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# LOREN OLDENBURG

STATE REPRESENTATIVE • 96<sup>th</sup> ASSEMBLY DISTRICT

## Assembly Bill 489

Relating to: changing the phase-out of utility aid payments for decommissioned power plants

**Assembly Committee on Energy and Utilities**

**December 8, 2021**

Good morning, Chairman Kuglitsch and committee members. I want to thank you for your willingness to hear Assembly Bill 489.

The 96<sup>th</sup> Assembly district includes all of Crawford County, most of Vernon County, and about half of Monroe County. On the western side of Vernon County, along the banks of the Mississippi River is the Village of Genoa and the Town of Genoa. Between the limits of the Village and Town is Dairyland Power Cooperative's coal-fired power plant. The power plant employed many people in the Coulee Region, and was decommissioned on June 1, 2021.

Power plants have a large financial impact on the local municipalities and counties who house them. While a plant is generating power the property is tax exempt. While the utility or electric cooperative's property is tax exempt, the county and local municipality are provided utility aid through the state. Utility aid is based off of the amount of power a plant produces. When a power plant decommissions the loss in utility aid has a major fiscal impact on the local units of government.

Under current law, when a power plant is decommissioned, the state pays the local units of government phase-out utility aid. This aid is paid over 5 years. Year one of the phase-out payments begin at 100% of the utility aid that the county and municipality received when the power plant was producing power. The aid is then decreased by 20% each year over the 5 year decommissioning period. Meaning in year 5 of the phase-out payments the local units of government receive 20% of the utility aid that they would have received when the plant was generating power.

Having a power plant decommission under the process that is currently set by state statute can be troublesome to local governments. The loss, and process, of decreasing utility aid is an immense fiscal change for small units of government. This is why the Village of Genoa, the Town of Genoa and Vernon County reached out to me as they continued to learn more about Dairyland Power Cooperative closing their coal-fired plant. The local municipalities asked that the legislature look into extending the amount of time that phase-out payments of utility aid are paid to local units of government. Their request was that we update state statute so that this aid is paid out over the course of 10 years, beginning at 100% in year one and decreasing by 10% each year. This would mean that in the final year the municipality is receiving phase-out utility aid payments, they would receive 10% of the aid that they received when the plant was operating at full power-generating capacity.

After learning more about how this would positively impact the local units of government in my district, my office began working on this legislation. While learning more about the decommissioning process it was announced that the Alliant Energy power plant, in Columbia County, would be decommissioning in the coming years. With this news, I was able to work with Senator Ballweg on this legislation.

**Assembly Bill 489 would accomplish 3 things:**

1. *Define “Decommissioning”*
  - Under current law there is not a definition for when a power plant is decommissioned. It is important that this term is defined in state statute because it determines when the utility or electric cooperative’s property is no longer tax exempt.
2. *Extends the phase-out utility aid*
  - Phase out utility aid will paid over the course of 10 years and the aid will decline at a rate of 10% each year
    - \* Rather than receiving phase-out utility aid over 5 years and declining at a rate of 20% each year.
  - *Assembly Substitute Amendment One makes a change to how this formula works under the original bill. This needed to be adjusted as there has been opposition to extending the phase-out utility aid payments over the course of 10 years.*

Under the substitute amendment phase-out utility aid payments are paid on a sliding scale, with the trigger for that being the sale/transfer of a power plant when a plant is no longer generating electricity. With this sliding scale approach no county or municipality would receive less aid than is given under current law. The phase-out utility aid would be structured as seen in the chart below (corresponding percentages have been calculated in the substitute amendment):

<b>Plant transferred within year # of no longer generating electricity:</b>	<b>Number of years of phase-out utility aid payments</b>
Year 1	10 years
Year 2	9 years
Year 3	8 years
Year 4	7 years
Year 5	6 years
Years 6+	5 years (current law)

3. *Makes sure that phase-out utility aid is paid fairly*
  - This provision ensures that if a power plant has multiple power generating units local municipalities do not experience an immediate reduction in their utility aid.
  - Under current law: if a power plant has multiple power generating units, and one of the units was closed prior to the entire plant being decommissioned the municipalities would experience an immediate reduction in aid. This is due to the fact that utility aid is based off of power generating capacity.

