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Natural Resources Committee  
February 11, 2015

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[LB536 LB583]

The Committee on Natural Resources met at 1:30 p.m. on Wednesday, February 11, 2015, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB536 and LB583. Senators present: Ken Schilz, Chairperson; Curt Friesen, Vice Chairperson; Dan Hughes; Jerry Johnson; Rick Kolowski; Brett Lindstrom; John McCollister; and David Schnoor. Senators absent: None.

SENATOR SCHILZ: Good afternoon, everyone, and welcome to the Natural Resources Committee. I'm Senator Ken Schilz, the Chairperson of the committee. I would like to thank and welcome everyone here. I would also like to apologize for the delay. The Retirement Committee took a little longer than we expected, but we're off and going now. We're just almost ten minutes late, but here we are. At this time, I would like to give the opportunity for senators to go ahead and introduce themselves. I'll start off by saying, Senator Kolowski from Omaha who is not present yet, but will be here soon, I believe. And then, I'll turn it over to Senator McCollister.

SENATOR MCCOLLISTER: John McCollister, District 20 in Omaha.

SENATOR SCHNOOR: Dave Schnoor, District 15, Dodge County.

SENATOR LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

SENATOR FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance, and part of Hall County.

SENATOR HUGHES: Dan Hughes, District 44, ten counties in southwest Nebraska.

SENATOR SCHILZ: And Senator Johnson from Wahoo, who is introducing a bill in another committee, will be here as soon as he's done. We also have with us today, Barb Koehlmoos, who is the committee clerk; and Laurie Lage, who is the legal counsel for the committee. We also have Jake Kawamoto, who is the page. He's a student at UNL, who is majoring in political science. Today, we discuss two bills, I believe, LB536 from Senator Haar, and LB583, which is my bill. If you are planning on testifying, please pick up a green sign-in sheet that's on the table at the back of the room. If you do not wish to testify but would like your name entered into the official record as being present at the hearing, there's a form on the table that you can sign as well. This will be part of the official record of the hearing. Please fill out the sign-in sheet before you testify. Please print, and it's important to complete the form in its entirety. When it's your turn to testify, give the sign-in sheet to the committee clerk and this will help us make a more

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

accurate public record. If you do not choose to testify, you may submit comments in writing and have them read into the official record. If you do have handouts, please make sure you have 12 copies for the pages to hand out to the committee. And when you come up to testify, please speak clearly into the microphone, tell us your name, and spell your first and last name, even if it's an easy one. Please turn off your cell phones, pagers, or anything else that makes a noise and keep your conversations to a minimum or take them into the hallway if necessary. We don't allow any displays of support or oppositions to a bill, vocal or otherwise, during the hearing. So, keep that in mind. We do use the light system in the Natural Resources Committee. You'll be given a total of five minutes to make your point to the committee. The lights will start out green. When you have spoken for four minutes, it will turn to yellow, and please start to wrap up. And then when the five minutes are up, it will turn to red and we would ask you to conclude your comments. And with that, we will go ahead and turn it over to Senator Haar. Welcome back to the Natural Resources Committee, Senator Haar, and give you the opportunity to open on LB536.

SENATOR HAAR: (Exhibits 1 and 2) Thank you very much, Chairman Schilz and what you didn't say, of course, is that the person giving the opening, the senator can talk as long as he wants. (Laughter) But I won't make it that long, I hope. [LB536]

SENATOR SCHILZ: As do we. (Laughter) [LB536]

SENATOR HAAR: Thank you. I left myself open for that. First of all, I want to say that I'm going to ask you to keep this bill in committee for a year while I work on it with public power. And so, I'll just say that to begin with and then I'll tell you what this is about. As you probably know, if you knew me from before, is that I believe that when the Legislature creates political subdivisions that we have some oversight responsibility, some ongoing oversight responsibility. And one of those subdivisions, political subdivisions, is public power. Several years ago, I first started collecting data for all the public power districts through the research office...Policy Research Office and we simply asked for administrative costs versus operational costs. And I got a lot of responses but some people, even though our Policy Research Office asked, repeatedly never got that kind of data. Again, from most people I did. The handout that I gave you, this is from the 2011 Nebraska legislative planning database and this is compiled by UNO as they do all the legislative planning database booklet items. And this is simply, as you can see, the name of all of the utilities, some 250 or so public power entities. What the total revenue is, the sales, total number of consumers, average price per kilowatt hour and so on. And then I want to hand out my chart. So, if you'd hand this out. I have one for each of you. This summer, I met with a person from the extension division, his name is John Hay, John Hay talking about what he was doing and so on, and he shared on his small eight and a half by eleven Excel spreadsheet which you're getting on this chart. And he had an intern working with him and the question that they were trying to look at is, how is net metering working in the state of Nebraska. And we passed

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

net metering a number of years ago and so the intern set out to start calling all the public power entities to find out how net metering is going, the number of customers, what their policies were, and so on and so forth. And I'll give you just a minute to get your chart. There won't be a quiz. Again, this was on eight and a half by eleven, (laugh) and I couldn't read it. So, the point I want to make with this chart is, right now there's really no one place to go to get data about all the different public power entities in the state. So, if you look at just this in terms of net metering, again, in many cases we got...he got the data, but in some cases the phone was answered with, "who wants to know." We see some items on this chart that we think don't follow the law. For example, charging exorbitant fees for, like if you're going to put up solar panels, whatever. And then a concern that especially came out with this one, in the future we're going to have a lot more wind development, we're going to have a lot more solar development. And imagine trying to be a vendor and figuring out what the policies are when you go out to sell, let's say for example, solar panels. Because they vary...the incentives, the policies, the hook-up requirements, all that sort of thing, varies from district to district to district. And so I see a real need and a real utility in putting together a database that includes all of this information. The data would be submitted once a year to the Power Review Board and then they would enter it into a database and it would be available to anybody who wants to look at it. So, then we have the issue of transparency as well. It would be in such a form you could download it, and at least like I like to do, run graphs, all that sort of thing. So I've talked to the REAs. I've talked to LES, OPPD, NPPD, and what I've suggested to them is that they make a commitment to work with me over this coming year and next session, I will have a bill that actually defines all the different database fields that we would collect. I do have some expertise in this. I worked for three years for a company that's now called Dell Perot Systems and the work I was doing, they're what's called a third-party insurer. And what they do is, for example, one of the things they do is they take old insurance policies...let's say a Prudential policy that's no longer sold but it has to be maintained by law, and so part of my job was to take a policy like that and to figure out how to fit Prudential's definitions into our singular database. And, of course, in developing a database like this, that's going to be one of the big challenges. What do we mean by rural rate...by residential rates, and how do we equate all this data so that if you run a chart, if you run a comparison, it's comparing apples to apples and oranges to oranges. So, what I'd like to do is work and we'll have...we'd have quite a number of work sessions, probably, to define the kind of data that can be gathered coming up with definitions that make sense and so on. So...and net metering would be one of those things. You know, what are the policies? What are the incentives? What are the requirements for...so that a growing industry and the owners, the customer-owners, can get this kind of data immediately. So, with that, if you have any questions. [LB536]

SENATOR SCHILZ: Thank you, Senator Haar. Any questions? Senator McCollister. [LB536]

SENATOR MCCOLLISTER: Thank you, Mr. Chairman. I'm not familiar, even though I came out of the utility business, the term net metering. Can you help me with that? [LB536]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

SENATOR HAAR: Sure. Net metering is the sort of situation, you have solar panels on your roof and you can, since the sun doesn't shine all the time, you can feed energy to the grid and also take energy off the grid. And a strict net metering policy for...it's a one on one exchange, so if you put one unit of energy onto the grid, you get credit for one unit of energy you take off of the grid. That's net metering. [LB536]

SENATOR McCOLLISTER: I think I understand what you're hoping to do with this bill. What's the benefit? [LB536]

SENATOR HAAR: The benefit certainly is...as I see it, is for anyone and especially for legislators to be able to ask the kind of questions that took an intern a whole summer to put together and have it all in one spot. Not only for the Legislature, but also for the customer-owners, for vendors, and so on and so forth. So that, you know, I guess somewhere down the road I would hope that it's going to lead to some kind of uniformity in policy, but that's not a part. This is simply getting the data. And I guess there's the old business idea, you can't manage what you don't measure, and you can't measure unless you have data. So this would give us the data of all the public power entities across the state open to anyone. [LB536]

SENATOR McCOLLISTER: This listing here... [LB536]

SENATOR HAAR: Yes. [LB536]

SENATOR McCOLLISTER: ...is a listing of all the retail utility companies in the state? [LB536]

SENATOR HAAR: Yes, and some of them, though, many...many of them also generate electricity and the big generators, of course, are Nebraska Public Power District, LES does some of its own generation, OPPD, but many of the munis, I think they're fifty, fifty-five of the municipal utilities like Hastings and Grand Island that also do some generation. And then there's some smaller utilities like David City, for example, that they simply have a peaking unit that has to be available to run during...to help cover peaking loads. [LB536]

SENATOR McCOLLISTER: But a great many simply buy power and resell it. [LB536]

SENATOR HAAR: That's correct. Yeah, I live, for example, in Norris Public Power District and they buy and sell electricity. [LB536]

SENATOR McCOLLISTER: How do you account for the wide variance in rates? [LB536]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

SENATOR HAAR: There's all kinds of reasons and I can't explain them. I think one of the things that this database is going to do is to bring those kinds of questions to the forefront. Part of it has to do...for example, if you're a small rural and you have a lot of transmission, for example, compared to other REAs and that sort of thing. So, there are a lot of different reasons. This is going to raise a lot of questions and it's going to take...but I think they're good questions and they're questions that need to be answered. [LB536]

SENATOR McCOLLISTER: Well, using this information, what statutory authority would the Legislature have to change anything? [LB536]

SENATOR HAAR: We...we set the intent for public power. They're in the statutes. We can do that. We created them and we can...we can tell them what to do basically, or give them their marching orders, however you want to look at that. [LB536]

SENATOR McCOLLISTER: Yeah. Thank you, Senator. [LB536]

SENATOR HAAR: Yeah, you bet. [LB536]

SENATOR SCHILZ: Thank you, Senator McCollister. Senator Friesen. [LB536]

SENATOR FRIESEN: Senator Haar, when I look through the list here I appreciate the fact that you're willing to work with the power districts to work out some of the questions because I look at the rates that I pay on like just for agriculture. I mean, there's numerous rates blended into their rate and I think if you, as you go through that list and talked with different entities and see once what they have for interruptible power and all the different charges, it's going to be interesting to see some of the data that comes out of it. And I kind of appreciate, maybe, where you're going with some of this, but the...it seems like we're starting rather large, but is there in all of these things, do you feel they all tie together for the same purpose, or is some of this just to acquire data to compare? I mean, I looked through and it's a pretty long list. [LB536]

SENATOR HAAR: Yeah, it is a long list. And I don't know all the questions that will come out of it at this point, but I do know that a big issue is going to be data definition so that, I mean, even if you look at the federal government, the energy agency, they publish for every state what the average residential rate is, or what the average rate and stuff, and there's a little asterisk that said, look at our definitions, you know. So, one is going to be data definition. Another is going to be, of course, looking at areas of confidentiality. I understand that there is some contractual things that you...that you cannot make public, although there may be a third-party way around that, and so on. And so, again, I will work with them and nobody has said they will support me at

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

the end of this process, none of the public power districts, and I'm not...so, it's going to be a give and take. [LB536]

SENATOR FRIESEN: Do you think this will be an annual report... [LB536]

SENATOR HAAR: Yes. [LB536]

SENATOR FRIESEN: ...from now on forever, so that when they build this database it will be used, but would be a one-time cost maybe and then some upkeep down the road, but it will be an annual report. [LB536]

SENATOR HAAR: Yes. Correct. And then public power districts just like any independently owned, any IOU, independently owned utility, has to file various reports with various places in the government. So, if some of this data is already available, some of it's already reported even to Nebraska agencies, but this hopefully would put it all together in one place available to the customer-owners. [LB536]

SENATOR FRIESEN: Okay. Thank you. [LB536]

SENATOR SCHILZ: Thank you, Senator Friesen. Any other questions? Seeing none. Thank you, Senator Haar. Will you stay around for closing? [LB536]

SENATOR HAAR: You bet, I will. [LB536]

SENATOR SCHILZ: Okay. Thank you. At this point we will take proponents. First proponent. [LB536]

