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To: Senator Rodney Moen, Chair, Committee on Health, Utilities and Veteran Affairs
Members of the Committee on Health, Utilities and Veteran Affairs

From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities

Date: December 4, 2001

Re: Support for AB 584, Relating to Public Utility Payments to Municipalities

The League of Wisconsin Municipalities supports Assembly Bill 584. We believe the bill, by raising the \$125 million cap on utility value and increasing the per capita limits on payments to municipalities from the current \$300 to ultimately \$1,200, is a good first step towards the goal of adequately compensating municipalities for the negative impacts associated with allowing the construction of power plants within their borders. The bill implements the recommendations of the Department of Revenue's Electric Restructuring Study Group, which the League supported.

We are pleased AB 584 separates public utility payments from the aidable revenues component of the shared revenue program in order to hold harmless municipalities that do not host power plants. The bill accomplishes this goal by moving the appropriation for public utility payments to municipalities from the shared revenue account to a new account in the General Fund called the "Public Utility Distribution Account."

We urge the Committee to recommend passage of AB 584. Thanks for your efforts and leadership on this important issue and for considering our comments.

Dairyland Power Cooperative
Testimony – AB 584
Brian Rude,
Director of External Relations

Good afternoon, Chairperson Moen and members. I appreciate the opportunity to offer a few brief comments regarding the legislation to provide additional incentives for generation siting. I offer these comments on behalf of Dairyland Power Cooperative and our 230,000 member-owners in a four-state area. I am also speaking today on behalf of the Customers First! Coalition – a group of consumers, energy providers, unions, and businesses interested in supporting energy policies which promote reliable, affordable energy. We - and the Coalition - support this legislation.

I want to commend you, Chairperson Moen, for continuing your efforts to raise this important issue. Wisconsin needs additional capacity to generate and transmit power. There is no question that financial incentives for communities willing to host such facilities can be an important tool to getting such facilities sited at appropriate locations.

In the 1970s, changes occurred in the shared revenue formula which removed much of the incentive for communities to accept new power plants. Also, municipalities experience costs with these facilities, and as the result of those changes, shared revenue no longer provides as much compensation for those costs.

As a cooperative, we are very interested in a “good neighbor” policy to the communities where we construct facilities. Support for adequate state shared revenue has been a part of our tradition, and we continue to offer our general support for these types of proposals.

This past summer, at our annual meeting, our members passed Resolution 10, where specifically our members went on record in support of local tax and aid policies to provide incentives to communities willing to host generation and transmission facilities. I have attached a copy of this resolution to this statement.

We recognize that shared revenue formula changes can be complex and that some changes may need to occur to get this bill passed into law. We support the concept of the legislation and would be happy to comment on any changes in the wording of the legislation as it moves forward. One important consideration for us is that any policy developed should be inclusive of all types of facilities, those leased as well as those owned, those built by cooperatives as well as those built by other entities. We support similar broad treatment for decommissioning facilities.

We also recognize it is necessary as a political reality to “hold harmless” other communities in the state in order to pass legislation.

Finally, in the future, we encourage you to consider including not only generation facilities, but to also explore further incentives for significant transmission facilities. Siting transmission can be at least as difficult as generation, and current incentives are inadequate.

As this legislation moves forward, we look forward to working with you to help develop a strong policy for incentives. Thank you again for the leadership on this important topic.

Resolution 10 - - Tax Policies to Incent New Generation

At the turn of the new century, it is very clear there is a need throughout our region for construction of additional generation and transmission facilities. Demand for power continues to rise and there are many barriers to construction of adequate facilities to meet that demand.

One barrier to construction can be tax policies at the federal and state level. Tax policies can result in unfair situations, such as double taxation, or a lack of fiscal incentives to municipalities to host significant power facilities.

Dairyland supports those tax initiatives – state and federal – that serve to promote the construction of new generation, provided that such tax policies do not competitively disadvantage cooperatives.

Because Dairyland believes in being a good neighbor to the communities where we have significant operations, we also support modifications to local tax and aid programs that provide additional incentives to communities willing to host new generation and transmission facilities.



OakCreek

CITY
ADMINISTRATOR

December 5, 2001

Good Afternoon – My name is Robert Kufirin. I am the City Administrator for the City of Oak Creek; I am here to speak on the merits of Assembly Bill 584.

I have not been able to get a copy of an updated fiscal estimate so I cannot measure the impact on my city so I will base my comments on my interpretation of the draft.

This bill is better in one respect than the existing law in that it creates a separately funded “Public Utility Distribution Account” removed from State Shared Revenues. This means electric system changes that impact cities, villages and towns will not have a detrimental impact on the balance of the state. That is a good thing.

