Wisconsin Department of Administration
Division of Executive Budget and Finance

# Fiscal Estimate - 2005 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

| LRB Number **05-0951/1** | Introduction Number **SB-115** |
|---|---|

**Subject**

Utility aid payments to wind farms

**Fiscal Effect**

**State:**

[ ] No State Fiscal Effect
[ ] Indeterminate
[X] Increase Existing Appropriations
[ ] Decrease Existing Appropriations
[ ] Create New Appropriations
[X] Increase Existing Revenues
[ ] Decrease Existing Revenues
[ ] Increase Costs - May be possible to absorb within agency's budget [ ] Yes [ ] No
[ ] Decrease Costs

**Local:**

[ ] No Local Government Costs
[ ] Indeterminate
1. [ ] Increase Costs [ ] Permissive [ ] Mandatory
2. [ ] Decrease Costs [ ] Permissive [ ] Mandatory
3. [X] Increase Revenue [ ] Permissive [X] Mandatory
4. [ ] Decrease Revenue [ ] Permissive [ ] Mandatory
5. Types of Local Government Units Affected
[X] Towns [X] Village [X] Cities
[X] Counties [ ] Others
[ ] School Districts [ ] WTCS Districts

**Fund Sources Affected**

[X] GPR [ ] FED [ ] PRO [ ] PRS [ ] SEG [ ] SEGS

**Affected Ch. 20 Appropriations**

20.835 (1) (dm)

| Agency/Prepared By | Authorized Signature | Date |
|---|---|---|
| DOR/ Daniel Huegel (608) 266-5705 | Blair Kruger (608) 266-1310 | 3/31/2005 |

## Fiscal Estimate Narratives
## DOR 3/31/2005

| LRB Number **05-0951/1** | Introduction Number **SB-115** | Estimate Type **Original** |
|---|---|---|
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### Assumptions Used in Arriving at Fiscal Estimate

Under current law, an independent power producer (IPP) is deemed a "qualified wholesale electric company" (QWEC) if its total generating capacity is 50 megawatts (MW) or more. Under the bill, an IPP that generates power at a wind farm located in two or more municipalities or counties would be deemed a QWEC if its total generating capacity is 25 MW or more.

PROPERTY TAXES

Property owned by a QWEC is exempt from property taxes. Property of other IPPs is considered taxable commercial property. However, equipment which converts wind energy into electricity is exempt from property taxes except for equipment that would be part of a conventional energy system. Thus, under current law, a wind power IPP with a capacity of less than 50 MW would be subject to property taxes on the land it owns plus non-exempt equipment such as substations and transmission lines.

The bill increases the number of wind power IPPs that could qualify as a QWEC. To the extent that this occurs, property taxes will be shifted from the IPPs to other property taxpayers. The Department of Revenue (DOR) is aware of no existing wind farm that would become a QWEC under the bill, and is aware of no planned wind farms that would be deemed a QWEC as a result of the bill.

STATE UTILITY GROSS RECEIPTS TAXES

Revenues earned by a QWEC are subject to state utility gross receipts taxes. The tax rate on wholesale electric revenue is 1.59%. Revenues of other IPPs are exempt from this tax.

By increasing the number of wind power IPPs that could qualify as a QWEC, state utility gross receipts taxes could increase. The DOR does not have information to permit a reasonable estimate of the amount of revenue that could become taxable under the bill.

UTILITY SHARED REVENUES

The presence of QWEC property qualifies both the municipality and county for utility shared revenue payments. These payments are made every year a power plant is in operation. For a new wind-powered facility, two payments are made. (1) A basic payment of $2,000 per MW, which the municipality and county share. In a town, the town is paid one-third and the county is paid two-thirds. In a village or city, the municipality is paid two-thirds and the county is paid one-third. (2) An incentive payment of $1,000 per MW, which is paid to the municipality and the county. Thus, the total payment on a wind farm QWEC would be $4,000 per MW.

By increasing the number of wind power IPPs that could qualify as a QWEC, state utility shared revenue payments could increase. The DOR does not have information to permit a reasonable estimate of the increase in utility shared revenues this bill could engender.

### Long-Range Fiscal Implications