



# Romaine Quinn

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STATE REPRESENTATIVE • 75th ASSEMBLY DISTRICT

January 9, 2018

Assembly Committee on Energy and Utilities

Chairman Kuglitsch and members of the Committee:

Thank you for this opportunity to testify on Assembly Bill 583. This bill comes directly from the severe wind storms that caused significant damage across my district and much of Northern Wisconsin last summer.

I am extremely proud of the actions taken by Barron Electric Cooperative and all of the electrical and telecommunications utility workers who labored night and day to restore power and communications in the region. This timely action ensured that people could get in contact with loved ones, businesses could re-open, and communities could get back on their feet.

Under current law, electric cooperatives and telecommunications utilities see a double taxation on emergency crews' service. The sending utility pays a sales and use tax for the time the crews spend making sure communities get back on their feet as quickly as possible – but so does the receiving utility. The costs of these taxes are passed directly on to the consumer.

As amended, AB 583 ensures that in states of emergency, utilities and small telecommunications companies will not be double-taxed for calling in the help they need to restore power and communications. The criteria of the amendment make very clear that this is narrowly tailored: the exemption will only kick in when an electric cooperative or telecommunication utility invokes a mutual aid agreement and at least 20 percent of the electrical or telecommunications system is nonoperational.

This language sets a threshold that ensures the exemption in question will only be able to be used during true emergency situations. Based on information provided by the Wisconsin Electric Cooperative Association, the storm that hit Chetek (Barron Electric Cooperative) resulted in contracted labor costs of \$82,000. In this scenario, the exemption would have reduced state sales tax revenue by \$4,100. We have representatives from two electrical cooperatives today who will be able to discuss this fiscal impact more thoroughly. However, it is clear that the fiscal impact of this bill will be minimal to the state, but will be significant to the ratepayers in Barron County and rural Wisconsin.

Thank you for your time; I am happy to take any questions.



**Wisconsin  
Electric  
Cooperative  
Association**

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Testimony of Beata Wierzba

Assembly Committee on Energy and Utilities - January 9, 2018

Good Afternoon Mr. Chairman and members of the committee. Thank you for the opportunity to testify in support of AB 583.

My name is Beata Wierzba, Director of Government Relations for the Wisconsin Electric Cooperative Association, a trade association that represents the interests of all electric cooperatives operating in the state. Our members are not-for-profit, small electric utilities that provide electric service primarily in rural areas.

Testifying with me today is Dallas Sloan of Barron Electric and Jay Porter with Adams-Columbia Electric Cooperative. They will share more specific details of situations that would be helped by the passage of this bill.

Generally, the sale of goods and services in Wisconsin are subject to state sales tax, unless specifically exempt. Normal activity of a cooperative, just like any other utility is taxed. This would include, for example, taxes on payroll, materials purchased such as utility poles and wires, fuel and rental or purchase of trucks and equipment.

This past summer 7 electric co-ops were hit with bad storms. Floods, tornados and high winds. Damage was severe and widespread. For some co-ops, 1/3 to 1/2 of their members were without power. Repair and restoration of service in a timely matter is really urgent.

In critical times such as these, co-ops rely on each other with a program called appropriately enough – ROPE or Restoration of Power in an Emergency.

This program assists with the deployment of crews and equipment from neighboring co-ops to provide mutual-aid and speed up the recovery effort. Under ROPE, predetermined and negotiated fees are used for labor and hourly costs for the use of another cooperative's trucks and equipment.

The co-op affected by the storm covers the full recovery effort including regular and overtime labor for own employees, fleet usage and fuel, after-storm clean-up and debris removal, wages and lodging for the assisting crews. Plus sales and use taxes on top of all that.

If the co-op only utilized their own linemen and vehicles, they would not incur the extra expenses of state taxes but the recovery effort would be significantly longer.

This proposal provides sales and use tax exemption for services performed by an electric cooperative for another electric cooperative or a telecom utility to another telecom during a disaster period.

Under the bill, the activities and services of repairing or replacing the infrastructure that has been damaged or destroyed as a result of a storm, during a declared state of emergency, would be exempt from sales and use taxes.

As currently drafted, the bill would apply during a Governor's declared state of emergency. We have been working with the authors of the bill on an amendment to include all mutual-aid situations as that was our original intent in seeking legislative relief.

With the amendment, the exemption would apply to disasters where the co-op or telecom evokes a mutual-aid agreement and more than 20% of the electrical or telecom customers are without service. This broadens the applicability but covers severe situations. If the bill remains as written, it would only apply to one storm, instead of 6 other devastating events in 2017.