JOHN HANSEN: Mr. Chairman and members of the committee, for the record my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n, and I'm the president of the Nebraska Farmers Union and also their lobbyist. I have been convinced of the value and the need of this effort as a result of having spent quality time with the chart that you have. And we worked for years to get net metering established in the state of Nebraska and put on a more comparable footing with other states in terms of what they do. It was disappointing when I looked at the results of the survey and finding out where we're at relative to actual administration and what this chart showed me squared with the phone calls that we get from folks in different parts of the state who consider us a resource on these kinds of issues and would call and say, gosh, I'm trying to do this small wind or this solar project in my REA, or my muni, or wherever and, you know, they're saying, we have to do this. And having been intimately involved with the development of the law, you're saying,

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

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well, I don't know how that can quite be. I don't know where that fee would come from. And so, I know that there is a lot of disparity over the actual implementation. So, the idea of having some kind of process is, I think, a reasonable amount of accountability and would be helpful in order to try to make sure that the intent of the Legislature and the intent and the letter of the law are being accepted and being implemented as they were intended, as it should be. And I would say that since my organization helped create the public power system...has been its...one of its longest standing advocates and defenders. And the value and the benefit of it, we would also say that because they're public power doesn't mean that they shouldn't also apply some of the same principles that those of us in the private sector use on a regular basis in order to try to measure where we're at relative to our competition. And so, when you get the data from this kind of exercise, I've certainly been a public official for a long time at the local level before I became president of Farmers Union. It's always useful to know what your neighbors are doing and how you're stacking up relative to administrative costs in terms of programs you offer, all those kinds of things. And so as a public power entity, your commitment to service and carrying out your mission is clear up-front, but also if some of your costs are out of line with what your neighbors are doing, that's useful to know just so that you can help focus and do a better job of what you're doing. So this is, to my mind, a kind of private sector competition principle that could be applied that would be useful, and in the end since it is public power, it should also be as transparent as we could make it. And the owners of the system deserve that. So with that, I appreciate the fact that Senator Haar brought this bill and that he's going to be visiting with public power to see how this might go forward in a constructive fashion. And with that, I would end my remarks and be glad to answer any questions if I could do so. [LB536]

SENATOR SCHILZ: Thank you, sir. Any questions? Senator Johnson. [LB536]

SENATOR JOHNSON: Thank you, Chairman Schilz. Thank you, Mr. Hansen, for coming in. One of my questions, you've been in this for a long time. Senator Haar has been working on it a long time and I see from the information provided us that asking that this bill might be held in committee. Do you think it will be accomplished with the struggles that we've had in the past of getting any information, or do you think this is enough of a public notice that it will happen? [LB536]

JOHN HANSEN: I would say that notice has been given as long as the bill is held. If things don't go forward, it's a two-year cycle so you've got next year to proceed in an appropriate fashion with the bill that's already in the hopper, or refashion one. But I would defer to the judgment of Senator Haar and it would be my hope that the public power folks would be willing to participate in this process and help make things go forward as they should and give them the benefit of the doubt. [LB536]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

SENATOR JOHNSON: Thank you. [LB536]

SENATOR SCHILZ: Thank you, Senator Johnson. Any other questions? Seeing none, thank you for your testimony. [LB536]

JOHN HANSEN: Thank you. [LB536]

SENATOR SCHILZ: Next proponent. Good afternoon, Mr. Winston. [LB536]

KEN WINSTON: Good afternoon. My name is Ken Winston, K-e-n W-i-n-s-t-o-n, appearing on behalf of the Nebraska Chapter of the Sierra Club in support of LB536, understanding that the bill and that there has been a request to hold the bill with plans of working with the power districts to get the information. Just...one observation related to the bill. It's kind of a lead-in to the next bill is that having good information is really important in terms of the decision making process and in terms of the planning process. So hopefully the...and both in terms of the Legislature in trying to set policy on things like an energy plan, but also just in terms of the public knowing about the best decisions for it, for their individual public power districts, so we'd strongly encourage the development of a data collection so that we know where the power districts stand and how they're doing and we think it's a potential to develop and collect a lot of positive information. So, with that, would be glad to answer questions. [LB536]

SENATOR SCHILZ: Thank you, Mr. Winston. Any questions? Seeing none, thank you for your testimony. [LB536]

KEN WINSTON: Thank you. [LB536]

SENATOR SCHILZ: Further proponents. Good afternoon. [LB536]

DOUG GRANDT: Good afternoon, Senator Schilz and committee. I'm using my phone as a notebook right now and my phone is off, but I didn't have an opportunity to type anything up like I did last week. But I'm really pleased to be here and thank you to Senator Haar for his bill. I'll echo everything that Ken just said, and also that... [LB536]

SENATOR SCHILZ: Sir, could I ask you to spell your name? [LB536]

DOUG GRANDT: Oh, I'm sorry. Thank you. Doug Grandt, D-o-u-g G-r-a-n-d-t, representing myself. I think the bill is excellent. I have a few things I'd like to suggest and just as a preface, as

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

a young engineer 44 years ago, I was doing corporate planning and doing...working on projects for major investments for a large company. And data was not available. I had to almost make up some of the data. So data has...I mean, this is an opportunity to really create a great database. The only thing I would do is make some minor changes adding the term or the phrase "grouped by type of generating technology" in Section 1(2)(d), the total of electricity sold. Section 1(2)(e), the sources of electricity generation or power purchased sold grouped by type of generating technology again. Section 1(2)(f) the cost...the total cost of each generation or power purchased again grouped by type of generating technology. In the subsections (i), (ii) of (vii), if applicable, I would also include that breakdown, but it looks like (i) and (ii) fuel costs and transportation costs probably only apply to gas and coal, but I'm not going to get into that kind of minutia here. Basically, I just think that we need to have the information for the new technology separated and documented in the bill itself rather than leave it to somebody's interpretation later on. Otherwise, thank you very much. [LB536]

SENATOR SCHILZ: Thank you, Mr. Grandt. Any questions? Seeing none, thank you for your testimony. [LB536]

DOUG GRANDT: Thank you. [LB536]

SENATOR SCHILZ: Further supporters, proponents. Seeing none, any opponents? Good afternoon. [LB536]

SHELLEY SAHLING-ZART: Good afternoon. Senator Schilz, members of the Natural Resources Committee, for the record my name is Shelley Sahling-Zart, S-h-e-l-l-e-y S-a-h-l-i-n-g-Z-a-r-t. I am vice president and general counsel for Lincoln Electric System, the municipal utility here in Lincoln, and I am testifying today on behalf of the Nebraska Power Association. The Nebraska Power Association represents all of Nebraska's publicly owned electric utility systems, including municipalities, public power districts, public power and irrigation districts, and rural power districts and cooperatives. We are here today opposed to LB536 as introduced. Kind of a tough bill to oppose as a public entity. We have lots of public data and we are certainly not opposed to making our public data available. Our opposition to this bill really stems from the breadth of the information requested, and to Senator McCollister, to your point, we kind of like to see a stated objective so that we can develop some data around that objective. We have lots of different sizes of public utilities. Some are better equipped to deal with this kind of request than others. I know I heard from the city of West Point who pointed out that they are continually trying to cut expenses and manage their budgets and this would add to their expenses and would be quite burdensome for them. The other thing I would point out is, we have lots of reports and filings that we make every year with lots of data. And to Senator Haar's point where he would like to centralize some of that, that may make sense. I think we need to look at what is a

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

manageable request and see if we can come to a common definition of an objective to be served by the data. It seems to me a rather wasteful resource, use of public resources if we compile a bunch of data that we put on a database that no one ever accesses. So all we would like to do is work with Senator Haar to make sure we come up with well-defined data and a manageable amount that we can put into some sort of annual report. Some of the data that's identified in the bill is vague, so I think Senator Haar has acknowledged that we would need to further define some of that. As public entities, you know, as I said, we want to make sure that we're making the best use of public resources. We provide data in lots of ways now. As I said, we all have lots of different reports. A lot of us do benchmarking and put those out to our customers and we hold lots and lots of public hearings. One of the things I would note is my utility, Lincoln Electric System, in the last couple of weeks held some wind RFP workshops. We've had some discussions with some of you about our wind contracts where the price of the wind is confidential per the contract. It's confidential and proprietary to the developers. And while we can't disclose that, what we agreed to do was hold a workshop where we would walk everybody through how we do that analysis using representative numbers to show you all the criteria we use, of how we take the very numerous number of proposals we get and boil it down to a final selection. We had it at a time that was difficult for many of you to attend. The good news is that we've been working with the committee and we're going to schedule a time in March, with the help of Senator Haar, to hold that workshop for any of you that are interested and we'll do that here. So, there are lots of ways to get data out there. The other part is, when you put this data out you need to make sure that you can make accurate comparisons. For example, in this bill it asks for to...something about reporting the number of PPAs, you have power purchase agreements. Some of us have lots of them. Some of the entities have none. So, what conclusion do you draw from that? Well, none, really because we're structured differently. Some of us have generation...our own generation, some of us don't. So I would want to also be careful that the data that you put out there you can draw meaningful and accurate conclusions from. So, with that, we are opposed to the bill as written. We are certainly willing to sit down with Senator Haar over the next year to see if we can come to an agreement, both on identifying the objective for the data and developing a manageable list for a data request. Be happy to answer any questions. [LB536]

SENATOR SCHILZ: Thank you very much. Any questions? Senator Schnoor. [LB536]

SENATOR SCHNOOR: Shelley, I'm sorry, I didn't get your last name and who you represent. [LB536]

SHELLEY SAHLING-ZART: Sahling-Zart. Sahling-Zart like over the ocean blue...Zart, and I work for Lincoln Electric System. [LB536]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

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SENATOR SCHNOOR: Okay. Okay. Thank you. [LB536]

SENATOR SCHILZ: Thank you. Any other questions? Seeing none, thank you for your testimony. Appreciate it. [LB536]

SHELLEY SAHLING-ZART: Thank you. [LB536]

SENATOR SCHILZ: Any further opposition? Welcome. [LB536]

TROY BREDENKAMP: Mr. Chairman and members of the committee, Senator Haar, my name is Troy Bredenkamp, spelled T-r-o-y B-r-e-d-e-n-k-a-m-p. I'm general manager for the Nebraska Rural Electric Association. NREA represents 34 of the 36 rural electric cooperatives and rural public power districts across greater Nebraska. I would just echo a lot of what Shelley put forth on behalf of NPA. You know, our members share the concerns. It is an exhaustive list of data that's being asked for here and frankly, our concern probably lies with what purpose is such data being gathered. To be clear, our members are not adverse to providing data as long as it has a purpose. Our member systems provide data annually to USDA, rural utility service, or the Cooperative Finance Corporation, depending on where their financing comes from. The RUS has a Form 7 which includes total operation and maintenance expenses, annual margin, assets, liabilities. Again, this is done to maintain their RUS funding capability. We also...our members also provide annual audit reports that are filed with numerous organizations including Public Service Commission, the Power Review Board, as well as the State Auditor and the Nebraska Emergency Management Agency. Our members also file rate and other data with EIA, the Energy Information Administration, on Form 861 and that is a federal, searchable database. So there's a long list that goes along with what is being asked for in LB536 and it goes well beyond, I guess, what we would consider the standard data that is collected by our members. We weren't asked to be part of the fiscal note, but we did ask our members if they could at least estimate what the cost would be to comply. One of our systems did estimate that it would be about a 40-hour work week for an accountant-type employee and with benefits, that would be about \$1,900. You extrapolate that over 150 utility entities in the state, and that's a fairly sizable amount of money on an annual basis. You know, one of the greatest indicators that we find with the rurals is in terms of determining a cost of service is for our members and their meter per mile, yet, you know, that's a very important number, but because we weren't involved necessarily in the introduction of this bill, we weren't able to add that to one of the items that would be useful. Our systems serve electricity over about 91 percent of the landmass of Nebraska and we average 2.6 meters per mile. A system like LES would have a meter density manyfold that, so dumping data into a database and extrapolating some conclusion based on incomplete data, or misinterpretation of that data can lead to inaccurate conclusions. And so, if the proper questions are not asked and a clear purpose for that data is not provided, that obviously has a concern for us. So, we'd be

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

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happy to work with Senator Haar and have a conversation with this over the interim where this goes and, hopefully, see if we can improve on the concept what he's already outlined in LB536. [LB536]

SENATOR SCHILZ: Thank you, Mr. Bredenkamp. Any questions? Senator McCollister. [LB536]

SENATOR McCOLLISTER: Thank you, Mr. Chairman. Troy, you mentioned the Public Service Commission? [LB536]

TROY BREDENKAMP: Yeah. [LB536]

SENATOR McCOLLISTER: Are you accountable to that body? [LB536]

TROY BREDENKAMP: We are not accountable directly to the Public Service Commission, so our members are elected. They are authorized by state statute, but they have their own boards that are elected locally and there is no direct accountability to the Public Service Commission. [LB536]

SENATOR McCOLLISTER: But do you file reports for those folks? [LB536]

TROY BREDENKAMP: We do, yes. [LB536]

