



Public Utility Aid

In general, gas and electric utilities are exempt from property taxes and taxed by the state based on gross receipts. Public utility payments help counties and municipalities pay for services provided to tax-exempt utility property. The payments are also viewed as partial compensation for the air pollution, noise, traffic congestion, and land use limitations caused by the presence of utility property.

The public utility payment consists of seven components. Four components—the ad valorem payment, spent nuclear fuel storage payment, the minimum payment, and the per capita limit—have existed since the 1970s. Two components—the megawatt-based payment and the incentive payments – went into effect in 2005. The special minimum component went into effect beginning with the payment in 2009.

Component 1: Ad valorem payment

The ad valorem payment represents over 90% of the payments generated through the original four components of the public utility formula, and about one-half of the payments from all seven components. This payment is based on the net book value of qualifying property for eligible utilities located in a municipality on December 31 of the year before the payment. Thus, payments in 2024 were based on the net book value located in a municipality on December 31, 2023. The payment equals 9 mills (\$9 per \$1,000, or 0.009%) of the net book value located in a municipality. For property in a town, the town is paid 3 mills and the county is paid 6 mills. For property in a village or city, the village or city is paid 6 mills and the county is paid 3 mills. The total value of qualifying property in a municipality may not exceed \$125 million per utility company or, for a property owned by two or more utilities, \$125 million for the specific property. Net book value is a property's original cost minus straight-line depreciation over the useful life of the property. The land on which qualifying property is located is not included when calculating payments based on net book value.

Qualifying property includes (a) production plants that began operations before January 1, 2004, that have not subsequently been rebuilt or repowered, (b) substations, and (c) general structures. Electric production plant property consists of generating station buildings and associated boilers, reactors, reservoirs, dams, waterways, fuel holders, engines, prime movers, and generators. Gas production plant property consists of facilities where propane or other gases are injected into the distribution system at times of peak load. Electric substations are facilities that connect the local distribution lines to the interstate electric transmission system. Gas substations are facilities that connect the local distribution lines to interstate gas transmission pipelines. General structures include office buildings, garages, maintenance facilities, and related structures.

Eligible utilities include: (1) private companies that produce, transmit, or distribute electricity or gas in two or more municipalities; (2) electric cooperatives; (3) municipal utilities (for property outside the municipality that owns the utility); (4) municipal electric association projects (multi-

municipal entities that own electric plants and/or purchase and transmit electricity to their members); and (5) qualified wholesale electric companies (entities that sell 95% or more of their power at wholesale and have a total generating capacity of 50 megawatts or more).

When qualifying utility property is annexed, the municipality losing the property continues to receive payments such that the first year's payment equals the payment attributable to the annexed property, with the payment reduced to \$0 in equal amounts over the next five years.

When calculating payments, the net book value of qualifying property in a municipality may not be less than the net book value as of December 31, 1989, minus the value of property removed since that date. Beginning with payments in 2009, this guarantee is affected by the special minimum payment discussed below in Component 7.

Component 2: Spent nuclear fuel storage payment

This payment provides \$50,000 to each municipality and county in which spent nuclear fuel is stored on December 31 of the prior year. If the nuclear fuel storage facility is located within one mile of another municipality or county, the municipality or county where the fuel is stored is paid \$40,000 and the nearby municipality or county is paid \$10,000.

Component 3: Minimum payment

For an electric generation facility with a rated capacity of 200 megawatts (MW) or more on January 1, 2004, and not subsequently rebuilt or repowered, the payment to a municipality or county where such a plant is located may not be less than \$75,000.

Component 4: Megawatt-based payment

This payment applies to electric generation facilities that began operation or were rebuilt or repowered after December 31, 2003. The payment is \$2,000 per megawatt (MW) of name-plate generating capacity. For property in a town, the town is paid one-third (\$666.67) and the county is paid two-thirds (\$1,333.33). For property in a village or city, the village or city is paid two-thirds (\$1,333.33) and the county is paid one-third (\$666.67). For a plant in two or more municipalities or counties, this payment is shared based on the value in each municipality or county as of the later of December 31, 2004, or the date the plant becomes operational.

