

1434 State Highway 25 North
PO Box 40
Barron, WI 54812



Dallas Sloan
General Manager
barronelectric.com

February 7, 2018

Senate Committee on Revenue, Financial Institutions and Rural Issues
Madison, Wisconsin

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

Dear Members of the Senate Committee on Revenue, Financial Institutions and Rural Issues,

Thank you for allowing me to provide testimony on Senate Bill 501. 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 7th & 8th, 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 9th & 10th, 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 16th, 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 11th, 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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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 16th 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 black ink, appearing to read 'Dallas Sloan'.

Dallas Sloan
General Manager
Barron Electric Cooperative

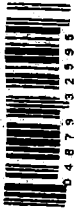


**Barron
County
Tornado
May 16,
2017**









One confirmed death, all residents accounted for

Tuesday twister leaves death, destruction

By Bob Zientara

One person was confirmed dead and many others were injured when a large tornado ripped through portions of the town of Prairie Lake just as afternoon rush hour began Tuesday, May 16, 2017.

Barron County Sheriff Chris Fitzgerald confirmed the fatality Tuesday evening.

The twister apparently touched down in an area between 11th and 10th streets near 29th Street, about three miles south of Camerich. The tornado then moved to the east, overturned a semi tractor-trailer rig along the northbound lanes of U.S. Hwy. 53, then slammed into the Prairie Lake Estates mobile home court at 1045 22nd St.

Within minutes, county authorities put out a call for emergency services departments to gather at the scene to form what dispatchers called a "casualty collection area."

By 7 p.m., calls went out for help from an even wider radius. Ambulances from as far away as Chippewa Falls sped north on County Hwy. 55 to reach the trailer park.

Authorities blocked off access to the damage zone from the north (at U.S. Hwy. 8 and County Hwy. 55) and south (Highways 55 and 60), to permit the unimpeded movement of emergency vehicles.

Well before 8 p.m., ambulances were carrying apparent victims from the trailer court to hospitals throughout the area.

County authorities declared a commu-

a large storm cell moved from the County from the southwest. It touched down at 7:50 p.m. near 29th Street and 11th and 10th streets, about three miles south of Camerich. The storm damaged the mobile home court at 1045 22nd St. and destroyed a semi tractor-trailer rig along the northbound lanes of U.S. Hwy. 53.

the town of Prairie Lake, and power was knocked out in the village of Camerich. The storm also destroyed a mobile home court at 1045 22nd St. and destroyed a semi tractor-trailer rig along the northbound lanes of U.S. Hwy. 53.

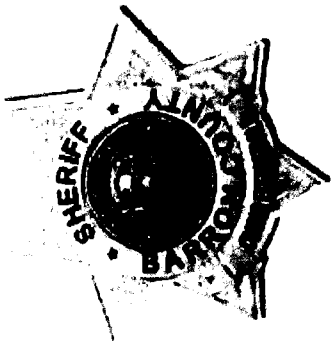
residents of the trailer court were accounted for, according to an 11:02 announcement from the sheriff's department.

Hwy. 53 and struck the trailer court. All residents of the trailer court were accounted for, according to an 11:02 announcement from the sheriff's department.

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County authorities declared a commu-



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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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Testimony of Elizabeth Hendricksen, CPA & Cost Accountant

Adams-Columbia Electric Cooperative

February 7, 2018

Good morning and thank you for the opportunity to speak with you today. I'm Elizabeth Hendricksen of Adams-Columbia Electric Cooperative located in Friendship. Our Cooperative provides service to 32,000 Members over a 12 County area of central Wisconsin.

My justification for Cooperatives not paying this tax is that the Cooperative 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 14th, 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 assess our facilities, but also allow members to get the supplies they would need until power was restored. Once we assessed the damage, it required of us to replace 36 poles, 14 transformers and over two and a quarter miles of wire. Photo's available.

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 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.

