Devalued, shutdown nuclear plants leave tax hole — and tough questions for lawmakers

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In Midwestern communities that host nuclear power plants, the utilities generate more than just electricity. The Nuclear Energy Institute estimates [2] that, on average, a nuclear power plant pays almost $16 million in state and local taxes each year.

Today’s energy markets are being driven by abundant and inexpensive natural gas, which is good for ratepayers, but bad for nuclear generators.

“Nuclear plants make the bulk of their income by energy sales, and the average price of a megawatt hour is down sharply in energy markets around the country,” says Matt Wald, a spokesman for the institute. “In some places, this price is lower than the cost of operating the nuclear reactor.”

Unfavorable market conditions led FirstEnergy, the utility that owns the Davis-Besse and Perry nuclear power plants in Ohio, to seek a devaluation — or reduction in the taxable value — of its plants. The devaluations were granted by the Ohio Department of Taxation in early October, meaning municipalities will see the first impact of the tax payment changes in 2018. State officials approved a 73 percent reduction in the tax valuation of Davis-Besse, from $184 million to $49 million.

Benton-Carroll-Salem school district in Ottawa County, where Davis-Besse is located, is expected to lose $4.6 million annually — nearly one-quarter of its total revenue. Schools in Lake County, Ohio, will lose nearly $2.3 million in annual tax revenue from the devaluation of the Perry Nuclear Generating Station.

The affected schools should receive additional state support under provisions that were included in Ohio’s fiscal year 2017-18 budget [3]. The first provision requires the Ohio Department of Education to adjust the state aid formula for school districts that experience a 10 percent increase or decrease in the taxable value of public utility properties.

A second measure requires the department to develop and present to the General Assembly a payment plan to compensate districts that experience a 50 percent (or greater) reduction in public-utility property valuation from one year to the next.

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