Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2003 Session

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

LRB Number **03-2735/3**	Introduction Number **SB-180**

Subject

Public utility aid payments

Fiscal Effect

State:
[ ] No State Fiscal Effect
[ ] Indeterminate
[ ] Increase Existing Appropriations
[ ] Decrease Existing Appropriations
[X] Create New Appropriations
[ ] Increase Existing Revenues
[ ] Decrease Existing Revenues
[X] Increase Costs - May be possible to absorb within agency's budget
[ ] Yes [X] 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)(d), (1)(dm)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 6/2/2003

LRB Number **03-2735/3**	Introduction Number **SB-180**	Estimate Type **Original**
Subject Public utility aid payments		

Assumptions Used in Arriving at Fiscal Estimate

This bill makes several changes in the shared revenue utility payment beginning with payments in July 2005 (FY06). Current law and the changes under the bill are discussed below.

AD VALOREM PAYMENT

Under current law, the ad valorem payment is based on the "net book value" of "qualifying property" for "eligible utilities". For property in a town, the town is paid 3 mills on the net book value and the county is paid 6 mills. For property in a village or city, the village or city is paid 6 mills on the net book value and the county is paid 3 mills. The total value of qualifying property in a municipality may not exceed $125 million per utility company or, for a power production facility owned by two or more utilities, $125 million for that facility. The maximum total payment on such a property is $1,125,000 ($125 million X 0.009). The total net book value on which the payment is based may not be less than the net book value on December 31, 1989, excluding the value of property that has been removed.

"Net book value" is the original cost of the property less depreciation. For regulated entities, depreciation is as prescribed by the Wisconsin Public Service Commission except that depreciation for nuclear electric generating plants excludes funds set aside for decommissioning. For non-regulated entities, depreciation is generally reported on a straight-line basis, similar to what would be required if they were regulated.

"Qualifying property" includes portions of a utility's production plant, substation property, and general structures, but excludes the land on which such property is located.

"Eligible utilities" include the following: (1) private (investor-owned) companies that produce, transmit, or distribute electricity or gas in more than one municipality; (2) electric cooperatives; (3) municipal utility property located outside the municipality of ownership; (4) municipal electric association projects (multi-municipal entities organized to own electric plants or purchase and transmit electric power); and (5) qualified wholesale electric companies (entitles that sell 95% or more of their power at wholesale and have a total generating capacity of 50 megawatts or more).

Under the bill, the ad valorem payment would continue to be paid on substation property, general structures, and electric generating plants that were in operation before January 1, 2004. A new payment is created for electric generating plants that begin operating or are "repowered" (essentially reconstructed) on or after January 1, 2004. This new payment will be $2,000 per megawatt (MW) of generating capacity. For plants in towns, one-third will be paid to the town and two-thirds to the county. For plants in villages or cities, two-thirds will be paid to the municipality and one-third to the county.

Payments to individual localities could be higher or lower than under current law. Since the maximum payment under current law is $1,125,000, payments to localities with new power plants of 562.5 MWH ($1,125,000/$2,000) or more would see higher payments under the bill. For smaller plants, if the plant's value for payment purposes is less than $222,222 per MWH ($125,000,000/562.5), payments will be higher than under current law. However, if the value is more than $222,222 per MWH, payments will be lower than under current law.

The following estimate is based on a list from the Public Service Commission (PSC) of plants currently under construction, on which construction has been approved, on which applications are complete, and on which applications are pending for the years from 2004 to 2011. By 2011, this bill would reduce current law ad valorem payments by $9 million to $11 million. For purposes of this estimate, an average of $10 million is used. This would be offset by about $15 million in new MWH-based payments.

Actual results could differ substantially from the above. Some of the proposed plants may not be built because funding will prove unavailable, environmental permits can not be issued, fuel supplies prove insufficient, or growth in power consumption slows. It is also possible that plants on which the owners have not initiated discussions with the PSC could be built.

INCENTIVE PAYMENTS

Current law has no provisions to make additional payments to communities that permit new power plants or allow power plants to be "repowered".