SENATOR McCOLLISTER: Would this, in any way, replicate what you're doing with the Public Service Commission? [LB536]

TROY BREDENKAMP: Some of the line items that are asked for in LB536 would be included in that information. Other things would be included in the information that we provide to the Power Review Board. So some of it's in the EIA data that we submit. And again, I think it speaks to the possible need to have some kind of collective agency or one place to put some of this information, but certainly I think we need to be looking at what's being collected, what's the purpose of that information. You know, if this is a net metering, need to know what everyone is doing from a net metering perspective, well, then let's ask that question, but the list is so exhaustive that we're not sure that that particular data set might not get lost in the overall scheme of what's being asked for in LB536. [LB536]

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Natural Resources Committee  
February 11, 2015

---

SENATOR McCOLLISTER: Would that duty be best placed with the Public Service Commission or a body of the Legislature? [LB536]

TROY BREDENKAMP: I don't really have an opinion on that. I'm not sure, but that's certainly something I think we could talk to Senator Haar about over the interim. [LB536]

SENATOR McCOLLISTER: Thank you. [LB536]

SENATOR SCHILZ: Thank you, Senator McCollister. Senator Schnoor. [LB536]

SENATOR SCHNOOR: Troy, you talked...net metering keeps coming up in this discussion and I don't know that we have a complete understanding of it yet, so would an example be if a gentleman has some type of a solar panel or a wind generator and he's putting energy back into...oh, I'll just say the system, and getting a profit for it, is that what I call...what I understand is net metering? [LB536]

TROY BREDENKAMP: Somewhat, yes. So, let's say that a person wants to generate a portion of their own power and as Senator Haar said, they put a solar array on a portion of their property. And let's say just for practical purposes over the course of...and this isn't even a good number, but over the course of a month, let's say they use 1,000 kilowatt hours of power to whatever they're doing, their business or their home uses 1,000 kilowatt hours. Okay. And let's say over the course of that month they were able to generate 800 kilowatt hours with their solar array. Then what they have is what they've net used about 200 kilowatt hours, which is what they will pay for on their bill. Okay. So, instead of the 1,000 kilowatt hours, they used...they produced 800 of those thousand, so they're only really getting billed for 200 kilowatt hours. Does that make sense? [LB536]

SENATOR SCHNOOR: Yes. [LB536]

TROY BREDENKAMP: So, let's go the other direction. Let's say that at the end of the month they have...they've used 1,000 kilowatt hours but they've generated 1,100 kilowatt hours. Okay. In that case, what they're...they're actually going to get a credit at an avoided cost for that 100 kilowatt hours in addition that they produced that month, and then that credit will go on their bill for the next month. That is net metering. [LB536]

SENATOR SCHNOOR: Okay. Are you familiar with the operation up in Dodge, the...on the hog farm out there? [LB536]

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Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

TROY BREDENKAMP: I am not. [LB536]

SENATOR SCHNOOR: Okay. Then I won't ask you any questions. (Laughter) Thank you. [LB536]

SENATOR SCHILZ: Thank you, Senator Schnoor. Any other questions? Seeing none, thank you for your testimony. [LB536]

TROY BREDENKAMP: Thank you. [LB536]

SENATOR SCHILZ: (Exhibit 3) Further opposition? Opposition? We have a letter from Neil Niedfeldt from Southern Power District in opposition. Okay. Any neutral testimony? [LB536]

TIM TEXEL: Senator Schilz and members of the committee, my name is Tim Texel, T-i-m, last name is T-e-x-e-l, and I'm the executive director and general counsel for the Nebraska Power Review Board. I want to clarify first that the board takes no position on the policy behind the bill. We're happy to be a clearinghouse if that's the Legislature's will. I just want to...my board authorized me to talk about some of the issues with the bill and the language in the bill, and some of that in the interest of brevity, I will cut short. Senator Haar brought up some of the issues and hopefully I'll be a part of that where we can work with the utilities and Senator Haar in the interim on the exact language. We already operate as a clearinghouse for the net metering report and it's come up several times and we collect that information and have it available to whoever may want it. The board has three points I want to just mention on this bill. Some of the terms are somewhat broad and vague and I know who is going to be asked to answer those from all the utilities in the state. They'll be asking me how to fill out the reports, so the more guidance I have, the more help it is. We can work on those terms. I have some examples, but I won't go through those. The language exact may change, so I won't go into the examples I had unless you would like me to. So, some of the information is already available on the Power Review Board's Web site and other sources such as the Energy Information Administration. Some of it's reported to the Federal Energy Regulatory Commission, I think, other sources like that. So we could certainly be a clearinghouse for that information, but I wanted to point out some of it is out there. And then the last one is, I wanted to kind of mention the difficulty I foresee from collecting some of this information from the smallest utilities. Even for net metering and our assessments, we're cash funded and we operate by assessing the utilities for our operations. The smallest villages often are difficult to get the information from and I suspect that would be true here. It's not an opposition to the bill, but I wanted to point it out because we might want to...I'll go into it a little bit later, but on the information that's available, I wanted to point out one example on that. The Power Review Board had...well, first let me mention. In Section 2(o) it's on line 30 on page 3, I wanted to mention that the report requires that a map be submitted of each power supplier

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Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

service area. The Power Review Board already has an interactive map showing all the service areas for the state of Nebraska for every utility. It's searchable. You can drop down the menu and go to that particular utility and we show the border for that utility and it will have the name on each side of the two adjoining utilities. So, that's one example of some of the information we have. I'm the official person that's responsible for the service area maps in the state for the utilities, so it makes sense we already have that information. You probably don't need to get it from the utilities since they have to come to me if there's a discrepancy with the maps. On the difficulty to collect the information, as I mentioned, I would certainly use my best efforts and the board would, but I'm pretty sure that the villages and the smaller ones would have difficulty with this. I'm not the person to make their argument for them, but I'm sure it's a fair amount of work for them and I'm going to be the one hearing the complaints. I will do that at the Legislature's will, certainly, but I think it might make sense if the purpose of this to be achieved can still be met to maybe have a threshold level. Some of the utilities are very small. Our assessments are a certain number of cents per thousand dollars gross revenue. We collect like \$5 and \$10 from some of them. So, they're very small in sales and I'm wondering if maybe some of the smallest villages might make sense to set a threshold to those with generation, or that have over a certain amount of sales each year so we cut out the very tiny villages where they have a lot of different duties and this would add one to them. You know, they may wear 14 hats already and they...this would perhaps overload them. I think that pretty much concludes my testimony. I think Senator Haar had already said if it's held and we can work on it, I'd like to help work on the language and we certainly can do that so I won't go into any further examples. So other than that, that's my testimony. Thank you. [LB536]

SENATOR SCHILZ: Thank you, Mr. Texel. Any questions? Seeing none, thank you for your testimony. Further neutral testimony. Good afternoon. [LB536]

LASH CHAFFIN: Good afternoon. My name is Lash, L-a-s-h, Chaffin, C-h-a-f-f-i-n, and I'm a staff member at the League of Nebraska Municipalities. And I just want to state for the record how appreciative we are of Senator Haar coming to our organization a couple of weeks ago and essentially outlining what he proposed to the committee today to work on this over the summer. As drafted, this would be very difficult for a lot of municipal systems to operate. And for informationally, because there are a lot of new members, there's a hundred...around 120 cities and villages that own and operate electric systems in Nebraska. And they range from LES in Grand Island to, you know, Arapahoe in Fairmont. There's the sizes and some of these questions...what's important to me is not only what data is collected, also how the question is asked. For the smallest utilities, Hastings utilities might instantly understand what the concept of net metering is. In a Stromsburg, what net metering is, that won't ring a bell. What that is, is, oh, the guy who wants to put in the cool windmill. That's...so you have to ask the question correctly. And I think that's going to be something very important if data collection is going to be a policy that we move forward with. So we're very eager to work with Senator Haar to make sure the

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Transcriber's Office

Natural Resources Committee  
February 11, 2015

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questions are asked correctly and done in a right way. For instance, you know, currently as drafted, it requires all agreements. Okay. In a small city system if you ask for agreement, you're going to get an agreement with the county that encompasses not only the road maintenance around the electric substation, but also inner-library loan, what days we have the emergency management meetings on. All of that might be encompassed in one agreement. You're going to get...unless the questions are asked correctly and drafted in an easy format to work with, you're going to get a lot of static in your data that may make it meaningless data. And obviously Hastings can answer the questions in a much different way than a smaller city will. But we're eager to work with Senator Haar and we do appreciate his offer to sit and work on this over the summer, so. [LB536]

SENATOR SCHILZ: Thank you, sir. Senator McCollister. [LB536]

SENATOR McCOLLISTER: Thank you, Mr. Chairman. You reviewed Senator Haar's information, I would take it. [LB536]

LASH CHAFFIN: Yes. [LB536]

SENATOR McCOLLISTER: Have you found it to be reasonably accurate? [LB536]

LASH CHAFFIN: Oh, the information in the big... [LB536]

SENATOR McCOLLISTER: Yeah, the spreadsheet. [LB536]

LASH CHAFFIN: The...I don't...I'm sure it's...yes, it's probably 100 percent accurate. I would say...I would have asked some of the questions differently. For instance, the net metering policy question, we did a series of seminars to the smallest utilities a couple of years ago in conjunction with the municipal energy agency of Nebraska, and that information is out there on net metering policy. However, I think most cities don't know to answer the question yes or no, mostly because no one has ever approached them with it. So, it's out of sight, out of mind. They did...they worked on a policy. They put it...and no one has ever come to them to say in Arapahoe, we want to put up a net metering facility. So, I think some of the questions...I think if asked differently than by an intern, you might get a more productive answer. And...or what is your cost at the local level to put in a windmill. Cost is different than application fee. You know, there's certain costs, you want to make sure there's safety equipment on it that to make sure it won't back feed into the system while someone is working on the lines, things like that. So, there's...and you have to ask the question differently of Stromsburg than you do of LES, and they're going to interpret. And I

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

mean, I think the...it's 100 percent accurate. I think it could be fine-tuned greatly that would produce data that would be more usable for policymakers. [LB536]

SENATOR McCOLLISTER: The information contained on the spreadsheet, how much of that information...I should have asked Senator Haar, is it available on other...from other sources without asking the utility itself? [LB536]

LASH CHAFFIN: A lot of it's available at other sources in different formats. A lot of what the city utility, a lot of that information would be imbedded in the reports they give to the State Auditor. You'd have to pull it out and ask certain questions. And it might be in a small municipality, it might be imbedded with the water utility information or things like that because it's the salary...the same person who does the electric system also does the water system. So, it's a little hard to extract some of that, but they...the cities and other entities can speak for themselves. They file reports on transmission lines...with certain transmission lines. They file a lot with the State Auditor. A lot of that data would have been available in other places, some of it not so much. It's a little of both. That's a good question. [LB536]

SENATOR McCOLLISTER: What kind of information does the State Auditor want? [LB536]

LASH CHAFFIN: The State Auditor, they ask for the financial data and that information is on-line already for every city. Now, admittedly, it's not an easy format to use if you're specifically looking for one thing because it's there for overall financial data. It's not...you'd have to go into each audit and pull out the...whatever page it is, it's like page 3 the proprietary function data and things like that. [LB536]

SENATOR McCOLLISTER: How many places does a utility have to report information now? Is it a multitude of...? [LB536]

LASH CHAFFIN: It's a multitude, yeah. You know, a small utility, not so many, but at Hastings or Grand Island, there are numerous federal agencies, okay. You know, EPA, Corp of Engineers. You'd easily get into two hands, your feet and your toes and your ears counting the state agencies. You know, at the state level, DED, or DEQ. There's a lot and it's...you know, sometimes it's duplicative data, but it's data that's asked for in different ways so it may not look the same. [LB536]

SENATOR McCOLLISTER: Okay. Thank you very much. [LB536]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

LASH CHAFFIN: It just depends, because they're asking, as some of the testifiers, they're asking for different reasons. So if you ask for...depending on what reason you're asking the question you may get a slightly different answer. [LB536]

SENATOR McCOLLISTER: Thank you very much. [LB536]

SENATOR SCHILZ: Thank you, Senator McCollister. Any other questions? Senator Johnson. [LB536]

SENATOR JOHNSON: Thank you. Thanks for coming in. All the reports, I'm sure some of them want to make sure they're environmental friendly and safety and those types of things. I would assume that a utility company, small city...small co-op, whatever, does some kind of analysis of what their costs are for different types of stages of producing kilowatt. Is that...do they do those internally in order to create their own efficiency and would that be valuable information that's maybe hidden somewhere? [LB536]