Often, when there is a bill introduced seeking a tax exemption, it is assumed that the loss of revenue for the state would be quite significant. In this case, I would argue that the expense to the cooperative, already hit with extreme costs for disaster recovery, is more substantial than the loss to the state.

During the last three years, our members dealt with 11 major storms, and incurred an average sales and use tax obligation of \$8,000 per year. There were no incidents in 2015.

2017 in particular was a bad year, costing nearly a million dollars in storm recovery with \$13,000 paid in sales taxes for mutual aid. On an average, based on the last few years, the fiscal note and reduced state revenue could be anywhere from \$8,000-10,000.

Electric Co-op territory is mostly rural, spread out - covering 1/3 of the state. Because of the vastness of the territory, the power lines are primarily overhead lines and being out in the open more susceptible to tornado, ice, and wind damage.

Co-ops operate at cost, with staffing and equipment just enough to cover every day needs. When storms hit, we rely on neighboring co-ops for assistance.

As nonprofits, co-ops must return margins back to the members so it is not possible to set vast amount aside in anticipation of severe weather.

Under most insurance policies, storm-related recovery is generally not covered and additional coverage is extremely costly. If the storm damage is catastrophic, co-ops can qualify for FEMA assistance.

Other utilities do not share similar issues. Public utilities generally have larger crews and access to equipment at varied locations. They do not need to pay additional sales and use tax when using own employees and trucks. Secondly, a much larger percentage of power lines are underground so less likely destroyed by storms.

The costs associated with storm-related recovery can be overwhelming for cooperatives and their members-owners who often sustain property damage of their own. It would be difficult for them to cover higher electric bills at the same time.

Any effort to reduce the expenses associated with unexpected devastation due to storms would be most helpful.

The value of having electric service restored promptly is of great value to the public. This bill provides much needed relief of extra expenditures during the most critical times for the cooperatives.



State of Wisconsin  
2017 - 2018 LEGISLATURE

LRBa1372/1  
JK:emw

**ASSEMBLY AMENDMENT 1,  
TO ASSEMBLY BILL 583**

January 8, 2018 - Offered by Representative QUINN.

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 2, line 4: delete lines 4 and 5.

3 **2.** Page 2, line 6: delete "declared".

4 **3.** Page 2, line 7: delete "declared".

5 **4.** Page 2, line 11: delete "declared".

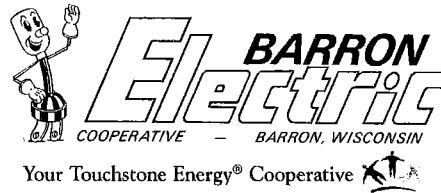
6 **5.** Page 2, line 12: after that line insert:

7 "4m. "State of emergency" means the time when an electric cooperative wishing  
8 to receive services from another electric cooperative or a telecommunications utility  
9 wishing to receive services from another telecommunications utility invokes a  
10 mutual aid agreement and at least 20 percent of the electrical or telecommunications  
11 system is nonoperational."

12

(END)

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PO Box 40  
Barron, WI 54812



Dallas Sloan  
General Manager  
barronelectric.com

January 9, 2018

Committee on Energy and Utilities  
Madison, Wisconsin

Re: Sales and use tax exemption for services performed during a disaster period by electric cooperatives

Dear Members of the Committee on Energy and Utilities,

Thank you for allowing me to provide testimony on Assembly Bill 583. I am the General Manager of Barron Electric Cooperative, a not-for-profit electric utility in Barron, Wisconsin. Our cooperative serves 18,500 members in Northwestern Wisconsin reaching into 8 different counties. We have 20 line workers and 44 total employees. We have a duty and an obligation to provide safety to the public, and we work very closely with our local law enforcement.

In 2017, we experienced a very difficult year due to storms. Our total outage hours to our members were 132% over the previous four-year average. Barron Electric serves over 2,000 square miles of all rural terrain. Since our service area is rural, we are vulnerable to widespread outages caused by storms such as wind, ice, snow and tornados.

**On March 7<sup>th</sup> & 8<sup>th</sup>**, we experienced a wind storm with gusts of 55-60 mph. Crews worked over a period of 48 hours to repair the damage, which was mostly fallen trees. Our crews spent time clearing trees from rural town roads in order to reach lines in wooded right-of-ways.

**On April 9<sup>th</sup> & 10<sup>th</sup>**, we experienced a downburst. Locals thought it was a tornado, but there was no confirmation of this. Our crews worked 16 hours straight to restore power.

