

WCUTA Board of Directors Meeting

March 16, 2018

The meeting was called to order at 10:35 by Chairman Willkom. A roll call was taken.

PRESENT: William Goehring – Sheboygan County Board, Chuck Hoffman – Manitowoc County, Brad Karger – Marathon County Administrator, Robert Keeney – Grant County Board Chair, John Tramburg – Columbia County Supervisor, Lawrence Willkom – Chippewa County Supervisor, Bob Yeomans, Rock County Supervisor

VIA PHONE: N/A

STAFF: Alice O'Connor - WCUTA

GUESTS: Mark Wadium – Outagamie County Lobbyist; Speaker: Jon Callaway, ATC

Minutes December 8, 2017 were corrected. The minutes as amended were approved on a motion by Supervisor Hoffman, seconded by Supervisor Goehring.

President's report – Supervisor Larry Willkom

Supervisor Willkom acknowledged Supervisor Linda Sinkula from Kewaunee County for her many years of service to WCUTA and wishes her well in future endeavors. Kewaunee County Board Chair, Bob Weidner, will appoint her replacement after the April election.

Reduction of Dues - After discussion with current expenses of approximately \$30,000 per year matching anticipated 2018 revenue from dues (\$40,000), it was decided the Association is in a break-even operation. If additional resources are needed it will be difficult to increase dues to generate revenue if they have been reduced. A motion by Brad Karger, seconded by Supervisor Goehring, postponed this discussion indefinitely.

Bylaws Committee Report – Alice indicated she forgot to share the updated bylaws approved at the December 8, 2017 meeting. She will email, and snail mail them to appropriate parties.

Treasurer's report- Supervisor Bob Yeomans

Supervisor Yeomans indicated he has moved to online checking to pay CSI bills and he says it is a great system. Two errors in the Treasurer's report were corrected. Supervisor Yeomans reported the beginning checkbook balance of \$28,929.70 on November 30, 2017 and a CD balance of \$40,383.80. Dues collected between December 1, 2017 and February 28, 2018 totaled \$18,674.99. Interest collected totaled \$3.98 and CD gains totaled \$20.36. Total expenses were \$7,059.70. Total balance as of February 28, 2018 is \$80,952.50. Counties who have not paid their 2018 dues are: Kenosha County & Ozaukee County.

On a motion by Supervisor Hoffman, seconded by Supervisor Keeney, the March 16, 2018 Treasurer's Report was approved.

Executive Director Report – Alice O’Connor

The two-year session is coming to an end with both houses not really getting along. A question about the status of dark store legislation was asked. The bill is dead for this session. It was stated, Senator Nass wanted to pass something with a sunset clause to be able to measure the impact. This did not occur.

Some are concerned local governments will raise commercial property taxes as a result of the failure of dark store legislation to pass. Mark Wadium, Outagamie County, says the county is doing an advisory referendum. He says the dark stores impact on his county is causing a 30% tax increase in Grand Chute. TIF districts have issues with loan repayments. It was reported WMC is running radio ads to defeat the dark store legislation. Locals see this as a tax avoidance scheme. The League of Municipalities is to be invited to the next meeting to talk about the impact of dark stores on the tax base.

DOR Assessments of Utilities – Alice and Supervisor Yeomans reported meetings with the Department of Revenue (DOR) and Public Service Commission since the last board meeting. They have experienced an unwillingness, by the DOR in particular, to share the assessed value of power plants and substations by which they calculate the utility tax formula for distribution to local units of government. There was discussion about the fact that Wisconsin has among the highest utility rates in the country. It was also noted Excel Energy just stated they made \$38 million in profits in 2018. Separately, it was noted solar energy panels pay back after 25 years.

There was also discussion about what the word “infrastructure” and what it means to utilities. There was no real conclusion. The DOR says information about utility value is proprietary even though they are a monopoly.

Supervisor Yeomans says counties have a right to see the breakdown of what is being assessed for gas, electricity, phones, and pipelines. Are the rates the DOR assesses the same or different? The PSC says they do a straight-line depreciation while the DOR assumes power plants have no residual value, even if they continue to generate energy. Supervisors said this is flawed thinking.

Alice indicated Rep. Kooyenga had several documents prepared to determine how Wisconsin would be impacted as a result of federal law tax code changes. She said she would follow up and obtain information as to the impact on utilities and substations. Supervisors indicated it’s possible the tax changes could result in a significant drop in revenue to counties in which case WCUTA should convince the WCA we need to be proactive pursuing hold harmless language next session.

Alice was asked to invite WCA head Mark O’Connell and Kyle Christianson to the next board meeting to discuss this looming issue and see if there is any possibility to increase the rate of reimbursement to counties, either in dollars or as a percent of overall utility assessed value, as a strategy.

Alice shared the WCA session summary update via their slides.

She mentioned Act 136 which was the omnibus PSC legislation that made excavators who are diggers required to call the Diggers Hotline first or face stiffer penalties. Act 136 also gave the PSC new authority related to how advertising costs are calculated by water utilities; clarified the authority of the PSC to accept settlement agreements; gave the PSC funding for the Broadband, an expansion grant program, clarified acceptable construction; site erosion control and storm water management; local zoning ordinance authority.