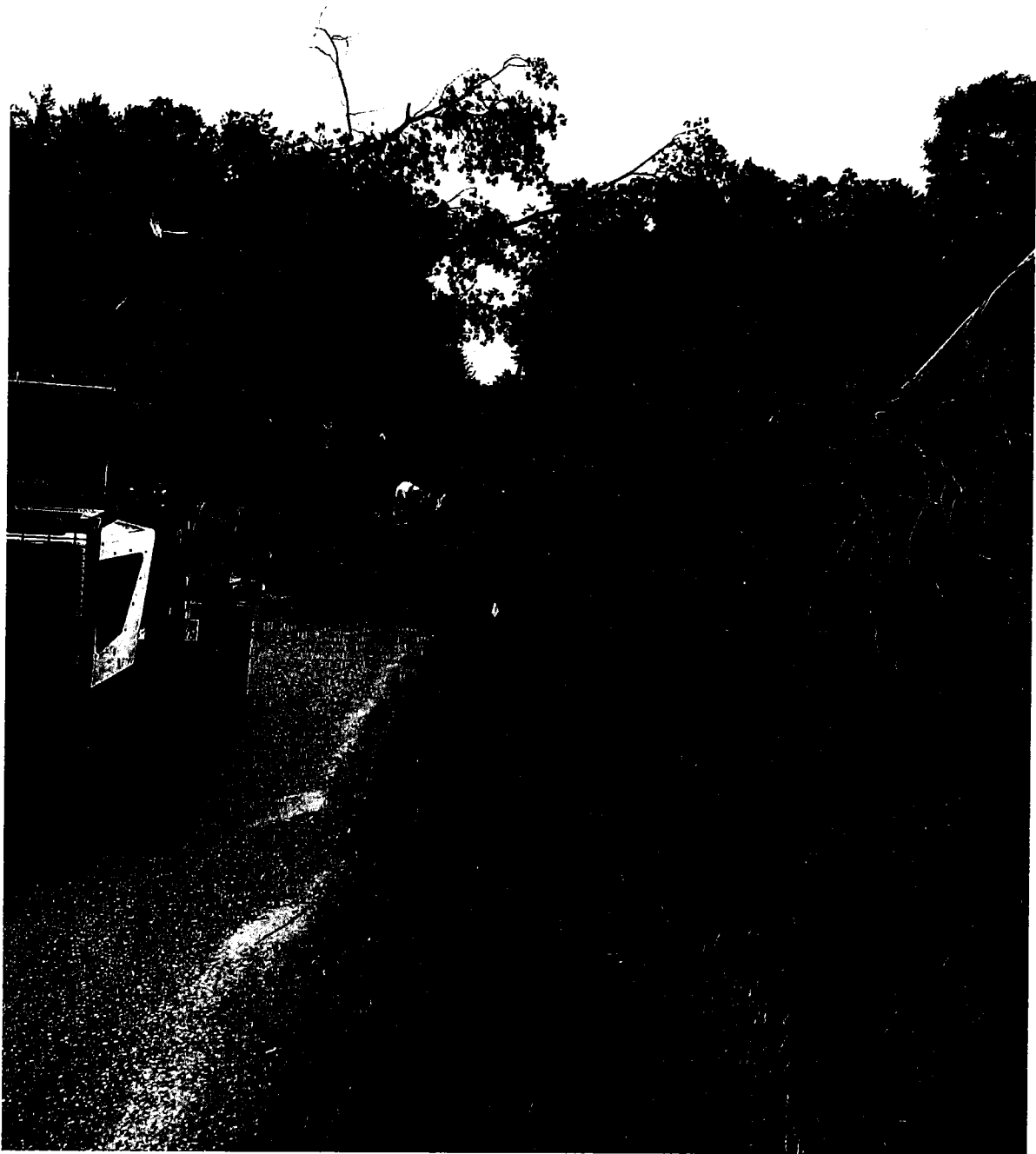
My cooperatives' ability to provide electricity is vital to our members and businesses to continue to support our economy. Without power, business is not able to operate, and employees are not able to work, which stops the economic circulation of our dollars. That circulation is vital to generate income,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