**On May 16<sup>th</sup>**, we were involved with the tornado that significantly impacted the Chetek area. During the peak of the storm, we had almost 9,000 members without power, just under 50% of our membership. Damage occurred from the Clayton area in Polk County, across Barron County and continued into Rusk County. The storm was not isolated to the Chetek area. We had over 50 broken poles and a number of wires down. Roads in the Chetek area were impassable and we worked closely with law enforcement to secure and shut down some areas for the public's safety. Given the magnitude of this outage, we felt it necessary to call for additional assistance. We had seven other utilities and two contractors respond with assistance; a total of 50 workers, including our own crew, reported for duty by 7:00 AM the next morning. The majority of outages were restored in 72 hours.

**On June 11<sup>th</sup>**, we experienced straight-line winds of 70 mph in Washburn County. We worked this storm with our own crews and one right-of-way contractor. It took 72 hours to restore power to all members.

We have an amazing program in the State of Wisconsin, Restoration of Power in Emergency, also known as ROPE. I called one phone number the night of the tornado, told them how many crews we needed and when I wanted them to arrive. I received a call back in 3 hours telling me everything I needed was on the way and crews would arrive by 7:00 AM. Every electric cooperative in the state has this option to call whenever needed, and we respond. We activate ROPE for widespread outages caused by declared disasters or just severe storms. Again, public safety and power restoration are our top priority, which dictates whether or not a cooperative would activate ROPE.

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Dallas Sloan  
General Manager  
barronelectric.com

Page 2

In the March, April, and June storms, as I mentioned, we restored power with our own crews. As customary, we do not pay sales tax on our own crews and equipment. However, in the May 16<sup>th</sup> storm when we called in extra help, sales tax became an additional part of our costs. We paid outside crews \$124,678 for labor and equipment, plus \$6,857 in sales tax.

I think it is important to understand that these extra crews did the same work our own crews did. They worked side by side. When we call in for outage restoration assistance, it primarily comes from other cooperatives. Investor owned utilities are able to use their own crews from other areas or states. By using their own crews, they are able to avoid paying sales tax. For Cooperatives, because the help comes from other cooperatives, not our employees, we have to pay a tax. It appears as if the state is benefiting from a natural disaster.

Our Cooperative pays taxes on fuel, meals, hotel rooms and material for any widespread outage. I feel it is unfair that we have to pay sales tax on outside crew labor that works side by side with our own crews.

I appreciate all that the State of Wisconsin does for its residents. I hope you can appreciate what we are doing for public safety during large outages and will reconsider imposing sales tax on labor and equipment from outside crews used during power restoration after a storm. Sales tax should not be applied for any outage that requires additional assistance from ROPE, whether it is a "declared disaster" by the Governor or just a widespread power outage. We do not feel it is fair to be charged additional taxes on labor and equipment.

Attached are photos from the May tornado, a clip from the local newspaper, and a copy of a quote from the Barron County Sheriff's Facebook page.

Thank you for your time and consideration to our request.

Sincerely,

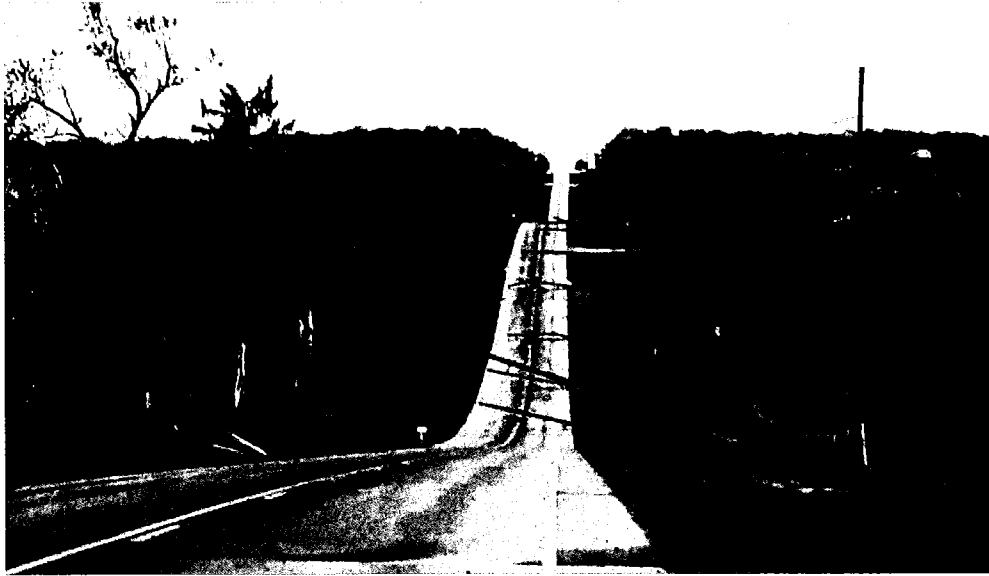
A handwritten signature in cursive script, appearing to read "Dallas Sloan".

