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# LOREN OLDENBURG

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

## Testimony on Assembly Bill 73

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

Assembly Committee on Energy & Utilities

May 16<sup>th</sup>, 2023

Good afternoon, Chairman Steffen and committee members. I want to thank you for your willingness to hear Assembly Bill 73 today.

The 96th Assembly district includes 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.

After learning more about how decommissioning would impact communities in my district, my office began working on this legislation last session. During this period of time, 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.

Substantively similar to both 2021 Assembly Bill 489 and 2021 Senate Bill 468 and the amendments that would later follow during the 2021 session; Assembly bill 73 accomplishes the following:

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. 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 73 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, and that utility aid phase-out payments are fairly administered.

Thank you again for hearing Assembly Bill 73, I will be happy to answer any questions from the committee.



**JOAN BALLWEG**

STATE SENATOR · 14<sup>TH</sup> SENATE DISTRICT

Assembly Bill 73: Phase-Out of Utility Aid Payments for Decommissioned Power Plants  
Assembly Committee on Energy and Utilities  
Testimony of Senator Joan Ballweg  
Tuesday, May 16, 2023

Thank you, Chairman Steffen and members of the committee, for hearing AB 73. Last session, Representative Oldenburg and I worked on this legislation because we both had coal power plants in our district that announced they would decommission. This version of the bill is the same that passed the full Assembly last session on a voice vote.

Alliant Energy announced the retirement of the Columbia Energy Center, the second largest coal-fired facility in Wisconsin (1100 Megawatts), which is located in my district in the Town of Pacific in Columbia County. Originally, Alliant Energy announced Unit 1 would retire by the end of 2023, and Unit 2 would retire by the end of 2024. Alliant has delayed the timeline to retire the plant until 2026, but it is still not clear when each unit will be retired.

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.

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 or those with multiple power generating units that retire in the same year.

If Unit 1 at Columbia Energy Center retires in a different year than Unit 2, which was the original plan, then the utility aid the following year would have been almost cut in half. Columbia County would go from \$1,575,000 to \$834,000 in aid, and the Town of Pacific would go from \$787,600 to \$417,000. If Unit 2 retires to decommission the entire plant in a separate year, then the 5-year decommissioning aid payments will begin at the lower amount. In other words, Columbia County and the Town of Pacific would have no way of recouping that lost revenue if 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.

This bill makes two changes to allow for a fairer decommissioning process of power plants and more certainty to local governments and utility companies:

**1) Defining Decommissioning**

Currently, state statute does not define when a power plant is decommissioned, but this bill does. 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



**JOAN BALLWEG**

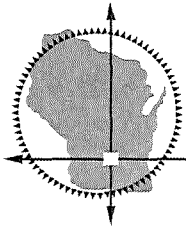
STATE SENATOR · 14<sup>TH</sup> SENATE DISTRICT

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.

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

In cases where a power plant has multiple power-generating units, the bill ensures that counties and municipalities do not experience an immediate drop off in their utility aid payments before all the power generation units are retired. Then, the decommissioning aid that is paid out is based on what the counties and municipalities were actually receiving when the entire plant was functioning, rather than beginning the phase out at a reduced amount. This will treat all plants similarly regardless of the number of units and the timeline to decommission the plant.

AB 73 has the support of the Wisconsin Counties Association, the League of Wisconsin Municipalities, the Wisconsin Towns Association, Alliant Energy, WEC Energy Group, the Wisconsin Utilities Association, Dairyland Power Cooperative, and other groups. Thank you for your consideration of AB 73.



# COLUMBIA COUNTY

May 16, 2023

Assembly Committee on Energy and Utilities  
Representative David Steffen

Testimony of Shonna Neary, Comptroller of Columbia County  
Support of Assembly Bill 73, Utility Aid Phase-Out Payments for Decommissioned Power Plants

Good afternoon Chairman Steffen, Committee Members, and staff.

