme Court, where the matter is currently pending. HB 3453 is an attempt to circumvent the Court's review of this matter and, by legislation, overturn the Department of Revenue and Tax Court's rulings.

I believe the Oregon Supreme Court is in the best position to resolve this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Theodore R. Kulongoski".

THEODORE R. KULONGOSKI
Governor

TRK:DCR:lmh