WISCONSIN STATE SENATE
14TH SENATE DISTRICT

JOAN BALLWEG
STATE SENATOR · 14TH SENATE DISTRICT

1) Defining Decommissioning

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

2) Extension of Decommissioning Aid Payments to 10 years

SB 468 creates a 10-year decommissioning aid process, rather than the current process which phases out utility aid over five years. The purpose is to provide a longer path for a power plant's host community to adapt. 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, SB 468 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.

This bill has the support of the Wisconsin Counties Association, the League of Wisconsin Municipalities, the Wisconsin Towns Association, the Wisconsin Utility Tax Association, the Wisconsin Counties Utility Tax Association, Alliant Energy, WEC Energy Group, MGE, the Wisconsin Utilities Association, Dairyland Power Cooperative, and other groups.

Thank you for your consideration of SB 468, and I am happy to answer any questions.

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August 11, 2021

TO: Senator Joan Ballweg
Room 409 South, State Capitol

FROM: Noga Ardon, Fiscal Analyst

SUBJECT: AB 489/SB 468: Extension of Utility Decommissioning Aid to Ten Years

At your request, this memorandum provides information about the fiscal effects of Assembly Bill 489/Senate Bill 468 (AB 489/SB 468), which would phase out utility decommissioning aid payments to local governments over ten years, compared to the five-year phaseout under current law.

Property owned by public utilities is exempt from local property taxation. Therefore, the state provides utility aid payments to counties and municipalities where such property is located. Utility aid payments are made out of the general fund. Decommissioning aid is provided to counties and municipalities containing production plants that were previously exempt from general property taxes and are decommissioned or closed. Under current law, decommissioning aid payments are based on the most recent utility aid payment received in the last year that the utility property is exempt from general property taxation. Payments begin when the Public Service Commission (PSC) certifies that the plant has been fully decommissioned. Decommissioning payments are provided for five years after a plant has been decommissioned, with a 20% annual reduction in the amount of aid. A county or municipality is also eligible to receive an annual levy limit adjustment to replace revenues associated with a reduced utility aid payment due to a decommissioned or closed production plant.

The bill would extend decommissioning aid from five to ten years, with a 10% annual reduction in the aid amount. This ten-year phaseout of the aid payment would apply only to plants that are decommissioned after December 31, 2020. There would be no change to decommissioning aid payments based on plants that had decommissioned or closed prior to January 1, 2021. The annual levy limit adjustment to reflect the annual step down in aid would also be extended for the period that the phaseout of the aid occurs. If the decommissioning plant includes multiple power generation units that are decommissioned at different times, the decommissioning payment would be based off the utility aid payment received when all the generating units were operational. The proposal would also define a "decommissioned" production plant as either a production plant which no longer qualifies for rate recovery, or a production plant which is sold to a person who is not subject to utility licensing fees.

Because the proposed change would not apply to plants that have decommissioned or closed prior to January 1, 2021, the bill would not have an immediate fiscal effect, and a minimal fiscal effect during the 2021-23 biennium. The proposal would increase utility aid expenditures over time, as it would increase the phaseout period for decommissioning aid payments and provide a more gradual annual reduction in aid. The precise fiscal effect would depend on how many plants are decommissioned or closed over time.

According to PSC, eight production plants are expected to decommission or close between 2021-2025. For those plants that close in 2021, the first decommissioning aid payment will be in 2022-23. Two other plants (the Nelson Dewey Generating Station and the Pleasant Prairie Power Plant) were retired prior to December 31, 2020, but have not yet decommissioned. Table 1 below compares the total expected decommissioning aid payments for the plants expected to decommission or close between 2021-2025 under current law and under the bill. This estimate assumes that decommissioning aid payments will begin in the same year that the plants are scheduled to be retired. However, given the technical nature of the plant decommissioning process, actual decommissioning payments may not begin immediately. The table only shows decommissioning aid payments, and the amounts do not reflect other utility aid payments made in the years shown. If additional plants are decommissioned in these years, actual decommissioning aid payments will differ from the amounts shown in the table.

TABLE 1

Public Utility Aid Phaseout
Comparison of Five-Year (Current Law) vs. Ten-Year Phaseout

	Current Law	AB 489/SB 468	Difference
2022-23	$816,400	$816,400	$0
2023-24	2,129,700	2,211,400	81,700
2024-25	1,671,100	1,982,100	311,000
2025-26	2,670,400	4,322,600	1,652,200
2026-27	2,520,800	4,437,000	1,916,200
2027-28	1,650,500	3,890,600	2,240,100
2028-29	943,500	3,344,300	2,400,800
2029-30	531,800	2,797,900	2,266,100
2030-31	120,100	2,251,600	2,131,500
2031-32	0	1,705,200	1,705,200
2032-33	0	1,158,900	1,158,900
2033-34	0	694,200	694,200
2034-35	0	377,100	377,100
2035-36	0	60,100	60,100
2036-37	0	0	0
Total	$13,054,300	$30,049,400	$16,995,100

Table 1 includes the decommissioning aid payments to the eight plants that the PSC has reported are expected to be decommissioned or closed between 2021-2025, as well as decommissioning aid payments based on the Nelson Dewey Generating Station in Cassville, which closed in 2015 but will not be fully decommissioned until 2022. The Pleasant Prairie Power Plant closed in 2018, but has not yet decommissioned. PSC documents indicate that the plant is expected to remain in rate recovery until 2042. As a result, decommissioning aid payments based on the Pleasant Prairie Power Plant are not included in Table 1. Table 2 below lists the eight plants that are expected to decommission or close between 2021 and 2025, along with the amounts of decommissioning aid each is expected to receive under current law (over five years) and under the bill (over ten years). Nelson Dewey and Pleasant Prairie are also included in Table 2.