- This legislation would fix this issue. If a power plant closed a power generating unit, but the whole plant had not yet decommissioned, the utility aid would be held at a steady level until the plant was decommissioned.
- Without this fix the local units of government would never be able to recover the aid that would be lost from one power generating unit closing before the entire power plant was decommissioned.
- Ensuring that phase-out utility aid is fairly paid is important because under current law if a plant with one power generating unit is decommissioned it is treated differently than a power plant with multiple power generating units.

Assembly Bill 489 is a practical piece of legislation that is supported by local units of government, utilities and electric cooperatives. This bill will be sure that the decommissioning of power plants is well defined, an easier financial change for municipalities, and that utility aid phase-out payments are fairly administered.

Thank you again, Chairman Kuglitsch, for hearing Assembly Bill 489.





Assembly Bill 489: Phase-Out of Utility Aid for Decommissioned Power Plants  
Assembly Committee on Energy and Utilities  
Testimony of Senator Joan Ballweg  
December 8, 2021

Thank you, Chairman Kuglitsch and members of the committee, for hearing AB 489.

Alliant Energy announced the retirement of the Columbia Energy Center, the second largest coal-fired facility in Wisconsin, which is located in my district in the Town of Pacific in Columbia County. As Wisconsin's utility companies and cooperatives make the switch to renewable forms of energy by decommissioning their coal-fired power plants, these closures are becoming more and more common. But these closures, especially one the size of the Columbia Energy Center, have substantial impacts on the communities that host them, from lost jobs and utility aid revenue, to deciding how to redevelop the land.

The Columbia Energy Center began operation in 1975, employs 110 people, and can generate 1,100 megawatts of power with its two power generation units. Unit 1 will be retired by the end of 2023, and Unit 2 will retire by the end of 2024. This plant is on a 3000 acre site south of Portage along the Wisconsin River. The site has its own landfill and two ash ponds, which will take time and resources to redevelop. Utility aid is paid to the counties and municipalities that a power plant is located in with the idea of compensating host communities for the services they provide to the site since it is exempt from local property taxes. While the property is tax exempt, the utility pays a statewide utility tax, which goes to the general fund. The amount of utility aid is largely determined by the nameplate capacity of the plant. Currently, Columbia County receives about \$1,575,000 and the Town of Pacific receives about \$787,000 from the State of Wisconsin in utility aid annually.

Closing any power plant will have a huge impact on the local community. This utility aid revenue is an important source of local revenue for Columbia County, and it is nearly the entire budget for the Town of Pacific. In fact, the Town of Pacific is one of four municipalities in the state that has a "negative" levy (i.e. revenues received by the municipality exceed its annual budgeted expenditures) because of the utility aid the Town of Pacific receives. Both Columbia County and the Town of Pacific will have to determine how to make up for the lost revenue, whether through raising property taxes, cutting services, redeveloping the land, or likely a combination of strategies.

Under current law, counties and municipalities that host a power plant receive five years of decommissioning aid payments that are reduced from the base by 20% each year, until phasing out. However, there is a problem with current law because it treats production plants with multiple power generation units differently than those with one power generation unit. Since Unit 1 at Columbia Energy Center will retire in 2023, the utility aid the following year will almost be cut in half and Columbia County will go from \$1,575,000 to \$834,000 in aid, and the Town of Pacific will go from \$787,600 to \$417,000. When Unit 2 retires to decommission the entire plant, the 5-year decommissioning aid payments will begin at the lower amount. In other words, Columbia County and the Town of Pacific have no way of recouping that lost revenue when their utility aid drops off after Unit 1 retires, which I believe undermines any fairness of the law to gradually phase out the utility aid and honestly support the communities that hosted the plant.

Representative Oldenburg and I introduced a substitute amendment which makes three changes to allow for a fairer decommissioning process of power plants. These changes in the substitute amendment will provide more certainty to local governments and utility companies:





**1) Defining Decommissioning**

Currently, state statute does not define when a power plant is decommissioned, so this substitute amendment provides a definition of decommissioning. This is an important designation because it determines when the utility’s property is no longer tax-exempt. This definition also determines when the decommissioning aid payments begin for the municipalities and counties where the power plant is located. Right now, without a definition of decommissioning, this decision is left up to the Department of Revenue and the Public Service Commission to designate when the plant is decommissioned and if the utility is allowed to recover its investments in the power plant through the utility’s rates.

This definition in the substitute amendment incorporates the changes from the simple amendment, so the simple amendment is no longer needed.