LASH CHAFFIN: It might be. You know, I think in Wahoo, it would be, you know, a great study. They...you know Wahoo is a good example. They do rate studies every three or four years to make sure they're...it's a little more simplified than some others just to make sure their revenue stream matches their expenditure stream. Imbedded in that is kind of a concept of benchmarking, are we meeting these goals and some degree of planning. You know, the data, it's data. I mean, it could be used well or it could be misused or misunderstood or understood easily. It's...you know, not every, you know, obviously a Wahoo is different than a Fairmont, and so it's...all data requires some form of explanation. We're not...as you know, cities provide data. We do it a lot (laugh) and so, not against that, but we'd like to make sure it's in a format that can be usable to policymakers. [LB536]

SENATOR JOHNSON: Thank you. [LB536]

SENATOR SCHILZ: Thank you, Senator Johnson. Any other questions? Seeing none, thank you for your testimony. Appreciate it. [LB536]

LASH CHAFFIN: Thank you. [LB536]

SENATOR SCHILZ: Further neutral testimony? Any other neutral testimony? Seeing none, Senator Haar, you're welcome to close. [LB536]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

SENATOR HAAR: Thank you very much. Good discussion. The chart, I can't verify the accuracy either. The reason I brought you this whole chart is to say, it's something we need to do. It's something we need to do. I'd just like to make a few comments. First of all, Lash brought up and I've talked with him at length, maybe we out to draw a line and say this is too small to ask the information, but if you look at your chart we...Ansley next to Arapahoe. Ansley has about twice as many...Arapahoe has about twice as many customers. What you have to remember that we're not just customers of public power. We're the owners. And so, I think that the people in Arapahoe who--and this is 2008 who were paying 10.27 cents per kilowatt hour--they have a right to see that number and to look at Ansley and say, how come they're paying 8.33? I do understand that this is going to create some additional work for public power entities. Transparency is always burdensome or necessary. I'm not sure what the word is but this public power, we're the customer-owners and so there is a cost to transparency. I think the cost is rather small when you...for example, the city of Lincoln, the budget for LES is about twice the size of Lincoln and that's because they're buying power. It's expensive. I think if you looked at the overall budget for public power in Nebraska, would probably be twice the size or so of our state budget. These are enormous numbers, and so if you're saying, you know, \$2,000 per public power entity, and it would be more for the bigger ones, that would be \$500,000 out of maybe \$5 billion worth of spending. So, I do recognize there's a cost. I think that's a cost of democracy. You asked about Danny Kluthe, the...I know about Danny Kluthe, the hog farmer, if you'd like to ask me a question, I'd be happy to answer that. I know a lot about this stuff and so I tried to cut my comments on net metering short. If you'd like to...I'd be more than happy and glad to talk with you about where I see some exciting things like Central City. Someone is building low-income housing and he wants to put in a big solar, kind of a solar garden to power those, and so on and so forth. So, more than happy to talk with any of you if you have some questions. You may just have to put a timer on me when you come in. I also know that the public power entities are more than happy to sit down and talk with you. So, with that, I appreciate everyone coming in. Oh, I want to mention that, for example, the Power Review Board has a net metering report, but really all it tells is the name of the entity and how many customers they have. It doesn't go nearly to the extent of what we're talking about here. And in one of the conversations I had with one group, I mentioned I was in Norris Public Power and if somebody...my neighbor put up some solar panels and he...as far as I know, didn't get incentives, whereas, if we had been in LES, he would have and so on. And the person I talked to wasn't aware of what others' incentives were being provided by their public power districts, so. It's that kind of information, that kind of data. People define avoided cost differently and avoided cost, if you sort of unbundle the cost of your bill, the avoided cost, my understanding is usually the cost of the energy, just the energy, not the transmission and the administration and all that stuff. And different power districts define that differently and I think we need to know how they do that so we can compare them. So, with that, again, I appreciate the people who came in to testify, and if I can borrow Laurie a little bit maybe in this whole discussion, just keep the committee, or if someone from this committee would like to meet with us when I'm meeting with public power groups, be more than happy to do that

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

because accurately defining this data is absolutely crucial so that we get good data that we can use. [LB536]

SENATOR SCHILZ: Always willing to discuss, you know that. [LB536]

SENATOR HAAR: Yes. [LB536]

SENATOR SCHILZ: Any questions for Senator Haar? Senator Schnoor. [LB536]

SENATOR SCHNOOR: My question about with Danny Kluthe, is if that was a good example of net metering? [LB536]

SENATOR HAAR: Now, with Danny Kluthe, and for those of you who don't know, Danny Kluthe is the hog farmer, 3,000 head of hogs in...near Scribner. He takes all the manure, it goes into a pit that's covered. It's digested and he pulls off the methane, which is basically natural gas, and he runs a diesel generator and sells electricity back to the grid. Recently, he started to compress that natural gas, by the way, and he runs it in his pickup. I think it's 70 percent methane from his hogs, 30 percent diesel fuel, he gets 70 miles per gallon, so. When you look at the potential, I'm very excited about one of the potentials we have in Nebraska is all the manure that gets produced that can be turned into energy. We don't have the answers yet, but turned into energy because energy is one of the huge costs of agriculture that we have in this state. So, anyway, Danny Kluthe sells more back...in our net metering bill, we have limits. For example, you can only net meter on a certain, I think it's 25 kW right now, which is a fairly small amount. Beyond that, it's up to the utility whether they want to buy your electricity, but then they don't have to pay you that one for one. All they have to pay you is the avoided cost. And in the case of Danny Kluthe, he's putting enough electricity back onto the grid that he's not really net metering as such, he's selling it back. He'd be considered a producer, really, and he's selling it back at avoided cost. [LB536]

SENATOR SCHNOOR: Okay. Thank you. [LB536]

SENATOR HAAR: You bet. [LB536]

SENATOR SCHILZ: Thank you, Senator Schnoor. Any other questions for Senator Haar? Seeing none, thank you, Senator Haar. [LB536]

SENATOR HAAR: Thanks a lot. Appreciate it. [LB536]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

SENATOR SCHILZ: That will close our hearing on LB536 and we will move on and open the hearing on LB583. [LB536]

SENATOR FRIESEN: Welcome, Chairman Schilz.

SENATOR SCHILZ: Good afternoon, Senator Friesen and members of the committee. My name is Ken Schilz, spelled K-e-n S-c-h-i-l-z, and I represent the 47th District. And I'm here today to introduce LB583. LB583 would require the Nebraska Energy Office to create a state energy plan. I served on the Natural Resources Committee now for six years. This is my seventh year, and I was on that committee in 2010 when the Legislature passed LB1048. That bill allowed the development of wind energy for export and that bill represented a significant policy shift in the way the state handles wind energy generation projects. Of course, we've had a few years to absorb how changes in the market and advances in technology can provide a different energy landscape in Nebraska, and it will take some collaboration, but careful planning to make sure that we as a state are able to take advantage of the economic development opportunities in energy. As you know, Nebraska is unique as the only fully public power state. It isn't in the normal course of business for, and isn't the duty of our public power utilities to plan for the production and the transmission of energy that is derived from renewable generation for export. This is one reason the State Energy Plan developed under the guidance of the State Energy Office and with the cooperation of stakeholders, including public power, will help us set a vision that can be used to guide policy for state and local government as well as others, including private developers that may want to do things here in our state. The discussion about renewables in public power is what led to this bill, but I want to be clear that it's my intention that this energy plan be comprehensive in scope and that other energy sources, including natural gas, biofuels, ethanol, petroleum, propane, in fact, all aspects of energy need to be included for this to truly be a comprehensive state plan. But we need a starting point and it is the renewables that have been driving the policy discussions in recent years, which is why the generation of electricity has been a focal point. I realize the language of the bill may need to be adjusted to reflect my intentions and I am open to suggestions on how to do so. I don't intend to focus on the specific language of the bill at this time because I introduced it to present a concept to the public and to the committee. I'll be working with the Energy Office and others to ensure the language gets us moving in the right direction and on the proper path. There are several here to give their thoughts on what direction they believe the plan should take, but I want to mention one specific component of the bill that is very important and it requires the Energy Office to analyze the impacts resulting from federal regulations to reduce carbon dioxide emissions from fossil fuel fired electric generating units. The analysis is to include an explanation of the state's responsibilities and duties under the federal regulations policy options and recommendations for compliance. These federal regulations are coming and once they are finalized, the state will be required to submit an implementation plan of compliance. We should also have the ability to tailor this implementation plan to suit our needs. I believe the policymakers need to understand

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

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this process and to be aware of and oversee the policy decisions that will be made in response to federal regulations that will affect every person in the state. And I think it's important to understand that in these six years that I've been in the Legislature and witnessed this, there's been...well, for lack of a better term, there's been some bumpy roads on how we move forward and what we've done. And what I want to do with a plan such as this is start to bring everyone together, that visioning process that says, let's all start moving down the path together. Let's figure out what we need in the planning process. Let's start to talk about, you know, what do we need for databases for an instance, what do we need to talk about when we talk about how we want to develop our renewable sector. You know, folks, if there's nothing else that I've learned in these six years in the Legislature, is that things can and do change and you have to be ready for that change. You have to plan for change because you don't know when it's coming. And the other thing about that is, you can't be afraid of that change because if you become afraid of that change and you allow that change to paralyze you, it will only hurt you in the end. So you have to be ready and capable to handle that change as it comes to you. So, that's basically the reason for this. I'm hoping that everybody can come together and coalesce into a working group that can move forward and understand that with the natural resources that the state of Nebraska has, with the kind of expertise that we have not only just with public power, but with our folks that are within our fuels folks, the biofuels, petroleum, natural gas, everybody can come together and start to really move forward in taking the state in a singular direction on how we develop and how we move forward to make this state a much more...well, for lack of a better term, I don't want to say profitable, but ways to reduce the rates that we pay for electricity, if possible. If nothing else, maintain as fair rates, as equitable rates, as cheaper rates as possible, while on the other hand, doing some economic development to address property tax issues while being able to develop our other natural resources to provide opportunities for everyone within the state. And with that, I would try to answer any questions, but I do know there's some others coming from behind me that know much more about this issue than I could ever hope to. And hopefully with that, too, we will educate ourselves on what's possible here in Nebraska. Thank you. [LB583]

SENATOR FRIESEN: Thank you, Senator Schilz. Senator McCollister. [LB583]

SENATOR MCCOLLISTER: Thank you, Senator. Is it your hope to make this energy...state energy plan the change agent, to channel that change occurs in the energy business? [LB583]

SENATOR SCHILZ: Not necessarily. I think the change has already occurred. I think...I think in one hand, I think the change has occurred. On the other hand, I think it's incumbent upon us to recognize that we need to...we need to understand the direction that we have to go and that we also understand that when you start into a planning process it's not just something that goes today and then you put it on the shelf and you leave it there. It's an ongoing process and so, I don't know if it's necessarily a quote, unquote, going to be a change agent type of thing where you're going to see a radical change or anything like that, but I do think that as you do this, you

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

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will come together to see what changes are necessary, what changes are more evolutionary in nature, and what more changes need to be more revolutionary in nature. I do think as well, too, that we have to keep at all times the folks that really are in charge of public power and that is the public. And we have to keep in mind what's best for them and that means the most fair rates, the cheapest rates, reliable rates, and such, so. [LB583]

SENATOR McCOLLISTER: So would you envision this body or the State Energy Plan establishing minimum requirements for renewables? [LB583]

SENATOR SCHILZ: Can you repeat that again? I'm sorry. [LB583]

SENATOR McCOLLISTER: Can...would you see the State Energy Plan establishing minimum requirements for renewables? [LB583]

SENATOR SCHILZ: No, absolutely not. Not in my world. [LB583]

SENATOR McCOLLISTER: Okay. Well, Senator Smith came before our committee and talked about cost benefit ratio so...of anything related to energy. Do you see this being in conflict with the objectives of his bill? [LB583]

SENATOR SCHILZ: No, in fact, in fact when I examined Senator Smith's bill and what this bill is looking to do, I see...I see very similar paths there. I just see this bill being...well, in fact, much broader as I look at it. And so, I don't see much difference in what they're trying to get at. As I see it, Senator Smith's bill would be one component of what this bill would do, yes. [LB583]

SENATOR McCOLLISTER: So, you know, perhaps some of the information generated from this report would be cost benefit, would be relative cost of energy in the state, those kind of comparisons? [LB583]

SENATOR SCHILZ: I think that would be possible and just back on your question about a renewable standard for the state, I don't see that here. I think we're going to get as much as we want from the new regulations coming down on the CO2. I look at renewables here in the state, especially wind power, as we should always look at it as an economic development opportunity, not as something that we should look at here in the state to say, we have to get to this level. If somebody wants to come in and develop it where they can see an opportunity to, as a business opportunity, then absolutely, we should be all in favor of that. But we shouldn't require somebody to come in and build something saying, you have to do this in order to comply with something. That's not the world that I aspire to at all. [LB583]