TABLE 2

Expected Total Decommissioning Aid Payments
Comparison of Five-Year (Current Law) vs. Ten-Year Phaseout

	Current Law	AB 489/SB 468	Difference
Blount Street Generating Station	$600,000	$1,100,000	$500,000
Columbia Energy Center	3,752,800	12,996,100	9,243,300
Edgewater Generating Station	3,121,300	5,722,300	2,601,000
Genoa Generating Station	2,126,400	3,898,300	1,771,900
Nelson Dewey Generating Station	1,308,600	2,399,100	1,090,500
Nine Springs	97,200	178,200	81,000
Pleasant Prairie	4,883,200	8,952,500	4,069,300
Rosiere Wind Farm	20,800	38,200	17,400
Sycamore	225,600	413,600	188,000
Wheaton Generating Station	1,801,800	3,303,300	1,501,500

In addition to extending the term of the phaseout to ten years, the bill would also make changes to the basis for utility aid payments, which would affect the amount of decommissioning payments for eligible plants. Under current law, if plants with multiple power generation units retire individual units before the plant fully decommissions, that local government's utility aid payment is reduced to reflect the plant's lower generating capacity. Subsequently, if the plant fully decommissions, this lower utility aid payment is used as the basis of decommissioning aid. The bill would require, in the event a plant retires individual units, that the utility aid payment not be reduced. As a result, the basis for the decommissioning aid payments would also be higher. This provision would only apply to production plants which retire individual units after the enactment of this proposal. However, as drafted the bill could also affect utility aid payments based on any eligible plant that retires a unit after that date but does not eventually decommission the plant, which could increase the fiscal effect of this provision.

Of the eight production plants that are expected to decommission between 2021-2025, only the Columbia County Energy Center is expected to retire an individual power generation unit before fully decommissioning in 2024. The estimated aid payments under the bill shown in Table 1 assume that the basis for the decommissioning aid based on the Columbia plant will not be reduced following the retirement of the individual unit. In the absence of this provision, the decommissioning aid payments under the bill shown in Table 1 would be $1.1 million lower in 2025-26, and would remain lower throughout the ten-year phaseout. Additionally, over the ten-year phaseout, the total decommissioning aid payment associated with the Columbia Energy Center would be $6.1 million lower than the payment shown in Table 2.

I hope this information is helpful. Please contact me with further questions.

NA/ml

Figure 1-3 Electric Providers' Generation Resources in Wisconsin

LOREN OLDENBURG
STATE REPRESENTATIVE • 96th ASSEMBLY DISTRICT

Senate Bill 468

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

Senate Committee on Utilities, Technology and Telecommunications

August 26, 2021

Good morning, Chairman Bradley and committee members. I want to thank you for your willingness to hear Senate Bill 468.

The 96th 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 in 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.

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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.

Senate Bill 468 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.
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.

Senate Bill 468 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 Bradley, for hearing Senate Bill 468.

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MEMORANDUM

TO: Honorable Members of the Senate Committee on Utilities, Technology and Telecommunications

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

DATE: August 26, 2021

SUBJECT: Support for Senate Bill 468: 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 Senate Bill (SB) 468.

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.

SB 468 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. SB 468 provides a clear definition of "decommissioning" to ensure that counties receive funds as soon as possible once a plant is decommissioned.

Further, under current state statute (Wisconsin Statute §79.04 (5) (a)), counties receive decommissioning aid payments for up to five years after a plant decommissions. In this time period, counties must determine how to re-develop land and account for lost utility revenue. SB 468 extends this timeline to 10 years, giving counties more time to adjust. If property taxes need to be levied, this extension also benefits county taxpayers. A 10-year period allows for a gradual tax levy increase rather than a steep property tax hike that may occur with a five-year phase-out.

Finally, at present, counties receive decommissioning aid based on the number of power-generation units currently in operation. SB 468 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 reflects the aid counties received when their plants were operating at their strongest and prevents an abrupt drop off.

WCA respectfully requests your full support of SB 468. This bill will not only provide 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.

DAIRYLAND POWER
COOPERATIVE

August 26, 2021

Senator Julian Bradley, Chairman
Committee on Utilities, Technology and Telecommunications
Room 323 South
State Capitol
PO Box 7882
Madison, WI 53707

Dear Senator Bradley and Committee Members:

SUBJECT: Support of SB 468, Utility Aid Phase-Out Payments

Today I testify in support of Senate Bill 468, relating to changing the phase-out of utility payments for decommissioned power plants from five years to ten years. I thank Sen. Ballweg and Rep. Oldenburg 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%). SB 468 proposes an extension of the Utility Aid Payment from the current five years to ten years. 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.

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 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, SB 468 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, Sen. Ballweg and Representative Oldenburg, for your interest in this issue, and to Chairman Bradley for holding a hearing today.

Dairyland asks for your support for SB 468.

Sincerely,

Jennifer Shilling

Jennifer K. Shilling
Government Relations Manager

JKS:rjk