**2) Sliding Scale for Decommissioning Aid Payments**

The substitute amendment creates a sliding scale for decommissioning aid payments in situations where a power plant is sold or transferred within the first five years of no longer generating electricity. As a result, the county and municipality are guaranteed at least 10 years of some level of utility aid if a plant is sold. This table demonstrates the years of payment a county or municipality may receive under this approach:

<b>Plant transferred within year # of no longer generating electricity:</b>	<b>Number of years of phase-out utility aid payments</b>
Year 1	10 years
Year 2	9 years
Year 3	8 years
Year 4	7 years
Year 5	6 years
Years 6+	5 years (current law)

The purpose is to ensure that a power plant’s host community has ample time to adapt if the power plant is sold or transferred quickly. It can take years to redevelop parts of the site and find future uses to replace the lost utility aid revenue. In cases where a local government needs to levy additional property taxes, they can adjust the property tax levy at a more gradual rate over time to avoid any large increases on the property taxpayer.

**3) A Fairer Process for Production Plants with Multiple Power Generation Units**

In cases where a power plant has multiple power-generating units, the substitute amendment ensures that counties and municipalities do not experience an immediate drop-off in their utility aid payments before all of the power generation units are retired. It does not make sense to treat plants that have a single power-generating unit differently than those with multiple power-generating units for the purpose of calculating the local government’s decommissioning aid.

AB 489 has the support of the Wisconsin Counties Association, the League of Wisconsin Municipalities, the Wisconsin Towns Association, Alliant Energy, WEC Energy Group, MGE, the Wisconsin Utilities Association, Wisconsin Electric Cooperative Association, Dairyland Power Cooperative, and other groups.

Thank you for your consideration of AB 489, and I am happy to answer any questions.

## MEMORANDUM

**TO:** Honorable Members of the Assembly Committee on Energy and Utilities

**FROM:** Kyle Christianson, Director of Government Affairs  
Emma Millholland, Government Affairs Intern

**DATE:** December 8, 2021

**SUBJECT:** Support for Assembly Bill 489: Changing the phase-out of utility aid payments for decommissioned power plants

The Wisconsin Counties Association (WCA) thanks you for the opportunity to comment on Assembly Bill (AB) 489.

Presently, there are ten coal-fired power plants located throughout Wisconsin's counties. As the state makes the switch to renewable energy, most of these coal-powered plants will be decommissioned in the near future or have already been decommissioned. With this transition, the counties that host these plants will lose crucial utility aid revenue and face other difficulties.

AB 489 provides a framework to guarantee this decommissioning process is fair and favorable to both the counties and the utilities involved. The bill outlines three major changes to the current decommissioning process, all of which would provide critical clarity and assistance for counties. The changes and their impacts on counties are defined below.

Currently, the Department of Revenue and the Public Service Commission decide when counties begin to receive decommissioning aid payments. This bill provides a clear definition of "decommissioning" to ensure that counties receive funds as soon as possible once a plant is decommissioned.

Further, at present, counties receive decommissioning aid based on the number of power-generation units currently in operation. AB 489 adjusts this, stating that if a plant has one or more decommissioned power-generation units, the county shall receive a payment equal to the amount received before the first unit decommissioned. This accurately

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reflects the aid counties received when their plants were operating at their strongest and prevents an abrupt drop off.

Finally, under current state statute (Wisconsin Statute §79.04 (5) (b)), counties receive decommissioning aid payments for up to five years after a plant decommissions. AB 489 changes this timeline to provide that based on a sliding scale, the amount of decommissioning aid counties shall receive is determined by what year the plant was transferred to a person not subject to annual fees imposed by state. This delineation allows counties to receive aid up to 10 years if transferred within the first year of halted power generation and ensures counties receive no less than the current five years of aid. This extension of aid gives counties more time to determine how to redevelop land and recoup lost utility aid revenue while protecting county taxpayers from steep tax increases.

WCA respectfully requests your full support of AB 489. This bill not only provides certainty and uniformity for both local governments and utilities, but also ensures an equitable process for all involved. As we do make the switch to renewable energy, WCA wants to ensure counties that host these power plants do not continue to face financial hardships.

Thank you for your time and consideration with our recommendation.





