

Internal Revenue Service

Department of the Treasury

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Person to Contact:

Telephone Number:

Refer Reply To:

CC:FIP:2-PLR-127200-00

Date:

February 28, 2001

Legend:

Taxpayer =

Company =

Trust =

State A =

State B =

State C =

a =

b =

c =

Date A =

Date B =

Dear :

On Date A this office issued a private letter ruling (PLR # 9814007) ("Initial Ruling") concluding that the issuance of a qualified rate order (QRO) financing order by the State A public utility commission authorizing the collection of competitive transition charges did not result in gross income to Company and that Transition Bonds issued by the Trust were obligations of the Company.

In a letter dated November 17, 2000, you have requested a supplemental ruling that a refinancing of the Transition Bonds will not result in gross income to Company and that the reissued Transition Bonds will constitute obligations of the Company.

Except as described below, all facts and representations cited in the Initial Ruling are incorporated for purposes of this letter. Any terms defined or legended in the Initial Ruling have the same meaning in this letter.

On Date A the Trust issued Transition Bonds in the principal amount of \$a

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consisting of seven classes, two of which contained bonds with floating interest rates. Company proposes to cause the Trust to redeem between \$b and \$c of the principal amount of the Transition Bonds with floating interest rates. Company proposes to finance that redemption with the issuance of a new series of fixed rate Transition Bonds in a principal amount identical to the principal amount of Transition Bonds being redeemed. The Transition Bonds in the new series will have the same legal maturity, principal amount and all other terms as the redeemed Transition Bonds. The only difference between the redeemed Transition Bonds and the newly issued Transition Bonds will be that the new Transition Bonds will have a fixed interest rate. This change will alter the amount of interest paid to bondholders.

The exchange of Transition Bonds with a floating interest rate for the Transition Bonds with a fixed interest rate does not adversely affect the analysis in the Initial Ruling. Accordingly, the conclusions in the Initial Ruling issued on Date A that (1) the issuance of the QRO did not result in gross income to Company and (2) that the Transition Bonds are obligations of the Company, are not affected.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent. No opinion is expressed as to the federal tax consequences of this transaction under any other provision of the Code. Specifically, no opinion is expressed as to whether the exchange of one series of Transition Bonds for another series of Transition Bonds constitutes an exchange pursuant to section 1001 of the Code.

Sincerely,
Acting Associate Chief Counsel
(Financial Institutions & Products)
By: William E. Coppersmith
Chief, Branch 2