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Transcriber's Office

Natural Resources Committee  
February 11, 2015

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SENATOR McCOLLISTER: Thank you, Senator. [LB583]

SENATOR FRIESEN: Thank you, Senator McCollister. Senator Kolowski. [LB583]

SENATOR KOLOWSKI: Senator Friesen, thank you very much. Senator Schilz, thank you for your introduction of this and it was courageous and exciting, I think, potentials of where we might go. You and I, Senator Johnson, had the experience of the water sustainability stuff and I think your potentials with this as far as the overall experience in trying to get to the potentials of what we could do, you're going to step on toes, you're going to tweak some things in a different way, and you're going to open some doors that haven't been opened before, and if we do all those things, the benefits will follow as we discern which direction we want to go and what we want to do and I think that's the exciting part. We're not going to be stuck in one thing if we truly do want to look at the broad breadth of all we could do in our state. And I thank you for that. [LB583]

SENATOR SCHILZ: Well, and Senator Kolowski, if I can just make a comment. What I've always noticed as I've gone through these types of things, it's much easier to work in a collaborative effort moving forward and getting people on board moving forward all as one rather than trying to just continue to, you know, try to bully your way through things. Now, sometimes that has to happen. You know, especially Senator McCollister talked about change agents and things like that. Sometimes you have to do that in order to get people to understand, but other times that collaborative effort can work and when you can get everybody on board, get them all moving in the same direction, you can see great, great things happen, so. [LB583]

SENATOR KOLOWSKI: Thank you. [LB583]

SENATOR SCHILZ: So, thank you. [LB583]

SENATOR FRIESEN: Thank you, Senator Kolowski. Senator Schnoor. [LB583]

SENATOR SCHNOOR: Senator Schilz, I guess I equate to this energy plan you're talking about is, oh, strategic planning like any business would do. Am I correct or incorrect? [LB583]

SENATOR SCHILZ: I would say that that is correct, yes. [LB583]

SENATOR SCHNOOR: Okay. And my assumption here and we learn real quick around here, it's always bad to assume, so I'm going to clarify this. My assumption is that this is not being done. True or false? [LB583]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

SENATOR SCHILZ: You know that's...I would say that that is probably false. I would say that there is a lot of planning being done. The question is, do you know what the plan is? [LB583]

SENATOR SCHNOOR: I do not. [LB583]

SENATOR SCHILZ: Senator...and I don't mean to ask. I'm sorry. That wasn't right. But that's where I'm coming from is that... [LB583]

SENATOR SCHNOOR: Yep, I see. [LB583]

SENATOR SCHILZ: ...and I think that that's...I think that as policymakers, I think that's one of the big things. And when I say, get all on the same page, I think that's somewhat why we see some of the bills that come in, is because as policymakers...and I liken it this way, when you don't know what's happening at times you tend to start to put the pieces together yourself and when you do that sometimes, you may not have the whole picture so you use the best information you have and it may not be all of the information. So, what I'm saying here is that yes, I know every day the power districts are planning for what they need to do. But are they collaboratively working together every single day so that when somebody calls the Energy Office and says, hey, what's your plan on this, or what's Nebraska's plan on that? I'm not sure if it's happening at that kind of level. And so, that's what we're talking about here and there's folks behind me that can answer that better than me, but that's the kind of stuff I'm talking about so that when anybody steps out to talk on an issue, we can step forward with a common voice. [LB583]

SENATOR SCHNOOR: Then my next question, is LB...I think it was 469 that Senator Smith had presented a week or two ago and talked about CO2 emissions and in this bill it talks about CO2 emissions. Do we have a, I guess, could that be a duplication of effort, or is it kind of what you said with Senator here that that's...his bill is essentially part of yours. [LB583]

SENATOR SCHILZ: I like to think about it as great minds think alike, but (laugh) that was supposed to be funnier than that. (Laughter) Well, I think they do fit together well. And I think that...I do think they do fit well together and I think that Senator Smith obviously understands the gravity of that issue, probably better than most. And so, I welcome what he's doing there and I think it has a place in what we're doing here. [LB583]

SENATOR SCHNOOR: Okay. All right. Thank you, sir. [LB583]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

SENATOR FRIESEN: Thank you, Senator Schnoor. Any other questions from the committee? Just my one comment. I appreciate you including ethanol and a lot of the other renewable fuels in your...when you're coming up with a statewide energy plan, they're a big part of it, so appreciate it. [LB583]

SENATOR SCHILZ: That's a very important issue to everything we do in the state. [LB583]

SENATOR FRIESEN: Thank you, Senator Schilz. Are there any proponents who wish to come forward? [LB583]

KEN WINSTON: Good afternoon, Senator Schilz and members of the Natural Resources Committee. My name is Ken Winston for the...representing the Nebraska Sierra Club and in support of LB583. Well, first of all, I wanted to say, to express our gratitude to Senator Schilz for introducing this bill and for the introduction. Agree with a lot of the things that Senator Schilz said in your introduction and think that this really has a potential of doing a lot of good things for the state of Nebraska, so. But here's some aspects that we would like to make sure are included in the plan. First of all, we want to make sure there's input from a broad group of stakeholders with expertise in both protecting and supporting healthy caretaking and use of our natural resources which are the lifeblood of our agricultural economy. And in this area, we'd like to volunteer the expertise of the Sierra Club. We do have connections with lots of folks. We work with consultants on lots of issues related to energy and we'd be glad to provide analysis on a lot of things as this process goes forward. Then we'd also suggest that there are many studies that have been done previously that can be very helpful. The LB1115 study, the power districts have done some studies on transmission recently that can be very helpful. Also I think it would be good to make sure that some of the former legislators that have worked on these issues should be consulted and included. I mean, people like Senator Carlson and Senator Preister and some of those folks that have worked on some of these issues in the past. And then, another issue, we think the water impact needs to be considered in any energy decision because water is so important to our state. And the NRDs should be consulted and should be part of this process in terms of determining the water impact because fossil fuels, frankly, do use lots of water and we need to make sure that those are considered when we're making energy decisions. And then we have lots of expertise at our universities and colleges, the Institute of Agriculture and Natural Resources, the Innovation Center at the university. There's lots of people that have lots of expertise. Then we'd like it to be forward looking so that it has a positive impact on...so that our, well, I wrote this last night, but what I said was, so that our children and grandchildren will be blessed by our vision. And then, I was in a good mood last night, I guess, or...a positive mood. So, also think we need to...the public power districts have a lot of positive things that they can share and there's some real leadership among some of our public power districts. I think at last week's hearings, I mentioned the leadership that the Omaha Public Power District and the Lincoln Electric System have shown with their energy plans. But I think there's also some things

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

that some of the rural public power districts are showing some leadership on, things like on-bill financing programs that some of the larger public power districts aren't as excited about. So, I think there's leadership on lots of levels and we ought to look at those ideas. Then I think we also need to look at the efforts of other states. Iowa, for example, has invested heavily in renewable energy and at the present time has provided great economic return for their state and it's also brought lower rates for their customers. And so, there's some examples there in how we can benefit from that. And then as a representative of the Sierra Club, I need to remind folks that we need to think about climate change and its impacts on energy decisions. And then the final thing that I wanted to suggest is that there be public hearings all across the state, that there be opportunities for the public to provide input into this process, and that there be opportunities for them to say what they think, because there's a lot of people look at these issues and they're very important to them and there's actually a lot of expertise in the public as well, so. And we do have public power, as Senator Haar reminded us, the public power people are the...the customers are the owners of public power in the state of Nebraska and so they ought to have an opportunity to talk about the kind of power energy decisions that are made by the state. So, and we'd be glad to work with the committee and anybody else who is working on this issue to develop the best energy plan possible for the state of Nebraska. [LB583]

SENATOR FRIESEN: Thank you, Mr. Winston. Are there any questions from the committee? Seeing none, thank you, Mr. Winston. [LB583]

KEN WINSTON: Thanks, Senator. [LB583]

SENATOR FRIESEN: Any other proponents? [LB583]

JOHN HANSEN: Mr. Vice Chair, members of the committee, again for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am the president of the Nebraska Farmers Union. We have been deeply involved as a general farm organization in energy issues and renewable energy issues for a very long time. We have helped in the mid-'60s. We led the effort to go around the state of Nebraska and convinced Nebraskans and public officials that this crazy idea called ethanol had a lot of potential and that we ought to, in fact, create the Nebraska Ethanol Board, and we were successful in getting that done. And have been intimately involved in all of the state incentives as well as a lot of the federal incentives for the development of ethanol. We saw and started getting involved in the mid-'90s a renewable energy resource that we have the ability to be able to harness called wind in the mid-'90s, so we've been working on wind issues all of this time, and have been intimately involved in all the legislation that has come from the Legislature relative to the opening up of our state to the development of wind resources as well as export. So, we come to this issue with a lot of background and a lot of interest. In the last...during a three-year period, we have...we will have gone from 459 megawatts of wind in the

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

end of 2012 to at least 1,282 megawatts of wind developed in our state by the end of 2015. This is the most wind energy that we have ever developed. We've almost tripled the amount of wind we had in a three-year period. So, there's some exciting things going on. Because we have a lot of new members of the committee, I would point out that LB1115, which was a very significant effort where...that came from this committee that was passed, that was implemented, we were a part of that process and it was to do a strategic look at the wind resources of the state of Nebraska and develop some sort of plan or figure out where the markets are and what some of the sticking points are, and what some of the potential is. So we have the ingredients of some things that I think could be very useful relative to a state plan. We have been supportive of efforts in the past to develop such a plan. In defense of the plan that was developed several years ago by the Energy Office, in all fairness to them, they never had the commitment of additional financial resources to be able to do the kind of plan that I think needs to be done which is, I think, similar to something that Ken Winston talked about earlier, and Senator Schilz laid out, which is a robust stakeholder type plan where you're bringing stakeholders, you're involving the public in hearings, and you're looking at all the different energy resources. We have a lot of natural resources in our state that provide us the opportunity if we can get it harnessed and organized and going in the right direction, we can turn a lot of the challenges that we face in the days ahead into enormous economic development opportunities for our state. But when you don't have a plan, you have by default, a plan to fail. And we have not had a strategic plan, in my opinion, that's actually been coherent or developed. We have all the different players doing their own particular planning for their own needs as they should, but in terms of the state of Nebraska's plan, we've been making the case for some number of years that as we look at the folks in the neighborhood who are well ahead of us in the export of wind resources, for example, especially in Senator Schilz's neighborhood, his neighbors off to the west, by golly, they've got a plan and they're implementing the plan and it's working. They're moving forward. And so, we have the third best wind resources in the country. We have a lot of interest. We have a lot of support. We have a lot of potential, but we're not going to get it harnessed, in my opinion, until we do this kind of effort. And we are glad to work with the Nebraska Energy Office as we have for well over 20 years on energy issues to help them and I would also say that if we're going to do the kind of robust plan that we need to do, we need to spend some money. And I think that has been lacking in the past and my ballpark estimate is that you need somewhere in the neighborhood of \$300,000 to \$500,000 to be able to get to at least a base of the things that we want to get accomplished by the end of the year. And with that, I see the red light has hit me. [LB583]

SENATOR FRIESEN: Thank you, Mr. Hansen. Any questions? Senator McCollister. [LB583]

SENATOR MCCOLLISTER: Yeah, thank you, Senator. You speak of a robust plan. Mr. Hansen, can you tell me what a robust plan would do? [LB583]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

JOHN HANSEN: Well, I think it's a really good adjective and as an English major, I like robust as an adjective. (Laughter) It beats the pants off of puny. My idea of a robust plan is one that actually has the expertise and the stakeholders involved engaged. So, we've got a lot of expertise already from a lot of different players and so if you're just sitting in your office and writing a report, that's far different than if you actually talk to the folks who have the expertise and say, what do you think the potential is here, and what do you think the opportunities are? And so that means involving the Nebraska Department of Economic Development. That means bringing in more stakeholders and harnessing them in a more aggressive way than just simply trying to respond to the givens, as you know them. [LB583]

SENATOR McCOLLISTER: Would a robust plan be a repository for information or best practices or something more? [LB583]

JOHN HANSEN: I guess initially, as I look at what some of the other states have done, they have a lot better understanding of what their resources are and what their potential is and they've gone forward with the development of actual real efforts in order to be able to implement a plan in order to be able to take concept to reality. And so, they're not just saying, okay, here's the potential, here's the sticking points, here's how we're going to overcome those sticking points. So in the case of, for example, Wyoming with wind, and one of the folks from Wyoming was a presenter at our last wind conference, for example. And he went through more of the details and the particulars of what the state of Wyoming had done in order to be able to get past transmission issues, for example, and be able to access markets farther away from home where you have more people and, you know, to be able to bring their wind resources to market. So they were...they knew what their plan was and that is one of the things that struck me in my conversations with my counterparts in other states is you can sure tell the difference between the folks who have a state plan and know what it is and kind of know what their state is working on as opposed to those that don't. And so, for me, I would like to see our state get to the point where some of our surrounding states are so that we're not left just watching others do stuff. [LB583]