December 8, 2021

Representative Mike Kuglitsch, Chairman  
Committee on Energy and Utilities  
Room 129 West  
State Capitol  
PO Box 8952  
Madison, WI 53708

Dear Chairman Kuglitsch and Committee Members:

SUBJECT: Support of AB 489, Utility Aid Phase-Out Payments

Today I testify in support of Assembly Bill 489, relating to changing the phase-out of utility payments for decommissioned power plants from five years to ten years. I thank Rep. Oldenburg and Sen. Ballweg and for introducing this bill and working with Dairyland and other utilities in drafting this proposal.

Dairyland Power Cooperative is a generation and transmission cooperative located in La Crosse, Wisconsin, serving member cooperatives in Wisconsin, Minnesota, Iowa and Illinois. Dairyland provides the wholesale electric and other services for 24 member distribution cooperatives and 17 municipal utilities in the Upper Midwest. In turn, these cooperatives and municipals deliver the electricity to consumers—meeting the energy needs of more than half-million people.

In 2020, Dairyland made the decision to close the Genoa Station #3 (G-3) coal-fired power plant. G-3 is located in the small rural community of Genoa, population 241, in Vernon County. It is an iconic landmark along Highway 35 and a regional source of electricity since 1969. G-3 was a 345-megawatt facility among three coal-fired plants in Dairyland's generation fleet. The planned retirement is part of Dairyland's Sustainable Generation Plan. Many factors were considered in the decision, such as age of the facility, system capacity requirements, regulatory requirements, projected maintenance need and costs, fuel supply, overall cost of power production and regional market prices for energy. Shortly after the announcement, Dairyland implemented an extensive human resources program to help support the 80 employees affected by the plant's closure. On June 1, 2021, the facility was officially retired. Plant dismantling and decommissioning are underway and are expected to last through 2023.

As you are aware, utilities pay a gross receipts tax, in lieu of a property tax. The gross receipts tax eliminates the need to locally "assess" utility property. The state pays a special shared revenue payment to communities for utility property. However, when a plant closes, the property goes on the property tax and the shared revenue payment declines over five years (100%, 80%, 60%, 40%, 20%). AB 489 proposes an extension of the Utility Aid Payment from the current five years to a

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sliding scale approach to the phase-out payments, with a maximum of ten years and minimum of five years, which is current law. The goal being to offer a longer transition time for communities that host decommissioned plant and allow for flexibility in seeking redevelopment of the property. The additional time will allow the host community to adapt to the financial loss and seek new opportunities to replace the lost utility aid revenue. The proposed timeline will be effective by the sale or transfer of a plant, when a plant is no longer generating electricity

With the closing of G-3, both the town of Genoa and Vernon County are financially impacted. The town of Genoa receives \$230,000 annually and Vernon County receives \$460,000. The closure also impacts the community where most of the workforce lives in a 30-mile radius of the plant, shared revenue from the state will be greatly reduced and economic opportunities are limited. Dairyland has received an Economic Development Administration Grant to assist the Genoa area and Vernon County in a Redevelopment and Reuse Options Study to identify the best use of portions of the property and identify future job creation, tax base and community vitality.

In addition to extending the decommissioning aid payments to a possible ten years, the bill also provides a definition of decommissioning. Currently, state statute does not define when a power plant is decommissioned. It is important to define the term because it determines when the utility's property is no longer tax-exempt and placed on the local tax rolls. A definition will also help determine when the decommissioning aid begins for the municipalities and counties impacted. Currently the Department of Revenue and the Public Service Commission determine when the plant is decommissioned and if the utility is allowed to recover investments in the power plant through the utility's rates.

Finally, AB 489 will establish a fairer process for production plants with multiple generation units. While this provision does not impact Dairyland, in that G-3 was a single generation unit, other utilities may have multiple power generating units. This bill ensures that counties and municipalities do not see an immediate decrease in their utility aid payments.

Dairyland has an interest in assisting Genoa and Vernon County during this decommissioning transition. We will continue to have a presence with the property and our spent nuclear fuel and other transmission assets. Our commitment to community and the region is a core cooperative principle, and the Genoa area is served by our distribution member Vernon Electric, so we will work to assist finding new economic opportunities for their benefit.

Thank you, Chairman Kuglitsch for holding a hearing today and Representative Oldenburg and Sen. Ballweg for your interest in this issue.

Dairyland asks for your support for AB 489.

Sincerely,



Jennifer K. Shilling

Government Relations Manager

JKS:aro