An electric generating plant is deemed rebuilt or repowered if any of the following are done: (a) The boiler on an existing fossil fuel steam unit is replaced with a combustion turbine and heat recovery steam generator, and the steam turbine and heat rejection system are reused. (b) A heat recovery steam generator is added to a simple cycle combustion turbine. (c) An existing power generation unit is demolished or abandoned and replaced with a new power generation unit at the same site. (d) The steam generating equipment at a combustion-based renewable facility is replaced to increase efficiency or capacity, provided the facility remains a combustion-based renewable facility.

Component 5: Incentive payments

A power plant that qualifies for the megawatt-based payment is also eligible for three incentive payments. A power plant may qualify for these incentives based on the following criteria: (a) If a non-nuclear-powered plant has a name-plate capacity of at least 1 MW and is built on the site of or adjacent to an existing power plant, a decommissioned power plant, or a brownfield, the municipality and county are each paid \$600 per MW. Beginning with payments in 2024, this

amount increased to \$900 (2023 WI Act 19). (b) If a plant has a name-plate capacity of at least 50 MW and is classified by the Public Service Commission of Wisconsin (PSCW) as a base load plant (generally, a plant designed to operate at least 60% of the time), the municipality and county are each paid \$600 per MW. (c) If a plant has a name-plate capacity of at least 1 MW and is a co-generation facility (producing both electricity and a side-product, such as steam, for sale), the municipality and county are each paid \$1,000 per MW. Alternatively, if a plant has a name-plate capacity of at least 1 MW and derives its energy from an alternative energy source (biomass; fuel cells not using a fossil fuel; garbage resulting from the handling, processing, storage, or consumption of food; hydroelectric plants with a name-plate capacity of less than 60 MW; non-vegetation-based industrial, commercial, and household waste; geothermal; solar; wind; wave action), the municipality and county are each paid \$1,000 per MW. Beginning with payments in 2024, this amount increased to \$1,500 (2023 WI Act 19).

Incentive payments for power plants located in two or more municipalities or counties are split using the value in each locality.

Component 6: Per capita limit

The total payment of the ad valorem payment, the minimum payment, and the megawatt-based components may not exceed \$425 per capita for municipalities and \$125 per capita for counties. Payments under the spent nuclear fuel storage and incentive payment components are exempt from this limit. (Before 2009, the per capita limits were \$300 for municipalities and \$100 for counties.)

Component 7: Special minimum payment

Beginning with payments in 2009, for electric generating facilities that began operating before January 1, 2004 and that have not been subsequently rebuilt or repowered, the payment will be the greater of (a) the amount calculated under the net book value based payment, using the current net book value, or (b) the amount calculated under the \$2,000 per MW payment plus, for plants using an alternative fuel source, any applicable incentive payments. Once payments are made under alternative (b), all future payments will be based on alternative (b). However, if the amount calculated under the net book value payment using the guaranteed value (net book value as of December 31, 1989, minus the value of property removed since that date) is greater than the amounts calculated under alternatives (a) or (b), then the payment is based on the guaranteed net book value.

General Information

Initial payments under the megawatt-based and incentive payments are made in the year after the plant becomes operational. For a plant that began operation or was repowered in 2024, the first megawatt-based and incentive payments will be made in 2025.

From 2005 to 2010, public utility payments were made from two appropriations. The payments for power plants that began operating before January 1, 2004, and not subsequently rebuilt or repowered, and the payments for substations and general structures were made from the appropriation under sec. 20.835 (1) (d) -- Shared revenue account. The payments for power plants that began operation or are rebuilt or repowered after December 31, 2003 were made from the appropriation under s. 20.835 (1) (dm) -- Public utility distribution account. Effective with payments in 2011, all public utility payments are made under appropriation s. 20.835 (1) (dm) -- Public utility distribution account.

Using 2026 payments as an example, the public utility payment is made on the following schedule: (a) On September 15, 2025, municipalities and counties were provided with an original estimate of their payment for 2026. (b) On the fourth Monday in July 2026, 15% of the original estimate will be paid. (c) On the third Monday in November 2026, the payment will be re-estimated to reflect any updates in the data used to calculate the payment. The difference between this re-estimate and the amount paid in July 2026 will be distributed. (d) On the third Monday in November 2027, the payment will be re-cast to reflect any corrections that need to be made to the re-estimated payment. No further adjustments to the 2026 payment will be made.