SENATOR McCOLLISTER: So do you have a state that you would think Nebraska should model? [LB583]

JOHN HANSEN: And I don't know whether Wyoming...and I'm not familiar with all of their energy stuff, but their wind stuff that we did hear what they've done there, it was pretty practical and detailed and was being implemented and it's working for them. So, I know that there's several other states that are working on energy plans, but I don't have a state in mind that has a comprehensive energy plan. [LB583]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

SENATOR McCOLLISTER: In Wyoming, did the state actually spend some money of their own to...did they marshal the investments in particular forms of energy? [LB583]

JOHN HANSEN: I don't remember that part of the presentation on...I don't remember how much money they spent. I know they've spent money, but I don't remember where they got it. I don't know whether it was part of their coal revenues or where they got it. So I hate to answer and be inaccurate. [LB583]

SENATOR McCOLLISTER: Okay. Thank you, Mr. Hansen. [LB583]

SENATOR FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you very much. [LB583]

JOHN HANSEN: Thank you and good luck. [LB583]

SENATOR FRIESEN: Any other proponents wish to come forward? [LB583]

DOUG GRANDT: Hello again, Senator Schilz and committee. My name is Douglas Grandt. D-o-u-g-l-a-s...actually Doug, D-o-u-g, Grandt, G-r-a-n-d-t. The last time I was here, last week I mentioned that I worked...I was a petroleum engineer and also had some other tasks in my career. Later, I spent a couple of years as a petroleum engineer and then I became a corporate planner for a major steamship company. It was about a \$1 billion gross revenue per year company. So, I'm going to talk a little bit about what I learned while I was doing corporate planning. I was in that business for about 20 years, so that's pretty much what I know best. And it relates to this plan and I really appreciate Senator Schilz bringing forth this plan. I'll use an adjective dynamic and I'll also use static. Plans are usually static because you make the plan and then you measure the dynamic real world environment versus that static plan, so the plan is made to be a measure for how you're performing. And we had a very innovative measuring program, planning and measuring program. We would make the plan for a year and then we would measure every four weeks because the ships would call every port every week or every other week. So, every four weeks we had a certain number of ship calls around the world. This is in the Pacific, from Japan to Singapore, and then the West Coast. The forecast...the plan was based on a forecast, but the forecast is never absolutely right. It's somebody's guess. So what we did was we measured against a high and a low possibility and we looked at the probability that if we...if we bought containers for a certain forecast and missed it by some reality that was higher or lower, there was a cost associated with that. So we looked at the sensitivity of the number of containers that we purchased. We had 30,000 containers worth \$150 million. That was a cost of about \$200,000 a day. So if we made a mistake on the high side or low side, there was a cost to that. So what I'm suggesting in this plan is that we put into the plan the assumptions as to what

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

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we're basing the plan on in terms of rates per kilowatt hour or usage or whatever is the assumption. And then as we go through the year, we measure against that, or through the...maybe through more years, of multitude years we measure against that. So, the equipment was based on the market forecast, there is a significant risk to being wrong, and the idea of looking at the range of possibilities is the science of management, management science. You calculate the numbers based on some algorithm or some calculation. The art of management is management looks at the possibility that we want. Do we want to be on the high side or the low side? So that's the job of the people that are making the call as to what is the actual plan. So, all of that is just background for what I'm going to suggest. I'm going to suggest that we add a provision to document the assumptions regarding the State Energy Plan's estimated base case cost over time to generate power for different types of generating technology. And the second is that we add a provision to evaluate the impact of the range of costs over and below the estimated base case in order to evaluate the sensitivity of the State Energy Plan's viability in the event that the estimated base case costs do not track the future reality of generating power. That was a mouthful, but I know it's on the record and you can go back and read it later. But if you'd like me to explain that now, I certainly would like to accommodate you. Thank you very much. [LB583]

SENATOR FRIESEN: Thank you, Mr. Grandt. Questions from the committee? Senator McCollister. [LB583]

SENATOR McCOLLISTER: Thank you, sir. Thank you, Mr. Grandt. You used the term "static" and "dynamic" and you came out of the energy business. How would you characterize the energy business in general, static or dynamic? [LB583]

DOUG GRANDT: Right now, it's dynamic because the prices are going down and everybody is scrambling to figure out what they're going to do. Typically, when I was in...I worked for Exxon in 1970 for '72. It was static. It was \$3 for a barrel of oil and the wells pumped and they pumped oil and water and you separated the oil-water, you sold it and at some point it became uneconomical to produce any more because you had too much water. That was why I left. They gave me a field that was mostly water. It wasn't very fun. I didn't want to do that. So it's...right now, it's very dynamic because the prices are falling. [LB583]

SENATOR McCOLLISTER: What was the price of crude oil in 2007? [LB583]

DOUG GRANDT: 2007? [LB583]

SENATOR McCOLLISTER: Yep. [LB583]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

DOUG GRANDT: About a hundred and fifty bucks. [LB583]

SENATOR McCOLLISTER: What's the price of crude oil now? [LB583]

DOUG GRANDT: About fifty bucks. [LB583]

SENATOR McCOLLISTER: That's fairly dynamic, would you say? [LB583]

DOUG GRANDT: Yes, very dynamic. [LB583]

SENATOR McCOLLISTER: As a planner, how do you plan for that kind of...those kinds of changes? Isn't that fairly difficult to incorporate changes of that magnitude into a plan? [LB583]

DOUG GRANDT: You can look at the range...the worst case and the best case, or the high and low, depending on how you want to call it. And then it's a judgment call. Which way do you want to err? Do you want to err on the low side or err on the high side? Now Rex Tillerson at Exxon has a tough job. He's looking at closing down...not opening up wells in Columbia. I read it this morning. They're not going to produce shale in Columbia because the price is too low. There are companies going out of business in the Bakken, up in North Dakota. The number of drilling rigs have been pulled back some, I don't know, 10, 20 percent. Who knows where it's going to go? It's very dynamic. All they're doing is retrenching right now. Halliburton is laying off thousands of people. So, it's very difficult for an oil company. And usually what they do is what any company does is cut costs, cut their fixed costs. In this, what we're talking about here where they have the price of natural gas, which again there's a glut of natural gas so the price is really low, versus what's going to happen if they start exporting that offshore and the price comes back up again. That doesn't give you any kind of stability when you're trying to plan, so. My point is that the plan should at least be based on...the assumptions that the plan is based on should be defined and then as things change, you can measure against that as those prices change. [LB583]

SENATOR McCOLLISTER: Thank you very much. [LB583]

SENATOR FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you, Mr. Grandt. [LB583]

DOUG GRANDT: Thank you very much. Oh, by the way, I represent myself. [LB583]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

---

SENATOR McCOLLISTER: Okay, not Exxon. [LB583]

SENATOR FRIESEN: Are there any other proponents which wish to come forward? [LB583]

ERIC JOHNSON: Chairman Schilz and members of the committee, my name is Eric Johnson, E-r-i-c J-o-h-n-s-o-n. I am here as owner of Sandhills Wind Energy as well as on behalf of the Cherry County Wind Energy Association. Just some brief background. Sandhills Wind Energy is a four-year-old Nebraska-based company located in Valentine and Omaha. Our primary focus is on renewable energy development and project financing in the Midwest. Cherry County Wind Energy Association is obviously based in Cherry County. It's a large landowner group comprising roughly 75 landowners and 500,000 acres committed for wind energy development for instate or export. I appreciate the opportunity to be before the committee today and appreciate Senator Schilz introducing LB583 and I am here in support of LB583 because planning for our state's energy future is fundamentally good business. And the energy industry landscape has likely changed more in the last five years than in the previous 75 years, and it seems to be changing more rapidly all the time. These changes are largely due to the increasing competitiveness of renewable energy and the increasing availability and utilization of regional transmission systems, such as the Southwest Power Pool. These changes create great opportunities for economic development, economic growth, and property tax relief. These opportunities exist both in the development of renewable energy facilities for export or for instate use. In addition, the refinement and careful consideration of how we use our existing resources today. Our neighboring states are way ahead of us in renewable energy development as well as in comprehensive energy planning. LB583 is critically important for both economic development and maximizing opportunities to grow our property tax base in Nebraska and to engage in 21st century thinking and planning regarding our critically important energy industry. If we do not plan carefully and act decisively, we may soon find ourselves surrounded by neighboring states who have taken advantage of the opportunities to benefit their states, not ours. A comprehensive plan like LB583 proposes a great start toward bringing all parties together to collectively work in advancing our state's energy future not just for today's ratepayers, but for ratepayers 50 years from now. I thank you and will take any questions. [LB583]

SENATOR FRIESEN: Thank you, Mr. Johnson. Any questions from the committee? Seeing none, just one question on wind energy right now. If the current federal tax incentives were to expire, would wind energy keep developing as it is? [LB583]

ERIC JOHNSON: Yes. I think there will be a general hiccup in the industry as anything, but as cost of development has come down drastically in the last five years for wind energy and even solar, they're definitely not dependent on the federal tax credits, but certainly from a competitive

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

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nature at the state level they're...most surrounding states have state level tax credits as well. That comparatively make them more competitive in the marketplace than Nebraska. [LB583]

SENATOR FRIESEN: Okay. Thank you. Any other questions? Thank you, Mr. Johnson. [LB583]

ERIC JOHNSON: Thank you. [LB583]

SENATOR FRIESEN: Any other proponents wish to come forward? [LB583]

DAVID LEVY: Good afternoon, members of the committee. David Levy, D-a-v-i-d L-e-v-y, Baird Holm law firm, registered lobbyist for Geronimo Energy and here today on their behalf. Geronimo is a developer of wind and solar energy projects across the upper Midwest. In Nebraska, Geronimo has five wind projects in various phases of development, including a 400 megawatt project in Holt County which should be under construction soon. And Geronimo anticipates expanding its Nebraska portfolio by adding three more wind farms and several solar sites over the next year or so. Geronimo supports LB583 because it believes the comprehensive planning LB583 proposes is important for the electric industry as a whole in Nebraska. Geronimo also believes the work LB583 envisions will result in further exposition of the opportunities for additional renewable energy development in Nebraska, both for domestic consumption and for export, and of the economic development and property tax benefits of those renewable energy facilities. As you've heard, and as has been discussed, the electric industry right now is incredibly dynamic. Planning is critical to ensure Nebraska rides the wave of those changes and the new opportunities they bring rather than watching our neighbors do so around us. LB583 certainly, though, is not just about renewable energy and that too is an important feature of the bill. Senator Smith had a bill before you, of course, last week, LB469, which focused on the state's response to new EPA rules on carbon emissions. And I testified in support of that bill on behalf of one of our wind energy developer clients because it also provides a necessary and important function. But as was discussed, LB583 encompasses that and much more. I think the bill itself says it very well. To quote from the bill: Comprehensive planning enables the state to address its energy needs, challenges, and opportunities and to capture the economic benefits of energy production and technological innovation. With that, I'd be happy to take any questions. [LB583]

SENATOR FRIESEN: Thank you, Mr. Levy. Any questions from the committee? Seeing none, thank you, Mr. Levy. [LB583]

DAVID LEVY: Thank you. [LB583]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

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SENATOR FRIESEN: Any other proponents? [LB583]

RICHARD LOMBARDI: (Exhibit 1) Good afternoon, members of the committee. My name is Richard Lombardi, L-o-m-b-a-r-d-i. I'm appearing today on behalf of the Wind Coalition. The Wind Coalition is a trade association of wind developing companies as well as manufacturers like General Electric and Vestas. There's about 28 different organizations that primarily operate out of the buckle of the wind corridors in the United States. We...our organization pretty well follows the footprint of the Southwest Power Pool which is the regional transmission organization that Nebraska is affiliated with. And I guess the long and the short of our statement is that, I think from a collective standpoint, is that in our working in multiple states, when states undergo a planning process such as this one, that this is good for our business, to be very frank and my economic self-interest of this. I have passed around to you a guide here that seems to track very closely with Senator Schilz's career here and this committee. This committee is the epicenter of one of the most phenomenal growths of renewable energy that we've seen. And I want to take out in this sheet here...if you take a look at this and look at the track of the Legislature, if there's any question that policy is powerful, this graph should show you what this means. I have correlated since 2007, 2009, different pieces of legislation that have passed here and you'll see the corresponding increases in the amounts of energy generated out of wind, as well as if you go over to the second page, it will show the increased investment. When we started this seven or eight years ago, this committee started seriously addressing this issue. Nebraska, although it's third...ranked third as a wind resource, it also ranked 28th in development. And there's certain people in this room that reminded me that when you started to look at ethanol development, Senator Friesen, in the early 2000's, we were at a similar position, and we are at number two today. And I believe that we are in a trajectory that is going to follow that. But because of this growth, we are at a very unique time in the history of this state for planning purposes as to...our major utilities in the state have made significant investments well beyond, well beyond any type of renewable portfolio standards that other states may have. That we like so many products in the state need to take a serious look at export and how do we take advantage of not only a unique transportation centrally located, but we're also on the edge of three regional transmission organizations. We need to get a level of sophistication as to what are market opportunities there, this is the logical extension. This planning process is the logical extension that comes from the study that just...that we just finished and I think you're going to get a briefing on on the 19th. So this is a logical connection. I've also just wanted to share with you that this actually is from the Energy Office to show you where the wind energy generation facilities are currently operating in the state and then I have two infographics that we've used from past years to advocate to show you what happens when wind comes to town and how the money flows in it. So, these are just supportive statements. The other I have is the latest. Our firm has been working in this area, one way or another, for the last 30 years. The polling on this...this is one of these unique issues that you're going to have down here that actually unites Nebraskans. And this is a latest poll. Don't be scared away because it says Winston Group on it.

