



Van H. Wanggaard

Wisconsin State Senator TESTIMONY ON SENATE BILL 251

Thank you Mr. Chairman and committee members for today's hearing on Senate Bill 251, which helps local governments following the closure of a power plant.

A couple of years ago, WE Energies announced its intention to close its Pleasant Prairie Power Plant. This means that the utility aid payment that Pleasant Prairie and other local governments receive in lieu of property taxes for the plant property will be phased out over five years. This phase out will begin when WE Energy's next rate case is approved.

The impact of this phase out leads to a \$325,000 hit on Pleasant Prairie's general fund budget in each of the next 5 years – until Pleasant Prairie loses all \$1.6 million of utility aid payments it received. This is equivalent to 10% of Pleasant Prairie's budget or 14 police officers or fire fighters.

In a community such as Pleasant Prairie, which is rapidly growing and has several TIF districts, this decrease will make it extremely difficult to run essential services in the village. In fact, because much of Pleasant Prairie's growth is in those TIF districts, the growth does not help the village deliver services outside of the TIF district. The village would have to have property value growth of \$375 million, outside of TIF districts, to make up for the lost utility aid. Even when the plant property is ready for redevelopment, it will likely be assessed at less than \$375 million and deliver less revenue to Pleasant Prairie than the utility aid payment.

Representative Samantha Kerkman and I have authored a bill which will provide a property tax cap exemption in the amount of lost utility aid. In the case of Pleasant Prairie, this would allow an additional \$325,000 to be levied above the cap during those five years that the aid payment is phased out – eventually totaling \$1.6 million above the cap.

The bottom line result for a homeowner in Pleasant Prairie is a less than one-half of one percent increase on their property taxes – about \$26 on a median home each year.

I hope you will join me in supporting this bill so that Pleasant Prairie can continue to grow, and grow responsibly.

Thank you.

Serving Racine and Kenosha Counties - Senate District 21



STATE REPRESENTATIVE

SAMANTHA KERKMAN

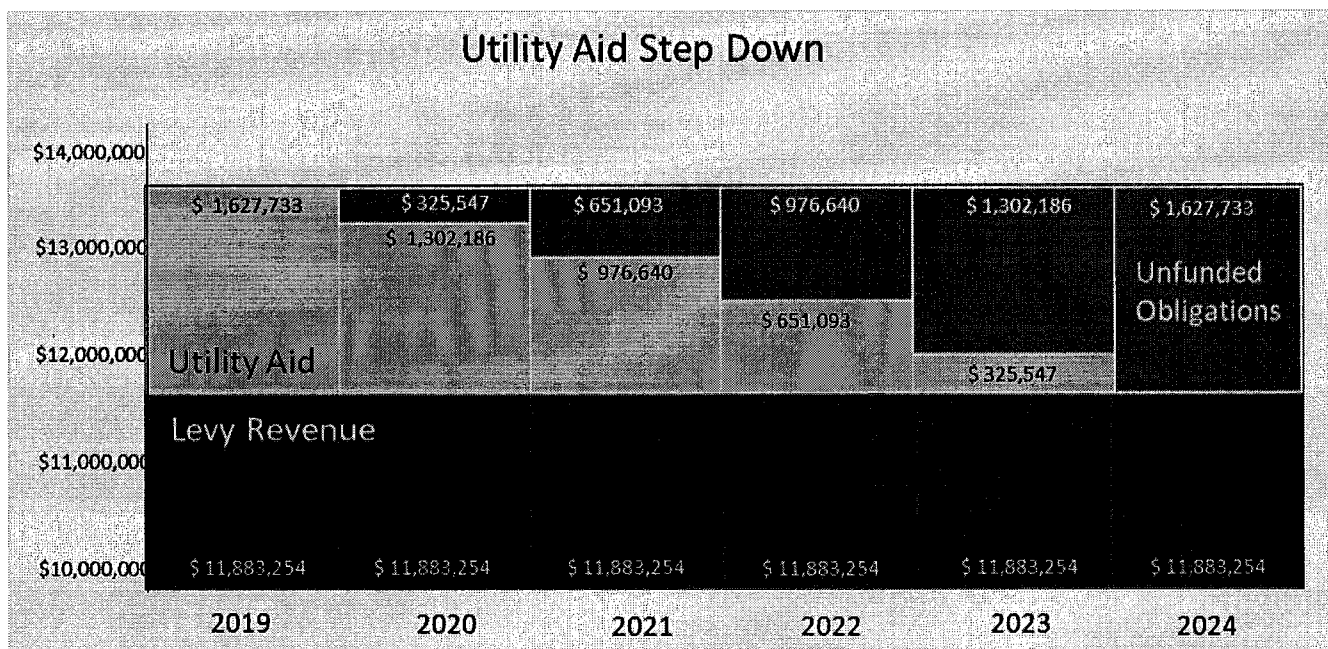
Testimony for 2019 Senate Bill 251

Like eight other communities across Wisconsin, a municipality that I represent hosted a productive coal-fired power plant. Due to economic realities, the utility ceased production at the Pleasant Prairie facility.

Since 1971, due to the complexity of assessing power generation facilities, these facilities are exempt from property tax and instead Wis. Stats. s.79.04 has offered utility aid payments to the counties and municipalities that host power generation facilities. In 2005 the legislature limited the ability for counties and municipalities to raise their levy more than the equalized value of new construction. At that time, there was a power shortage and nobody would have predicted that we would see the shutdown of working electric generation facilities.

When an electric power generating facility is closed or decommissioned, the property comes back onto the property tax roll, but the valuation of that property cannot offset the loss of the utility aid payment because the facility is not "new construction". The utility aid is "stepped down" by 20% per year for 5 years, but the only way a municipality can keep their budget steady under the current law, would be to go to referendum for each of those 5 years to maintain the existing level of programs and services.