Under the bill, additional payments will be made for certain power plants that begin operating or are "repowered" on or after January 1, 2004. For non-nuclear powered plants built on the site of, or adjacent to, an existing power plant, a decommissioned power plant, or a brownfield, the municipality and county will each receive a payment of $600 per MWH. For power plants that the PSC classifies as a baseload plant, the municipality and county will each receive a payment of $1,000 per MWH. For power plants that derive their energy from a renewable source, the municipality and county will each receive a payment of $1,000 per MWH. A power plant can qualify for one, two, or all three of these payments.

Based on the list of proposed power plants from the PSC and information from the PSC dockets on these plans, by 2011, total incentive payments could be about $12 million. Actual results could differ substantially from the above due to changes in plant locations and fuel mix. In addition, some planned plants may not be built, while others not yet known may be proposed.

DECOMMISSIONING PAYMENT

Under current law, if an electric generating plant with a capacity of 200 MW or more is decommissioned, a shared revenue utility payment of $75,000 is to be made to the municipality and county where the plant is located in the year following decommissioning. The payment shall decline by $7,500 each year for the next 10 years. Payments shall cease in the year following the property's return to the tax roll.

Under the bill, shared revenue utility payments to municipalities and counties for decommissioned electric generating plants returned to the tax roll could continue for up to five years. Payments would equal the following percentages of the shared revenue utility payment made in the last year the plant was used by the utility (100% in the first year, 80% in the second year, 60% in the third year, 40% in the fourth year, and 20% in the fifth year) minus the property taxes paid to the municipality or county from the property's owners in the current year.

The Department is not aware of any electric generating plans that would currently qualify, or potentially qualify in the near future, for payments under this part of the bill.

ASH DISPOSAL FACILITIES

Under current law, the value of qualifying plant at utility-owned ash disposal facilities is included when calculating the ad valorem utility payment. Under the bill, the qualifying value of such property existing on the day the bill is enacted would be multiplied by two for purposes of determining the ad valorem payment.

The information on utility value provided to the Department does not separately identify the value of qualifying property at ash disposal facilities. It is therefore not possible to reasonably estimate the increase in shared revenue this part of the bill would engender.

STORED NUCLEAR FUEL NUCLEAR

Under current law, a payment of $50,000 is made to the municipality and county in which spent nuclear fuel was stored on December 31 of the year prior to payment. If the nuclear fuel storage facility is located within one mile of another municipality or county, the municipality or county where the fuel was stored receives $40,000 and the nearby municipality or county receives $10,000. This payment is excluded when calculating the $300/$100 per capita limits on payments. The bill makes no changes in this payment.

PER CAPITA PAYMENT LIMITATION

Under current law, total shared revenue utility payment (excluding the payment for stored nuclear fuel) may not exceed $300 per capita for municipalities and $100 per capita for counties. Under the bill, payments from the $2,000 per MWH payment would be included when calculating the limit, but the incentive payments for certain new or "repowered" plants would not be subject to the per capita limit. Because population levels change over time, sometimes by large amounts, it is not possible to reasonably estimate the reduction in payments this extension of the per capita limit could have on total shared revenue utility payments.

TOTAL FISCAL EFFECT

Payments under the revised decommissioning payment, the MWH-based payment, and the incentive payments would come from a new appropriation called the "public utility distribution account". Based on the above, the new appropriation would be funded at $27 million, with $15 million for the MWH-based payment and $12 million for the incentive payments. This would be offset by a reduction in current utility payments, funded from the "shared revenue account" appropriation, of about $10 million. By 2011, the bill would therefore increase shared revenue utility payments by about $17 million.

Long-Range Fiscal Implications

Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance	17,000,000	
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$17,000,000**	**$**
B. State Costs by Source of Funds		
GPR	17,000,000	
FED		
PRO/PRS		
SEG/SEG-S		

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$17,000,000	$
NET CHANGE IN REVENUE	$	$+17,000,000

Agency/Prepared By	**Authorized Signature**	**Date**
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