Public utility payments to municipalities and counties for 2004 to 2026 are presented in the table below. The large increase in total payments in 2009 compared to 2008 was primarily due to the large number of existing power plants that qualified for MW-based payments under the special minimum payment (see Component 7 earlier in this paper). Public utility aid payments are expected to increase significantly in future years as utility companies build additional natural gas and renewable generating plants to replace multiple coal generating plants. Under current law, battery storage facilities do not qualify for public utility aid.

Year	Municipalities	Counties	Total
2004	\$ 16,722,923	\$ 17,082,483	\$ 33,805,406
2005	16,642,723	17,176,187	33,818,910
2006	18,963,033	19,658,620	38,621,653
2007	19,393,630	20,065,796	39,459,426
2008	19,597,215	20,327,889	39,925,105
2009	28,748,422	28,405,389	57,153,811
2010	30,041,269	29,281,515	59,322,785
2011	32,250,062	30,928,139	63,178,200
2012	34,792,229	32,993,165	67,785,394
2013	35,469,584	33,725,712	69,195,296
2014	36,159,638	34,327,793	70,487,431
2015	37,643,848	35,008,259	72,652,108
2016	37,787,624	35,172,625	72,960,249
2017	38,084,487	35,484,326	73,701,543
2018	38,858,806	36,191,975	75,050,781
2019	38,822,551	36,829,189	75,651,740
2020	40,092,382	37,739,628	77,832,010
2021	42,454,895	40,172,372	82,627,268
2022	43,768,176	41,547,067	85,315,242
2023	45,462,222	43,156,996	88,619,217
2024	50,781,012	48,514,259	99,295,271
2025	53,035,916	52,320,149	105,356,065
2026 (est.)	52,336,188	51,708,014	104,044,202

Production Plant Decommissioning

2015 Wisconsin Act 61 altered the treatment of decommissioned or closed production plants. The term "closed" was later deleted from the statutes by 2023 WI Act 139. Act 139 defined "decommissioned" with regard to a production plant as a) the production plant is no longer recovered through the utility's or cooperative's rates or, as defined in Wis. Stats. s. 76.28 (1) (gm), for a production plant owned by a qualified wholesale electric company, the production plant permanently ceases generating electricity and b) the production plant is transferred to a person who is not subject to the annual license fee imposed under Wis. Stats. s. 76.28 (2) or 76.29 (2).

Once decommissioned, plants are subject to local property taxes. Prior to Act 61, public utility payments for decommissioned nuclear and wind production plants were incrementally reduced by 20 percent over a five-year period and assessed a property tax subtraction for the amount paid by the plant owner.

Year Property Taxable	Percent Paid of Public Utility Payment
1 st Year	100%
2 nd Year	80%
3 rd Year	60%
4 th Year	40%
5 th Year	20%

2023 Act 139 retained the 20 percent incremental reduction to any "decommissioned" production plants as outlined in the table above. Prior to Act 139, current law recognized that a plant does not reach decommissioned status and receive phased-down aid payments until it is no longer considered a regulatory asset. Aid payments on shuttered coal powered generating plants may continue for decades before the plant is considered decommissioned.

Prior to 2023 Act 139, decommission payments were based on the last payment when a plant was operating. If a coal power plant had four operating units and closed two one year and two the following year, the decommission payment would be based on the final two operating units. Additionally, if a power plant had two coal units and one natural gas peaking unit, and closed the two coal units, no decommission aid would be paid. Instead, the aid payment would be reduced to reflect the one natural gas unit.

Under Act 139, current law now states that "No payment received by a municipality or county...shall be reduced on the basis that one or more, but not all, of the power generation units permanently cease generating electricity, and the amount of the payment shall be the amount that the municipality or county received in the year before the year in which the first power generation unit permanently ceased generating electricity." Furthermore, when a production plant is decommissioned, the payments shall be determined on the basis of the payment amount received by the municipality or county in the year in which the first power generation unit permanently ceased generating electricity.