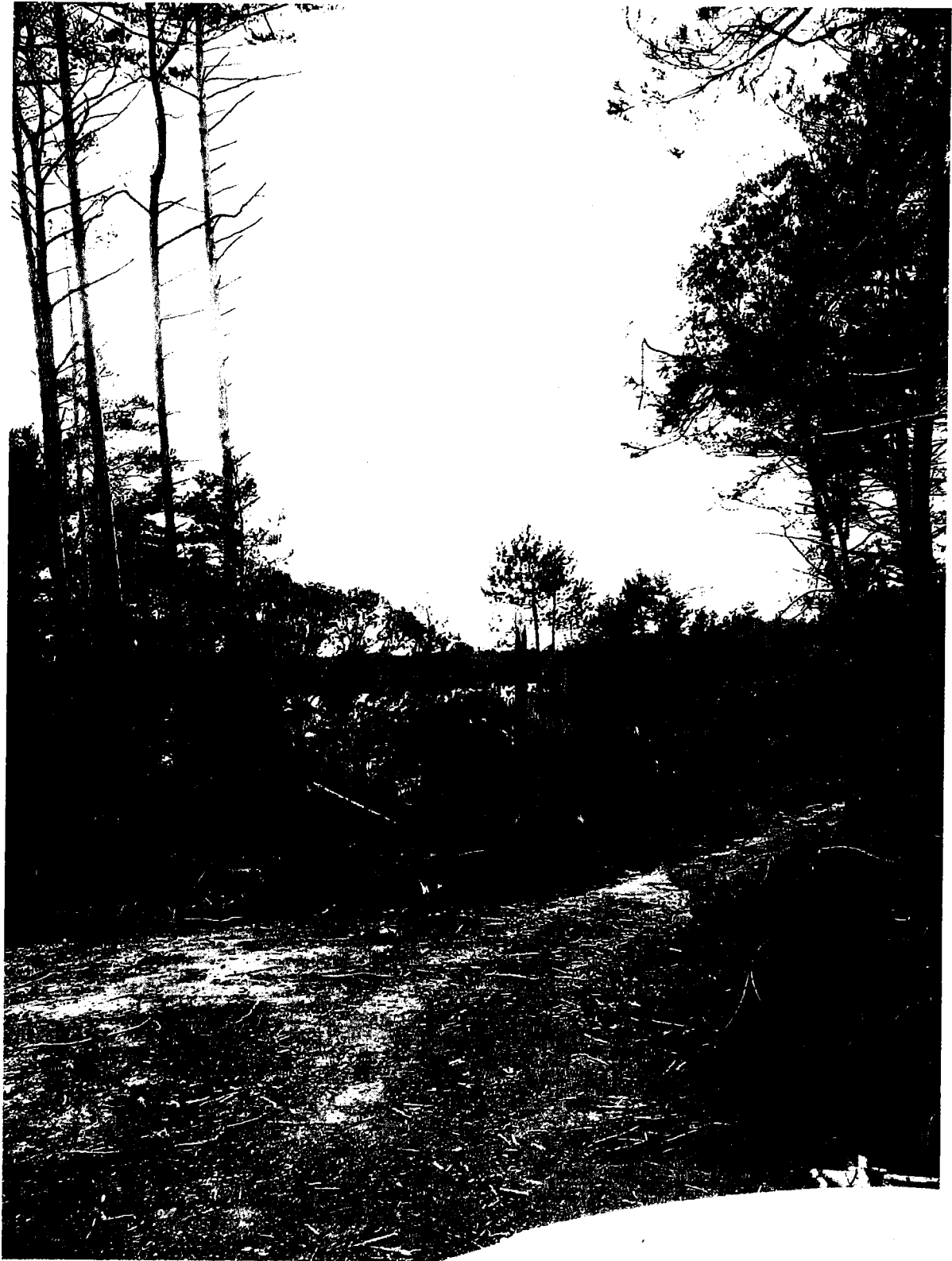
Sincerely,



Elizabeth Hendricksen, CPA









JERRY PETROWSKI

WISCONSIN STATE SENATOR

Senate Committee on Revenue, Financial Institutions and Rural Issues

*Testimony by Senator Jerry Petrowski
February 7, 2018*

Good morning Mr. Chairman and committee members, thank you for the opportunity to testify on Senate Bill 501 creating a sales and use tax exemption for service performed during a disaster by electric cooperatives or telecommunications utilities.

As you may remember, last summer we saw a series of severe storms cause significant damage across a large swath of Northern Wisconsin. The sheer volume of damage to electric and communications infrastructure required a broad coordinated effort among utilities to get service restored for home owners and get businesses back up and running.

Under current law, electric cooperatives and telecommunications utilities see a double taxation on emergency crews' service when they have to bring in outside help. The sending utility pays 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. I suspect this is an unintended consequence of our tax structure, as the result is consumers paying double the normal sales tax for emergency response.

Senate Amendment 1 was introduced to provide clear fact specific guidance as to when the exemption would apply. Rather than a timeline around a gubernatorial disaster declaration, the amendment applies the exemption under specific circumstances; 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. 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 again for your time, and I would be happy to answer any questions.

29TH SENATE DISTRICT

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Romaine Quinn

STATE REPRESENTATIVE • 75th ASSEMBLY DISTRICT

February 7, 2018

Senate Committee on Revenue, Financial Institutions and Rural Issues

Chairman Marklein and members of the Committee:

Thank you for this opportunity to testify on Senate Bill 501. 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, SB 501 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. 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.



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Cooperative
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Testimony of Beata Wierzba

Senate Committee on Revenue, Financial Institutions and Rural Issues – February 7, 2018

Good Afternoon Mr. Chairman and members of the committee. Thank you for the opportunity to testify in support of SB 501.

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.

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

Last summer 7 electric co-ops were hit with bad storms. Mainly floods, tornados and high winds. Damage was severe and widespread. Recovery took 2-3 days. For some co-ops, 1/3 to 1/2 of their members were without power. Repair and restoration of service in a timely matter was of utmost importance.

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 their own employees, fleet usage and fuel, after-storm clean-up and debris removal, wages and lodging for the assisting crews. Plus the additional sales and use tax on the services from the assisting cooperative.

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 utility 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.

The original bill language applies only during a Governor's declared state of emergency. This would cover one storm in 2017. Since most co-op service areas cover parts of multiple counties, having one county declared as disaster area would not cover the entire co-op territory. In addition, the damage although severe, might not be enough to qualify for a state disaster declaration.

We have been working with the authors of the bill on amendment 1 to include all mutual-aid situations as was our original intent when seeking legislative relief. With the amendment, the exemption applies 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 more situations. With the exemption, the bill would only apply to seven 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 past two 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.

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 their own employees and trucks or equipment. Secondly, a much larger percentage of power lines are under-ground 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 cooperative.