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Natural Resources Committee  
February 11, 2015

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This is a...this is actually probably the most famous person that uses the Winston Group is Speaker Boehner. So, this is Speaker Boehner's pollster about attitudes in Nebraska and when you have time, I want you to take a look at it, because again, this is an issue that unites. Finally, I'd like to say to the committee that the 28 different companies that we work with have an immense amount of expertise, are very excited about that Nebraska is...has seen this type of growth, but also would...that I think that this study we could leverage the technical expertise in any particular area and energy generation that we could...that they would be more than happy to come up and assign staff to assist in any particular study. So, we are very strong supporters of this and I thank you for your time. [LB583]

SENATOR FRIESEN: Thank you, Mr. Lombardi. Any questions from the committee? Seeing none, thank you very much. [LB583]

RICHARD LOMBARDI: Thank you. [LB583]

SENATOR FRIESEN: Any other proponents wish to come forward? [LB583]

JOHNATHAN HLADIK: (Exhibit 2) Good afternoon, Vice Chairman, members of the committee. My name is Johnathan Hladik, that's J-o-h-n-a-t-h-a-n H-l-a-d-i-k, and I am testifying on behalf of the Center for Rural Affairs. Generally speaking, we agree that proactively addressing energy needs, opportunities, and challenges is essential to remaining competitive in the regional economy. This is especially true in light of the carbon pollution limits proposed in the Environmental Protection Agency's Clean Power Plan that we discussed earlier today. In addition to requiring 26 percent reduction of carbon dioxide emissions by 2030, these rules provide unprecedented opportunity for a growing clean energy sector. I wanted to start out with a few general comments which most of us are familiar with already but bear repeating. It's our opinion that a creation of a comprehensive energy plan will enable Nebraska to better take advantage of the considerable rural economic development potential associated with renewable energy. Clean energy investment is already driving economic growth and creating opportunity in small towns across the state. According to the Bureau of Labor Statistics this has led to the creation of over 22,000 jobs in the renewable power industries, energy efficiency, and conservation services. Salaries for these jobs often greatly exceed the median income of the county. The Nebraska Energy Office and the American Wind Energy Association both show that our nascent wind energy industry has alone spurred over \$1 billion in investments to bring projects on-line. Much of this has resulted in payments to local landowners where each year more than 2.4 million is paid in the form of lease payments to farmers and ranchers. And that's important to us at the Center. For example, the new Prairie Breeze Wind Energy Center illustrates the impact renewable energy can have on rural Nebraska. This 200 megawatt project covers parts of Antelope, Boone, and Madison Counties and each year it delivers more than \$3

Natural Resources Committee  
February 11, 2015

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million in tax revenue, landowner payments, and staff salaries to local communities. After creating 230 jobs during construction, there are 14 full-time operations and maintenance workers employed year-round. And in addition to that economic opportunity close to home, clean energy investment also helps keep rates affordable. The cost of solar installations has fallen by nearly 40 percent since 2010. Department of Energy statistics show wind energy prices have fallen by 50 percent during the same time. And according to numbers provided by the Southwest Power Pool, this has saved consumers in Nebraska and surrounding states more than \$1.2 billion in 2013 alone. And now on to some specific comments on the proposed legislation. We agree with the short-term and long-term objectives included. We are, however, concerned that certain omissions may compromise the ability of the State Energy Office and others to meet those objectives. It's our recommendation that the list of mandatory requirements found in Section 1(5) be expanded. At a minimum we feel this needs to include a detailed examination of the Southwest Power Pool's newly launched integrated marketplace. By shedding new light on capacity and reserve requirements, this development has the potential to dramatically alter the way we view energy production and consumption in the state. We feel state funds should be committed to ensure Nebraska is in position to use this new tool to our advantage. As others have said before me, there are a positive amount of attention being paid to transmission infrastructure in our state right now. And I think the new development of the integrated marketplace creates an impetus to study this further and for us to look at how this will affect us. As proposed, this legislation is missing a second critical component which is the opportunity for communities, ratepayers, and concerned stakeholders to become meaningful participants, as others have pointed out before me. As citizens of the nation's only public power state, we feel the creation of a state energy plan must allow interested parties the option to receive full information and share in the decision-making process. It's our recommendation that Section 2 include a requirement that the State Energy Office hold public meetings in order to periodically inform the public of their progress and convene a citizen task force or working group, as others have mentioned, led by businesses, NGO, and community leaders to provide oversight as this plan is being developed. And I'll quickly point out, the Center for Rural Affairs is active in multiple states as they look for ways to create a state implementation plan for the Clean Power Plan. And in most of these states, the Department of Environmental Quality or the Department of Air Quality or the Department of Natural Resources is already convening a citizen task force and working groups in which they're inviting members of the public to sit at the table and have these conversations. Here in our state that conversation has moved forward, if at all, with utilities only. And I think that's a shortfall and I think we can do a lot better than that. And I would like to use this bill as a vehicle to get there. And with that, I'll accept any questions. [LB583]

SENATOR FRIESEN: Thank you, Mr. Hladik. Any questions from the committee? Seeing none, thank you very much for testifying. Any other proponents? [LB583]

Natural Resources Committee  
February 11, 2015

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WAYNE POHLMANN: (Exhibit 3) Good afternoon, members of the Natural Resources Committee. My name is Wayne Pohlmann, W-a-y-n-e P-o-h-l-m-a-n-n from Deshler, Nebraska. I'm here today in support of LB583 that would do a comprehensive study of Nebraska's energy policy. I would like to thank you for the opportunity to offer my opinion today regarding choice for energy providers in the state of Nebraska. I would suggest that allowing consumers to choose their electricity providers should be a part of this energy study. I am aware and appreciate the fact that Nebraska has a long and rich tradition of public utilities. Without commitment, we probably wouldn't have enjoyed the infrastructure we have today. Public utilities have brought electricity to the vast, less populous areas of the state when it may not have been feasible for a private company to achieve, and I'm grateful to the individuals who had that foresight to establish them. As a farmer and livestock operator in south central Nebraska, I can also appreciate that lack of competition is not a good thing. I prefer choice and more than one option. I do not sell my grain to one customer, at least not without checking my price options, nor do I sell my cattle without taking them to a sale barn where multiple potential buyers are at the ring to bid on them. I make my planting and crop input decisions based upon which product can give me the most bang for my buck. And I also want to know what my opportunity cost is if I choose a different option. Right now, when it comes to purchasing my electricity for my house, my farm, or my irrigation wells, I only have one choice. Yes, I can use natural gas or diesel for my power units if they are a better bargain than electricity, but if I want electricity, I don't have any options but to buy it from the utility entity that services my location, even if my neighbor across the road might have a different price because he is with a different utility. With natural gas, I can buy it from any company that wants to bid or extend me an offer to sell the designated therms of natural gas and pay the owner of the pipeline the distribution charge which allows me to know exactly what I'm paying for. Granted, many times the prices are quite similar between the companies bidding, but it does give me the choice and a voice of who I purchase it from and how. I get the fact that electrical lines might be quite different to handle than buried underground gas lines, as they are far more vulnerable to storms and have a higher upkeep to them. However, there is no doubt that the public utilities know, or should know, what their cost of maintenance is per mile of line and should be able to factor that price for future improvements. Why then couldn't we apply the logic to electricity utilities as we have with natural gas utilities? They are extremely similar in nature in the fact that really only one entity can effectively supply the mechanism to deliver the product, but that shouldn't limit who can sell the product through their delivery systems. Most, if not all, the grids are somewhat connected to allow an energy to be bought and sold in all areas of the country and as one kilowatt is produced from within the grid, it can be readily available anywhere. So why not be able to purchase that kilowatt from whoever the least cost producer is and pay a distribution charge to the owner and the maintainer of the electrical line? I have included in my handout a sample of an electric bill from outside of Nebraska where the cost of generating the electricity, transmitting and distributing that electricity are all unbundled so that the consumer can see where the costs are that make up the total electric bill. It seems to me that if power entities in other states can provide that kind of detailed

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Natural Resources Committee  
February 11, 2015

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information to the consumers, then our citizen-owned public power should be able to do the same thing for its ratepayers. I would like to know what costs went up so much to cause our recent rate increases over the past six years. Allowing multiple players to the table would encourage competition and ultimately keep prices transparent and competitive. If current public power utilities are the most cost efficient, then they shouldn't lose one dollar of business and the consumer will be happy for the transparency. Bottom line, I don't care what form my electricity is produced as long as everything has an equal playing field. If coal and nuclear are the cheapest, great. If it's wind or solar, great. If it's hydro or natural gas, so be it. One key factor for me is that everything should be treated equal and let the efficiencies determine its own fate. In conclusion, I would like you to consider these points in your study and would suggest that electricity choice could be monitored by the Public Service Commission through their normal oversight. Thank you. [LB583]

SENATOR FRIESEN: Thank you, Mr. Pohlmann. Any questions from the committee? Seeing none, thank you for your testimony. [LB583]

WAYNE POHLMANN: Thanks. [LB583]

SENATOR FRIESEN: Any other proponents wish to come forward? [LB583]

LORAN SCHMIT: (Exhibit 4) Good afternoon, Mr. Chairman, members of the Natural Resources Committee. My name is Loran Schmit, L-o-r-a-n S-c-h-m-i-t. It's kind of interesting to hear the people testify in support of this bill this afternoon and after having listened to a large number of proponents, I'm still a little bit at a loss as to understand why we have not seen more people from the really unique business sector, and the ag sector coming forward and testifying in support of this bill, Senator Schilz. I believe the bill is long overdue and one which will be of great value to the alternative energy systems in this state. The Nebraska Legislature has a long history of participation in the development of alternative energy. The development of public power in Nebraska was not without a lot of blood on the floor before it became reality. There are not very many people who remember the origination of public power in Nebraska. I suspect that the reason why it never spread to other states was that the people who owned and operated the systems in other states knew that if it were to spread to other states they would lose their lucrative form of income. And so the opposition to that sort of activity was immediate and widespread. Here in Nebraska we've had a long history of participation. There have been some ups and down, but in general we have benefitted from the development of public power. As the cost of energy has escalated over the last 75 years, it is inevitable that the Nebraska Legislature becomes involved in the support of development of additional sources of alternative lower cost energy. In 1971, several years prior to the announcement of the oil industry that this nation faced an imminent shortage of oil, the Nebraska Legislature recognized that the lead contained in