Dallas Sloan  
General Manager  
Barron Electric Cooperative



# Tornado

May 16, 2017









One confirmed death, all residents accounted for

# Tuesday twister leaves death, destruction

At least one person was killed and several others injured as a powerful twister tore through the area Tuesday night, leaving a trail of destruction and chaos. The storm, which hit the area around 10 p.m., was a rare occurrence for the region, causing significant damage to property and infrastructure.

Emergency services were called to the scene to assist with the aftermath of the storm. The twister caused widespread power outages and damaged several homes and businesses. The extent of the damage is still being assessed by local authorities.

County officials are working to ensure that all residents are accounted for and that the necessary resources are provided to those affected by the storm. The community is being urged to stay safe and avoid damaged areas until further notice.



County authorities declared a tornado warning shortly before 5 p.m. as the storm approached the area. The twister was reported to be one of the strongest in the region in many years.

The damage caused by the twister is extensive, with many homes and businesses suffering significant structural damage. The power grid was severely impacted, leaving thousands of residents without electricity.

Local emergency services, including police, fire, and ambulance, are working to clear the debris and provide assistance to the affected community. The twister's path is being closely monitored by meteorologists to prevent further damage.

The community is being urged to remain vigilant and follow the instructions of local authorities. The twister has caused a state of emergency in the area, and all residents are being advised to take necessary precautions.



Liked Following Share

Barron County Sheriff's Department added 2 new photos May 22, 2017

These two companies have been the best to work with over the past week. From the initial response to the clean up they have put the customer first. There initial response was beyond anything I could have asked for in a disaster.

Thank You Sheriff Fitzgerald

Barron County Sheriff's

Department @barroncountysheriff

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Electric Cooperative**

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January 8, 2018

To: Members of the Wisconsin Energy and Utilities Committee

I am the Vice President of Accounting and Finance at Central Wisconsin Electric Cooperative (CWEC) and have worked here for 24 years. CWEC is a small co-op in central Wisconsin which serves portions of Waupaca, Portage, Marathon and Shawano County. We have 7,141 members, 8,500 meters and 1,437.87 miles of energized electric lines. We are a very rural electric cooperative with about 5 members per mile of line as compared to MG&E which has approximately 40 people per mile of line.

Electric Cooperatives are non-profit and therefore if we make margins (profits) at the end of a year we return it to our members in the form of capital credits. Capital credits are then paid out annually on a percentage basis to our members. The co-ops goal is to provide safe and reliable energy to our members at the lowest cost possible.

In emergency situations when storm damage is overwhelming we will call other cooperatives in the state or surrounding states to help with storm restoration. These incidents are very expensive to the cooperative in labor and material from our employees, plus what we pay to the cooperatives that have come to help us restore power.

When we are billed by other cooperatives for aid in storm situations they are required to bill us for sales & use tax for their expenses. As you will note in my examples, these storms are costly enough to the cooperative without adding sales & use tax dollars. Why would we want to tax "co-ops helping co-ops" in mutual aid situations? Helping our neighbor is one of the seven co-op principles.

I have 2 incidents in recent years when we have needed help from other cooperatives due to storms. Remember, we need to restore power as quickly as possible to our members for their health and safety.

**June 5 & 6, 2016**

We had a very high winds that caused 4,726 members to be out of power. We had members out of power for 48 hours because of trees coming down on our electric lines. Our lineman had to move trees off roads before we were able to get to the electric lines and restore service. CWEC's labor and material costs to the co-op of \$55,614 plus we paid Oconto Electric and Adams-Columbia Electric \$5,935.13 which included \$309.49 in sales tax expense.



**November 9 - 12, 2011**

We had a freezing rain, heavy ice and then snow during this storm. Power lines and tree limbs were covered in ice and snow as were the roads. This was the biggest outage our cooperative had ever seen.

We had 90% of our members out of power and the storm affected all 8 of our substations. We would restore lines, move on and then some of those same lines would have another tree fall down and we would have to restore would go out again.

The evening of November 9<sup>th</sup>, Chippewa Valley EC arrived, on day 2 (November 10<sup>th</sup>) Oconto, Price & Taylor EC Arrived. Day 3 (November 11<sup>th</sup>) Tri County and Rock EC came to help. We had a total of 18 linemen come to help us restore power to our members.

