



Senate Bill 67: Phase-Out of Utility Aid Payments for Decommissioned Power Plants
Senate Committee on Utilities and Technology
Testimony of Senator Joan Ballweg
Tuesday, May 16, 2023

Thank you, Chairman Bradley and members of the committee, for hearing SB 67. 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 · 14TH 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.

SB 67 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 SB 67.



LOREN OLDENBURG

STATE REPRESENTATIVE • 96th ASSEMBLY DISTRICT

Testimony on Senate Bill 67

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

Senate Committee on Utilities & Technology

May 16th, 2023

Good afternoon, Chairman Bradley and committee members. I want to thank you for your willingness to hear Senate Bill 67 today.

On the western side of Vernon County, along the banks of the Mississippi River is the Village & Town of Genoa. Between the limits of these communities 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.

While learning more about the decommissioning process and drafting this legislation last session, it was announced that the Alliant Energy power plant in Columbia County would be

decommissioning in a few 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; Senate Bill 67 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
 - 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.

Defining decommissioning & ensuring that phase-out utility aid is fairly paid is an important legislative fix our municipalities and utilities need. Senate Bill 67 is a practical piece of legislation that is supported by local units of government, utilities and electric cooperatives.

Thank you again for hearing Senate Bill 67, I will be happy to answer any questions from the committee.



COLUMBIA COUNTY

May 16, 2023

Senate Committee on Utilities and Technology
Senator Julian Bradley

Testimony of Shonna Neary, Comptroller of Columbia County
Support of Senate Bill 67, Utility Aid Phase-Out Payments for Decommissioned Power Plants

Good afternoon Chairman Bradley, Committee Members, and staff.

On behalf of Columbia County, we thank you for holding this important hearing today on Senate Bill 67 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 2nd 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 1st after plant closure. The property would be assessed according to its market value.



Date: May 16, 2023

To: Chairman Bradley and Members of the Senate Committee on Utilities and Technology

From: Jennifer Shilling, Government Relations, Dairyland Power

RE: Support of Senate Bill 67, Utility Aid Payments for Decommissioned Power Plants

Good afternoon, Chairman Bradley and Members of the Senate Committee on Utilities and Technology. Thank you for holding a hearing today on SB 67, relating to the Phase-out of utility aid payments for decommissioned power plants. I am Jennifer Shilling, from Dairyland Power Cooperative, Government Relations, and I am here to testify in support of SB 67.

Dairyland Power Cooperative is a Generation and Transmission Electric Cooperative located in La Crosse, serving member cooperatives in Wisconsin, Minnesota, Iowa and Illinois. Dairyland provides the wholesale electric and other services for 24-member distribution cooperatives and 27 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.

Dairyland was formed in 1941 to improve the quality of life for cooperative members with electricity. Today, 80 years later, while maintaining that mission, Dairyland is focused on sustainability and transitioning to a lower-carbon future.

Dairyland has been purposefully diversifying its generation resources, which currently include wind, solar, renewable-enabling natural gas, coal, hydro and biogas. Last year Dairyland signed a Memorandum of Understanding (MOU) with NuScale to explore Small Modular Nuclear Reactors, and earlier this month Dairyland announced plans to explore Pumped Hydro Energy Storage.

SB 67 is a narrow bill that addresses the definition of decommissioning. Currently, state statute does not define when a power plant is decommissioned. SB 67 defines the term Decommissioned with regard to a production plant, meaning the plant is no longer recovered through the utility's rates or the production plant is transferred to a person who is not subject to the annual license fee imposed by the state of Wisconsin. 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.

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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 needs 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.

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.

Finally, SB 67 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 wants to assist 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 continue to work to assist finding new economic opportunities for their benefit.

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

Dairyland asks for your support for SB 67 to establish a definition of Decommissioning for predictability for plant owners and communities as the utility aid payments are determined.