The graphic below has the impact of the closure of the Pleasant Prairie Plant to the Village of Pleasant Prairie:

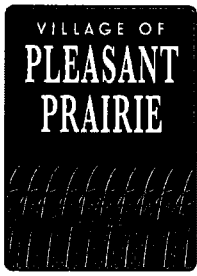


Senate Bill 251 creates an extremely narrow levy limit exception that only applies to counties and municipalities that host a closed or decommissioned power plant to electively exceed their levy by the amount of the utility aid payment they lost in that year.

Please support SB-251's common sense solution to this unintended levy limit situation.

Coal-fired

Plant	Location	Coords.	Notes
<u>Alma Generating Station</u>	<u>Alma, Wisconsin</u>	<u>44°18'30"N91°54'39"W</u>	Closed in 2014 ^[2]
<u>Columbia Energy Center</u>	<u>Portage, Wisconsin</u>	<u>43°29'10"N89°25'13"W</u>	
<u>Edgewater Generating Station</u>	<u>Sheboygan, Wisconsin</u>	<u>43°42'56"N87°42'23"W</u>	
<u>E. J. Stoneman Generating Station</u>	<u>Cassville, Wisconsin</u>	<u>42°42'30"N90°59'5"W</u>	Closed in 2015. Briefly operated burning Bio-Mass Fuel ^{[3][4]}
<u>Elm Road Generating Station</u>	<u>Oak Creek, Wisconsin</u>	42.850058, -87.833035	Adjacent to the Oak Creek Plant
<u>Genoa Generating Station</u>	<u>Genoa, Wisconsin</u>	<u>43°33'33"N91°13'55"W</u>	[5]
<u>John P. Madgett Generating Station</u>	<u>Alma, Wisconsin</u>	<u>44°18'11"N91°54'45"W</u>	[6]
<u>Nelson Dewey Generating Station</u>	<u>Cassville, Wisconsin</u>	<u>42°43'21"N91°0'31"W</u>	Closed in 2015. ^{[3][7]}
<u>Pleasant Prairie Power Plant</u>	<u>Pleasant Prairie, Wisconsin</u>	<u>42°32'17"N87°54'17"W</u>	Closed in 2018. ^[8]
<u>J. P. Pulliam Generating Station</u>	<u>Green Bay, Wisconsin</u>	<u>44°32'24"N88°00'31"W</u>	Closed in 2018
<u>Oak Creek Power Plant</u>	<u>Oak Creek, Wisconsin</u>	<u>42°50'40"N87°49'43"W</u>	[9]
<u>Weston Generating Station</u>	<u>Rothschild, Wisconsin</u>	<u>44°51'31"N89°38'59"W</u>	[10]



Office of the Village Administrator
Nathan R. Thiel

June 12, 2019

SB 251 - Pleasant Prairie Statement:

Chair and members of the Committee on Natural Resources and Energy, as you are aware municipalities that have coal and natural gas fired power plants within their boundaries receive a State Utility Aid payment from State Utility Tax collections. The State collects about \$250M of which \$71M is paid to local governments. The intent of this aid payment was to:

1. Compensate opportunity cost and municipal burden.
2. Substitute for zero property tax generation.
3. Recognize and reimburse the environmental impact.

It is important to remember that the State Utility Aid Payment represents more than just property tax value. It also represents the opportunity cost placed on a community for having a power generating plant in its community as opposed to another community. That cost can be based on a variety of impacts; environmental, aesthetic, frozen land development, etc. Those moneys have basically served to allow the municipality with the power plant to reduce its levy and subsidize the costs to the taxpayer.

Since 1980, the Pleasant Prairie Power Plant (a/k/a "P4") has operated until its closure in April of 2018. In the upcoming years, P4 will be decommissioned, at which point the Village of Pleasant Prairie ("Village") will no longer be eligible for State Utility Aid payments. Current state law created a five year Utility Aid payment step down (20%/year) in order to ease the burden on municipalities, but up to this point impact has not been as significant as will be the case for the Village.

Currently the Village receives \$1.6M in State Utility Aids, this represents about 10% of the Village's current General Fund budget, which in 2019 the total revenue was \$17,467,481. This decrease in funding represents a shortfall equivalent to 14 firemen or police officers. It also represents almost 90% of Pleasant Prairie's annual road maintenance budget. On an annual basis, Pleasant Prairie would see a reduction of State Utility Aids of approximately \$320,000 each year.

If the Village were required to make up this difference simply through net new construction, the Village would have to generate \$375M in new assessed value, which equates to about 7.5M square feet of new industrial space to replace the \$1.6M revenue loss. Even for Pleasant Prairie, which has seen excellent growth in recent years, these are phenomenal numbers. To give context, in 2018 the Village added just over 460,000 square feet in new commercial and industrial development. To make up the difference in a five year period, the Village would have to add to that 460,000 square feet another 1.5M square feet of new development each year. I would remind you that the additional revenue from new development is meant to serve the new development, not to offset revenue loss and inflationary service costs.

This increase spread out over our jurisdiction will amount to an insignificant cost to the taxpayer. The Village has a total assessed value of over \$3.6B and consistently maintains mill rate under \$5, currently \$4.27. Adding \$1.6M to our levy would result in a change to the mill rate of 55 cents (or 11 cents per year). The annual change to the total tax bill is half a percentage point. The nominal tax impact this would have on the median residential homeowner would be \$26/year and \$131/year at the end of five years.

The Village of Pleasant Prairie strongly encourages support of SB 251, and welcome any questions the committee might have.