It was cold and folks were worried about their food in refrigerator. We have members with oxygen and other life supporting medical devices that had to leave their homes and go stay with a relative or pay for a hotel room until we were able to restore power.

We paid Chippewa Valley EC \$10,343.02, Price EC \$16,343.10, Oconto EC \$9,965.08, Taylor EC \$5,696.76, Rock EC \$11,138.74, Tri County EC \$5,525.94. Included in these figures is \$3,076.49 of Wisconsin and Country Sales tax. We had our own labor costs of \$93,285.46, fleet usage of \$19,208.80, answering service expense of \$4,216.58, meals of \$1,224.33, lodging for our visiting linemen of \$1,123.65 and fuel expenses of \$702.86. We had after storm clean-up of \$21,688.44. The total cost of this storm was \$200,462.76.

There is no insurance that helps a co-op with expenses during a disaster, all the expenses are paid for by our members through rates. A frequently asked question is, "why don't co-ops charge a bit more and have a "disaster fund" for these kinds of situations.

There are two answers to that question, 1) our by-laws state that all margins (profits) the co-op has made by the end of the year must be paid to members through the capital credit program. We are not allowed to "put some dollars away for a disaster fund". 2) If we wanted to change our by-laws so we could have a disaster fund, we would have to consider the fact that we are charging members for a disaster that has not happened yet. What if some of those members move off our lines before a disaster strikes, we would be collecting money from a member for something that they would not benefit from which is completely against the cooperative way.

Bottom line, why should we charge/pay sales tax in mutual aid situations when the purpose is to get power restored as quickly as possible after a disaster to keep our members safe. We do not participate in the program to increase sales for our cooperative, we participate to "help our neighbors" and to keep people safe.

Respectfully submitted,



Lila A Shower  
VP of Accounting and Finance

AB 583

Testimony of Jay A. Porter P.E., CEO  
Adams-Columbia Electric Cooperative

January 9, 2018

Re: Sales and use tax exemption for services performed during a disaster period by electric cooperatives.

Dear Members of the Committee on Energy and Utilities:

Good afternoon and thank you for the opportunity to speak with you today. I'm Jay Porter, CEO of Adams-Columbia Electric Cooperative located in Friendship and we provide service to 32,000 Members over a 12 County area of central Wisconsin. On a personal note, it's nice to visit the hearing room today, the last time I was here was when my father Cloyd represented the 43<sup>rd</sup>, then 66<sup>th</sup> and now 63<sup>rd</sup> Assembly District.

My justification for Cooperatives not paying the tax is that we would use our own employees if we were able to, but it is due to a natural disaster scenario that we need more employees than we have employed to restore power in a safe and timely manner. Our sixth Cooperative Principle is *Cooperation among Cooperatives: by working together through local, national, regional and international structures, cooperatives improve services, bolster local economies, and deal more effectively with social and community needs.* I fully support the sales and use tax exemption.

On June 14<sup>th</sup>, a strong storm that also generated a category 5 tornado hit our Wild Rose service area. 8,427 of our members lost electric service. The high winds and straight-line winds that accompanied the storm toppled trees which made many of the roads impassable for us to even triage the damage to our facilities. Adams-Columbia used our contracted tree trimming service to assist with getting the roads reopened so we could access our facilities but also allow members to get the supplies they would need until power was restored. Once we assessed the damage, it required us to replace 36 poles, 14 transformers and over two and a quarter miles of wire.

Without the assistance of Vernon Electric Cooperative and Oakdale Electric Cooperative employees, we've estimated that some of our members would not have had their power restored for an additional two and one-half days. Their assistance cost Adams-Columbia \$21, 832.00 of which \$1,123 was sales and use taxes.

Adams-Columbia also provided emergency restoration services to three Cooperatives in 2017; Oconto Falls Electric Cooperative in June and Scenic Rivers Electric Cooperative and Vernon Electric Cooperative in July. Our total invoice to them was \$41,590.63 of which \$2,168.24 was sales and use taxes.

My cooperatives' ability to provide electricity is vital to our members and businesses to continue to support our economy. Without power, business is not able to operate, and employees are not able to work, which stops the economic circulation of our dollars. That circulation is vital to generate income, pay sales




**Adams-Columbia  
Electric Cooperative**

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tax for truly taxable services, as well as create taxable income that income tax is based on.

Lastly, I would like to thank all the Representatives that have co-sponsored this legislation.

Cooperatively Yours,

A handwritten signature in black ink, appearing to read "Jay A. Porter", with a long horizontal line extending to the right.

Jay A. Porter

Chief Executive Officer

Adams-Columbia Electric Cooperative

Attachment: Storm Photos