Speaker Jon Calloway, American Transmission Company

He provided general background about ATC. It is a privately held company with 26 owners from utilities, municipalities, and electric companies formed in 2001. It was the first multi-state high voltage transmission-only utility with 9,600 miles of transmission lines and 554 substations. It has \$4.6 billion in assets. It connects Northeast Iowa and Southwest Wisconsin with supported renewable energy policy and improved electric supply reliability. It can handle geothermal, wind, solar, nuclear. Mr. Calloway provided a review of the Cardinal-Hickory Creek Transmission line proposed project that he believes will be filed with the PSC after three years of analysis; sometime in April or May 2018. He said community outreach started 10 years ago. He stated his company is meeting with all local groups who may be affected by the line and they are participating in many public forums. Per PSC requirements, two possible routes will be submitted to the PSC that are between Dubuque County, Iowa, to Dane County, Wisconsin with a 315 kilovolt line. He explained the routes proposed look to be near highways and already existing key load centers. He said they create plans with 10 year forecast assessments. ATC is regulated by FERV (Federal Energy Regulatory Commission).

Supervisor Yeomans asked if the transmission line rates are calculated by the PSC with a straight line flat rate depreciation or an accelerated depreciation. Supervisor Yeomans explained the PSC and especially the Department of Revenue have not been able to share with WCUTA exactly what value they are assessing to power plants under the PILT (Payment In Lieu of Taxes) program. Supervisor Yeomans also asked if the depreciation formula under changes in the federal tax law from 35% to 21% would affect the utility values assessed by DOR. Mr. Calloway said he would find out.

Alice also mentioned Rep. Dale Kooyenga (R-Brookfield), CPA, had an omnibus tax package deal that was going to address all the changes needed to make Wisconsin tax law conform to the new changes passed by Congress in November 2017. His proposal did not move forward because of concerns about the financial costs that are looming. This suggests Supervisor Yeomans concerns about lost money under the utility tax for local units of government is something we should be concerned about.

Mr. Calloway was asked if FERC directs how ATC denotes how it depreciates its assets. Mr. Calloway responded that the answer was complicated. He said depreciation is affected by the existence of a transmission line, where the energy source is, how much is consumed, if the state has mandated renewable energy levels that cost more per unit, and so on.

Mr. Calloway then continued with details about the Cardinal-Hickory Creek Project. He said the environmental impact statement (EIS) looks at factors like the length of the line, what % is going into existing lines, upgrades, impact on land and water, the total cost, the 5% of total project cost payment of the EIS that goes to county where the project is running through. This is a one-time payment. If a county or municipality feels the payment should be higher (need new snow plow, road repair, new town hall), they can petition the PSC to use the money outside pertinent uses under chapter 46.

Mr. Calloway said he would share a 2015 memo that explains the La Crosse to Holmen area, cost per communities. To use existing lines, highways, railroads corridors and recreational trails we collocate. We pay for new right of way to the property line of the property owners.

Mr. Calloway clarified that there is a depreciation schedule for each local unit of government – smaller and local distribution companies are not covered. ATC only handles large voltage stations. Mr. Calloway

also stated the emergence of the smart grid will better monitor the flow on the grid and deliver energy where and when it is needed.

Questions were asked about the ability of fiber optic cables already on the top of towers to help increase broadband in rural areas. Mr. Calloway said ATC does not lease to phone companies due to danger of being next to live electric wires.

He said the project is designed to improve system reliability and congestion, not increase growth which has flattened. Coal is on its way out. Sun, wind, gas, and hydro are the growth areas. Wisconsin doesn't have sufficient wind to be feasible for widespread consumption.

He stated rates are assessed in a complicated way so costs are spread across states who are assigned a pro-rated share. These are multi-value point folios. Wisconsin imports lots of natural gas and coal. Minnesota is different. Projects must also provide a cost benefit analysis of opponent options, they use models of a future that isn't realistic.

Mr. Calloway indicated he would like to get answers to our questions and come to another meeting.

Alice was directed to invite Mark O'Connell and Kyle Christiansen to the next board meeting to discuss the feasibility of getting the WCA more engaged in a what looks to be a significant loss of revenue to local governments due to changes in federal tax law. Secondly, WCUTA Board Members would like to see if the WCA would join WCUTA and press the Department of Revenue to share the value they are assigning to power plants and how that affects the utility tax payment to counties and towns.

Supervisors believe DOR is keeping too much revenue for the state by saying the utility tax is based on usage, not value.

Alice was also directed to invite the League of Municipalities to the next board meeting to explain the revenue impact of dark stores on local property tax assessments and collections.

By June 2018, ATC will provide the location and value of its equipment and all depreciable assets to DOR. He was asked if ATC could depreciate its equipment down to zero. He is going to get the answer.

Other business

The next meeting date was set for May 18, 2018. Location to be determined.

The meeting adjourned at 1:25pm on a motion by Supervisor Tramburg seconded by Supervisor Goehring.

Minutes Prepared by M. Alice O'Connor