

**Utility Replacement Task Force Meeting
Minutes – Wednesday, November 10, 2021**

Attendees

The Utility Replacement Task Force (the “Task Force”) met on Wednesday, November 10, 2021 at 10:30 a.m. at the State Capitol, Room G15, Des Moines, IA.

Committee members present in person or by phone were:

Bill Peterson, Iowa State Association of Counties,
Alan Kemp, Iowa League of Cities
Shawn Snyder, Iowa Association of School Boards
Cheryl Crawmer, Cheryl, MidAmerican Energy
Jim Henter, Iowa Retail Federation
Regi Goodale, Iowa Association of Electric Cooperatives
Alex Cutchey, Iowa Association of Municipal Utilities
Kraig Paulsen, Iowa Department of Management (DOM)

Not Present:

Michael Rubino, Deere & Company

Also present in person or by phone: Julie Roisen, Iowa Department of Revenue (IDR), Roland Simmons, IDR, Clara Wulfsen, IDR, Nicholas Behlke, IDR, Carrie Johnson, DOM, Jacob Frame, MidAmerican Energy, Onnalee Kelly, MidAmerican Energy, Lucas Beenken, Iowa State Association of Counties, Erin Mullenix, Iowa League of Cities, Tim Whipple, Michael Duster, Legislative Services Agency, Angela Rahm for Michael Rubino

Co-Chairperson Paulsen called the meeting to order at 10:30 a.m. Paulsen indicated he will represent DOM on the Task Force, and designated Julie Roisen as the co-chairperson representing IDR on the Task Force.

Paulsen asked members and attendees to introduce themselves.

Discussion

Wind Energy:

Simmons began the discussion regarding the wind energy agenda items. One question includes the method by which interconnect substations should be valued. Behlke indicated statutory language in code simply states “substation” and does not specify type. According to Crawmer, there are two main types of substations—collector and interconnect. While collectors are considered part of the special valuation under 427B.26 (3), interconnects are not consistently treated in this manner. Interconnects may be owned by a different company than the collector substation and may be used for power other than wind. Simmons questioned if it should be treated as utility replacement tax for tax purposes (therefore Iowa Code section 437A) once it leaves the windfarm. Snyder asked if locals would see a revenue impact. Crawmer indicated approximately \$238,000 was generated across 27 substations in

2020. Beenken indicated assessors would seek consistent guidance on treatment. Henter indicated the Task Force should look at clarification and then submit recommendation to the legislature. Paulsen stated the Task Force should frame up the question and revisit the issue.

Another question posed to the Task Force is how to assess wind energy property if it is not under the special valuation provisions of Iowa Code section 427B.26 (3). Reasons why properties may not be under this section include local governments choosing not to adopt the ordinance required by the statute or choosing to repeal the ordinance. A question before the Task Force is whether the wind energy property is then subject to local assessment under 441.21 or subject to URT under 427A. Nick indicated there is no clear answer if it should be utility replacement tax or market value. Whipple inquired whether IDR could address via a declaratory order instead of legislation and Paulsen stated they would work on this issue.

The final major wind energy question discussed was the valuation process for wind turbines experiencing repowering (replacement of parts). Iowa Code section 428B.26 does not address valuing replacement parts, only the original net acquisition. Different assessors have approached the process differently and IDR prefers similar treatment statewide. Crawmer indicated MidAmerican did some analysis which showed a dip in revenues initially and then revenues could catch up over time, but locals would likely have less revenue overall if property was assessed at repowering. Roisen stated there may be concern with repayment of bonds in some county tax increment financing districts if revenue is decreased. She underscored the principal of the Task Force regarding tax revenue neutrality for locals and also that repowering is burdensome for locals to assess. Crawmer stated using net acquisition is more neutral. Whipple indicated legislation may be needed on this topic.

Solar Energy:

Simmons started the discussion on two main solar energy discussion items. The first discussion item is in regards to agricultural land transitioning to a solar farm under Utility Replacement Tax. Impression of the group indicated this is not an impact to locals, typically more revenue would be generated under the Utility Replacement Tax than under traditional agricultural property tax. Crawmer can share their analysis with this Task Force.

The second main discussion point was how should a solar company determine the acquisition cost of the leased agricultural land. Crawmer indicated she can find out more information regarding leases-their terms and if they are capitalized. Simmons indicated that Task Force's pillar of ease of administration should be applied.

Next Steps:

Crawmer will provide follow up information from MidAmerican. IDR will review any alternative proposals. Paulsen indicated any legislative recommendation from the Task Force would be in the form of a letter with proposed language to the Chair of Ways and Means for both House and Senate. The Task Force will plan to meet in approximately one month to revisit the discussion items