I do want to state for the record that Oak Creek has a good relationship with Wepco and Wepco has been a good corporate citizen. We have been working hard with Wally Kunicki to try to address our concerns about the proposed power plant construction. We realize that Oak Creek is an ideal location for the new facilities, but the level of compensation from the state and especially Wepco is insufficient to support the project. But no matter how hard I try I haven't been able to find another city, village or town that wants those three new generators. I keep trying to tell them about the advantages to a community to have a power plant built in their corporate limits. I tell them that it means:

3-5 years of construction traffic and related problems

the loss of 300 to 500 acres of prime industrial land from the tax rolls

no assurance that the new jobs being created will be filled by local residents

40 to 60 years of coal trains driving through the community

40 to 60 years of dust, noise, air pollution and related health issues

the only industrial facility in the community that will never appreciate in value based on the local tax rate

Unfortunately the bill doesn't really address the serious problems that are out there.

The bill does not provide any guarantee that the funding levels will be funded at a level sufficient to make the payments as specified.

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The Kettl Commission made it very clear that the State provides no incentives for local communities to accept power plants. This does little to help compared to the investment in plant and equipment. Other states provide for power plants to be taxed locally like all other property.

The value of the plant to the owner is really based upon the energy that is created, not an accountant's book value. In our case the value of our plant built in the late 1950's and early 1960's is dropping below the value of \$125 million so we will see a decline in utility payments. In reality the plant is putting out as much or more power than when it was built as it has become more efficient. The basis for calculating aid payments should be based upon the base plate values of the generators in service at the plants.

The City of New Berlin recently went through a community process of deciding if they wanted a new power plant. It got support from the business community, local leaders, elected officials but it didn't happen. Plus the Mayor who supported the project got voted out of office and the project created significant community dissension. This bill does nothing to create real incentives for communities to accept new power plants or transmission lines.

Just imagine that the State became aware of a national corporation that was looking to locate a new manufacturing facility that would be worth billions of dollars and create hundreds of high paying jobs. What kinds of incentives would the state put on the table to get that industry to locate in Wisconsin? I have done economic development in three states and based on what happened in New Berlin I can see it takes more than a promise to get people to buy into a project that doesn't benefit them.

I would like to show you how the current system compensates the City compared to other options.

\$750,000 current payment

\$9.14 current tax rate per \$1,000 of value

\$82 million of value @\$9.14 equals \$750,000 of taxes

Between 1990 and 2000 commercial and industrial property values increased by 2% per year or by 20% over the period

That means if \$82 million of value would pay \$750,000 now and the trends continued after 10 years it would be worth \$98 million; if the tax rate didn't change the property would pay \$899,376 which is an increase of \$149,000, but since it is the equivalent of a \$1 billion dollar power plant it still only pays \$750,000

I did my own financial analysis of what the Wepco proposals meant to the State and to Oak Creek. I am not a Department of Revenue accountant or PSC staffer so I could be all wrong. But as I figure it the proposed project means:

WEPCO Analysis

Rate of Return requested in PTF-2	0.139	percent
Profit per billion dollars invested	\$ 139,000,000	per year
Total Investment PTF-2	\$ 7,000,000,000	over 10
Annual profit (ROI) in 2011	\$ 973,000,000	per year
Megawatt Hours per plant	600	
Number of generators	3	
Megawatts generated per year	14,191,200	at 90 per-
Estimated cost to purchase MW	\$ 48	
Wisconsin Gross Receipts Tax	0.0319	percent
Additional Wisconsin tax revenues	\$ 21,729,565	per year
Local Aid		
Current aid formula	\$ 751,000	
Local taxes per \$1 billion of value	\$ 10,000,000	
Taxes for 3 generators at \$1 billion each	\$ 30,000,000	
If each new generator done by a different company using current state aid Formula	\$ 3,004,000	

We believe that the solution to getting community acceptance of new power plants and transmission lines to provide real incentives for communities to deal with the long term problems. We would like to see legislation that makes the power plants taxable no different from any other manufacturing facility. Other states provide for a tax system just like that.

Vote Record

Senate - Committee on Health, Utilities, Veterans and Military Affairs

Date: 11/16/02

Bill Number: ARB 584

Moved by: Robson

Seconded by: Meyer

Motion: Concurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Sen. Rodney Moen, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Roger Breske	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Judith Robson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Jon Erpenbach	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Mark Meyer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Peggy Rosenzweig	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Robert Cowles	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Scott Fitzgerald	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Mary Lazich	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Motion Carried

Motion Failed