On behalf of Columbia County, we thank you for holding this important hearing today on AB 73 related to the phase-out of utility aid payments for decommissioned power plants. We also thank Representative Oldenburg and Senator Ballweg for their continued leadership on this legislation.

## **Background**

Alliant Energy is the majority owner and operator of the Columbia Power Plant. It is Wisconsin's 2<sup>nd</sup> largest coal plant. It produces 1,112 megawatts (MW) of energy. The plant has (2) units, both generating 556 MWs each. It is a 3,000-acre site. Columbia County receives \$1.7 million in utility aids from the state, which is in lieu of property taxes. These funds directly offset the county tax levy.

In February 2021, Alliant announced the plant would be closed by 2025. At that time, they expected (2) phases of closing. This has since changed to an expected closure by 2026. Currently, the closure of both units is expected in the same calendar year.

## **Explanation of Taxation/Utility Aid Formula for Counties/Municipalities**

Wisconsin utilities are exempt from property taxes; they are taxed by the state based on gross receipts (utility revenues). This tax, also referred to as a license fee, is paid in lieu of property tax. The State distributes approximately 20% of the gross receipts tax (licensing fee) they collect, to the town and county which the plant is located. In Columbia County, the payments from the state have (2) components: net book value and megawatt based.

## **Shifting the Property to the Tax Roll**

In general, the property will become subject to the property tax after it is no longer "used and useful" in the operation of the utility. This may occur after the plant is no longer physically used by the utility, or it may be at some later time if the Public Service Commission allows the plant to remain in Alliant's rate base. Property taxes would be assessed as of January 1<sup>st</sup> after plant closure. The property would be assessed according to its market value.

### **Loss of Utility Aids/ Impact of Wisconsin Act 45, adopted in 2019**

Closure of the Columbia Power Plant will impact Columbia County financially, with the loss of \$1.7 million in utility aids. In 2019, the state adopted a levy limit adjustment, for loss in utility aid after a plant closure. This means levies can be increased by the amount of aid paid in the last year that the property was exempt from property tax.

If the Columbia Power Plant does a split shutdown (unit 1 in first year and unit 2 in a different year), the plant will no longer produce 556 MWs of energy. This will decrease our utility aid payment by about \$850,000. This loss in revenue will be effective in the year following the unit 1 shutdown and would be permanent for all future years. There is no mechanism to increase our levy for this loss.

To comply with the levy limit, expenditures will have to be reduced or funds transferred from our General Fund to offset this loss, which is not a sustainable solution for all future budgets. Columbia County expenditures have increased over 23% over the last 10 years. We have reduced budgets and consolidated services where we could, but we have a responsibility to serve the citizens of Columbia County. We also have a responsibility to our employees who have received minimal increases over the years.

Once unit 2 closes, thus eliminating all energy generated by the Columbia Power Plant, the utility aid payment (based solely on unit 2, at this point - \$850,000) will continue until all of the following occur:

- The plant is deemed closed/decommissioned per the Public Service Commission (PSC).
- The plant is no longer in the rate base for the utility per the PSC.
- The plant has been returned to the local tax roll.

Once that happens, then the five-year phase out payment begins based upon the last megawatt payment made while the plant was still operating. Note: The incrementally declining aid payments, are calculated based upon the reduced utility aid amount (the amount paid after the retirement of unit 1, \$850,000), not the amount based upon the plant's full generating capacity.

- Year 1 – 100% utility aid
- Year 2 – 80% utility aid, 20% add to tax levy
- Year 3 – 60% utility aid, 40% add to tax levy
- Year 4 – 40% utility aid, 60% add to tax levy
- Year 5 – 20% utility aid, 80% add to tax levy

After year five, there is no more utility aid paid for this plant.

Columbia County continues to utilize all resources responsibly to serve our citizens. Rising costs, challenges in recruiting employees and limitations of additional revenue sources has created challenges for all county and local governments. The loss of utility aid without the ability to recoup through the tax levy would create a hardship to Columbia County. Thank you for your time and consideration of this bill.

Shonna Neary, CPA  
Comptroller, Columbia County