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Transcriber's Office

Natural Resources Committee  
February 11, 2015

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gasoline was a serious hazard to human health. At that time, they created the Nebraska Ethanol Board whose role and mission was to determine if ethanol could be used to replace the lead in gasoline as a safer additive to enhance the octane in gasoline. There was widespread criticism of the Nebraska Legislature at that time, principally coming from the oil industry who testified and I quote "everyone knows you must have lead in gasoline." You have to help lubricate the valves with the lead in gasoline and anyone who proposes otherwise does not understand the chemistry behind the ethanol or the gasoline industry. It's kind of interesting that it took the Nebraska Legislature only a few years to become very active in this area, but it was also interesting that it took much longer for the federal government to recognize what the Nebraska Legislature recognized in '71, and that is that lead was a danger to human health. To me that was the most viable reason for the development of the ethanol industry because human health is still a major factor and the oil industry today does not acknowledge that they still use carcinogens in their product and that is not necessary if they wanted to use a greater amount of ethanol. Today 10 percent of the liquid fuels in the United States is ethanol and the Nebraska Legislature, the Nebraska members of Congress, and the Nebraska Governors were leaders in encouraging the utilization of ethanol as a motor fuel. Because of our dependence on foreign oil, this country developed an increase in the use of coal for the generation of electricity. We were told that we were fortunate to have a 500-year supply of coal in Wyoming which was reliable and low cost. The use of coal to generate electricity was widely encouraged. The railroads were encouraged to improve their infrastructure to move millions of tons of coal from the fields of Wyoming to the generating plants throughout the United States. Railroads did expand their facilities and demonstrated their ability to supply that coal. Suddenly, members of Congress have insisted that the use of coal be limited for environmental reasons and the discovery of large amounts of oil in North Dakota necessitated the expansion of rail facilities in that area. I'm not a big defender of the railroads, but you can understand that after having developed billions of dollars in infrastructure to bring coal from the Wyoming oil fields, all of a sudden we're told, we don't need it anymore, we're going to deal to another source. I'll terminate my testimony very quickly because as the federal government shifted from coal to oil and now to primarily natural gas, there's been a major change in the utilization of those fuels. The state of Nebraska can benefit substantially if we had a very good plan, not to plan for two years or five years, but fifty years down the road. And I suspect that fifty years from now we'll have sources of energy that we're not using today. Appreciate the works of the committee, appreciate the bill, and ask you to support the bill and move it to General File. Thank you very much. [LB583]

SENATOR FRIESEN: Thank you, Mr. Schmit. Any questions from the committee? Seeing none, thank you very much. [LB583]

LORAN SCHMIT: I notice as the afternoon progresses, the questions become fewer. (Laughter) So, no accident, I go last. [LB583]

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Transcriber's Office

Natural Resources Committee  
February 11, 2015

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SENATOR FRIESEN: (Exhibits 5 and 6) Are there any other proponents who wish to come forward? Now we do have a letter in support from Mark Shults from Northeast Nebraska Public Power District, and Don Zebolsky from Omaha. Are there any opponents who wish to come forward? Seeing none, are there anyone that wants to testify in the neutral capacity? [LB583]

DAVID BRACHT: (Exhibit 7) Good afternoon, Chairman Schilz and members of the Natural Resources Committee. My name is David Bracht, that's spelled D-a-v-i-d B-r-a-c-h-t. I am director of the Nebraska Energy Office and I appear before you today to testify in a neutral position for LB583. LB583 would require the Energy Office to develop an integrated state energy plan to help set the course for the future development of Nebraska's diverse energy resources and to meet the needs of our citizens and businesses. Certainly, establishment of a forward looking plan is a good businesses-like approach to assure that we're preparing for the future. Governor Ricketts and I have discussed the need for an energy plan as well. He has said that we will work on the energy plan for the state and LB583 certainly aligns with his expectations of the Energy Office, although I must admit, at perhaps an accelerated rate. As Chairman Schilz made clear in his opening, LB583 recognizes Nebraska's diverse energy resources and uses, and it calls for a plan that will cover those resources and uses, as well as address the obstacles in utilizing the state's resources for expanded access and export. Finally, the plan would require an ongoing mechanism to measure the plan's progress. Nebraska's diverse energy resources and the broad needs of the state make it appropriate to include the wide range of information and the detailed analysis contemplated in LB583. However, it is also ambitious in the terms of the range of resources covered and the amount of time allowed to develop the plan. Frankly, it will be difficult to implement the intent of this bill with the current staff and resources of the Energy Office. Since becoming director, I've become aware that the agency's current state and federal funds and staff are fully obligated to the existing programs and cannot be shifted to cover the costs related to LB583 in the time frame contemplated by the bill. Although the Energy Office would work with stakeholder groups, other state agencies and university departments, I believe a third-party contractor would likely need to be retained to develop the plan due to the wide expertise and experience required. As I was appointed director only at the beginning of January, I did not have a great deal of time to research the potential cost to develop a state energy plan in Nebraska. Therefore, the Energy Office consulted the staff at the National Association of State Energy Officials and the Missouri Energy Office on the cost of developing state energy plans. Recently, the Missouri Energy Office issued a request for proposals in connection with planning for the Missouri energy plan. In response to the RFP, Missouri received bids ranging from \$285,000 to a high of \$1.2 million. The range identified in the fiscal note that we submitted is based on this estimate and also the need to add an additional staff person to continue the ongoing activities called for under the bill. As director of the Energy Office, I look forward to working with the Legislature on LB583 to address the concerns I've raised today and to ensure the agency can develop a state energy plan that addresses the needs of our citizens and

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Transcriber's Office

Natural Resources Committee  
February 11, 2015

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businesses. This concludes my testimony and I'll gladly answer any questions you may have. [LB583]

SENATOR FRIESEN: Thank you, Mr. Bracht. Any questions from the committee? Senator Schnoor. [LB583]

SENATOR SCHNOOR: Sir, you stated that you have been the director since January 1, or January basically? [LB583]

DAVID BRACHT: Basically, January. [LB583]

SENATOR SCHNOOR: So, basically January, you've been here a month. [LB583]

DAVID BRACHT: Just...not quite. A little over, I guess. [LB583]

SENATOR SCHNOOR: Like the rest of most of us. (Laughter) [LB583]

DAVID BRACHT: That's right. [LB583]

SENATOR SCHNOOR: Okay. I guess my question is, you know, I asked Senator Schilz earlier if there's any plans in place and I found out that there is an energy plan dated in 2011. Now, can this plan simply be updated? [LB583]

DAVID BRACHT: I would say that the...what's contemplated in the bill, LB583 as proposed, is quite a little bit more broad than that and addresses more energy sectors and looks to the development...having it based on quite a little bit more information than I believe that plan was probably, you know, prepared from. [LB583]

SENATOR SCHNOOR: Okay. Now, I haven't looked at this and I don't know how familiar you are since you, like us, have only been here a month. And I don't know if this...now granted, this thing, this is four to five years old already, so it in that aspect alone, it's out of date, but I don't know how much this meets these requirements here at all. [LB583]

DAVID BRACHT: I would say it's a fairly summary and probably an aspirational one, a couple of...on a select group of points and I would not call it either comprehensive or integrated. It was a sound plan. I don't want to take away from it, but I think that what I take from the intent of LB583, the intent would be to go further than that plan. Now, I would say, too, and it has been

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Transcriber's Office

Natural Resources Committee  
February 11, 2015

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brought up both in the testimony here at least...well, actually for the prior bill, that there are in different sectors a significant amount of planning and reporting that's done. And so, there is a great deal of information out there, perhaps, however, not brought together in any form of a strategic plan as someone had mentioned earlier. [LB583]

SENATOR SCHNOOR: Okay, and then as the new director, are you going to be doing strategic...I'm assuming you're going to be doing strategic planning anyway that may fit in some of these areas that are...the legislation is calling for. [LB583]

DAVID BRACHT: Certainly, even on coming into the office before LB583 was introduced, the governor and I had talked about the necessity for and how it would be a good thing for the state to look at its energy resources both from an economic development standpoint and how it affects our citizens. So, yes, we were going to do some strategic planning. This is broader, probably a more accelerated time frame. That's not to say that shouldn't be done, it's just the amount of resources we were looking at at the time. So, to answer you question, yes, we will be doing strategic planning and I think that much of what's in LB583 would align with that and help to inform, from the Legislature's standpoint, how we should proceed with it. [LB583]

SENATOR SCHNOOR: So then, I guess, I think you've kind of answered my question but then can that...can we assume that some of these requirements are...you will already be taking care of without a mandate and without this cost? [LB583]

DAVID BRACHT: I would say yes that we will be doing it. Again, the cost comes down to the resources that we have to apply and the expertise, how you go about accomplishing that. So, you know, as with most things, there's time and resources and objective and all of those impact each other. And so, if we have a very complex and detailed plan, which this would call for and is probably appropriate, I would say, in a very short amount of time that impacts the resources that are necessary. In the absence of resources, staff, and expertise that we might want to bring in with third-party consultants, then what we would be doing is facing with current staff, frankly, probably me and at some point we'll be adding a deputy director, working primarily with stakeholder groups relying on what's already been done to try and bring it together. So, again, I think it's up to the pleasure of the Legislature and over time the work within the Governor's budget as to the amount of resources we can apply. Fewer resources means it takes longer and we have to make do with what we already have. [LB583]

SENATOR SCHNOOR: Understand. I guess I'm just looking at ways that, you know, the fiscal note with this is pretty hefty, you know, quarter million dollars up to \$1.2 million. If there's some way that if some of this is already going to be taken care of within your agency, under your direction, then maybe we can avoid some of this. [LB583]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

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DAVID BRACHT: Sure. And just to be clear, I think that right now and as I stated in my testimony, the...and have had prior discussions with, you know, the various committee members, the Energy Office today and since its inception has been funded by a relatively small amount of state funds, something less than \$300,000 a year is what our budget, and that's allocated from the severance...Oil Severance Fund. The remainder of, and from a staff standpoint, the administrative costs of our staff are actually funded by the administrative fees related to the federal grant programs that we administer and the state's revolving loan program. And because of that, then, the activities of the those staff appropriately are dedicated towards those programs. So, I can't be taking money and the federal government wouldn't allow me under our grant program, to take funds or staff that are being paid for under that federal program and redirect it to a different area. And so, that's very much where, you know, from a flexibility, the ability to do it without any additional resources will have an impact on the detail and the timeline that we're able to accomplish the plan. That's not to say that we won't do...you know, it may be Dave Bracht spending nights and weekends coming together with a plan, but that's, you know, that's the direction and is a little bit why we presented the fiscal note in the form of a range to give the committee members an opportunity to sort of, you know, what's a real world. This is what the...what was presented in a different state, perhaps, and to give a frame of what that kind of cost would be. [LB583]

SENATOR SCHNOOR: Okay. And lastly, I would just like to thank you for coming to testify. It's always good to see the top dog come in here and pass on the information. It's always very helpful. Thank you. [LB583]

DAVID BRACHT: Well, thank you, I'll... [LB583]

SENATOR FRIESEN: Thank you, Senator Schnoor. Senator McCollister. [LB583]

SENATOR MCCOLLISTER: Thank you, Senator. Is there a state we should model a Nebraska plan after? [LB583]

DAVID BRACHT: In the time that I've been here I haven't been able... [LB583]

SENATOR MCCOLLISTER: I understand. [LB583]

DAVID BRACHT: ...to identify. Certainly there are states I think that...but to that point, while I don't have an answer, that definitely is something I think we should do. And that is very much why when the bill was introduced and we received the request for the fiscal note, one of the first things that we did, and actually we had already been...I had been looking at, the National

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

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Association of State Energy Officials, which is essentially an organization made up of my counterparts in the 50 states and several districts, and looking at, they have some energy plan guidelines and, you know, information about where the different states are. So, it does seem to me that we can be informed by what other states do looking at both who has been successful, who is similarly situated, for instance, in population and structure of state, potential natural resources. Some things we're unique in, of course, our public power status makes us somewhat unique. That offers, frankly, opportunities in some respects. In other respects, as prior testifiers have talked about in the development of wind, there had been some challenges that took some legislation to be able to overcome. So, yes, we will look at other states and hopefully the next time you ask me that question, I have an answer with a specific state. [LB583]

SENATOR McCOLLISTER: Would it be possible to take a look at some of those plans and pass them around to the committee so we could see? [LB583]

DAVID BRACHT: Yes, and I can give you a Web site with a nice map that has links to all of them and we'd certainly be willing to do that. [LB583]

SENATOR McCOLLISTER: That would be great. Thank you very much. [LB583]

SENATOR FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Thank you, Director Bracht. Anyone else... [LB583]

DAVID BRACHT: Thank you. And just to be clear, I appreciate the top dog reference, but I'm not going to consider myself the top dog in this. (Laughter) [LB583]

SENATOR FRIESEN: Thank you. Any other testifiers in a neutral capacity? [LB583]

KEVIN WAILES: Good afternoon, Chairman Schilz and members of the committee. My name is Kevin Wailes, K-e-v-i-n W-a-i-l-e-s. I'm the administrator and CEO for the Lincoln Electric System and I'm here representing the Nebraska Power Association in a neutral position on the bill. The NPA is a voluntary association of the state's consumer-owned electric utilities representing all utilities in the state and that's municipals, public power districts, rural public power districts, public power and irrigation districts, and rural co-ops. While I'm testifying neutral on the bill, the essence of NPA's position is we do support an energy plan and we actually support either a new plan or, in fact, an upgrade, if you will, of the plan mentioned...the 2011 plan. However, we do have some comments on that. I'm going to try not to dwell on a lot of the comments that are pretty similar and, in fact, many of them to Senator Schilz's opening comments, because one of our concerns was, of course, to make sure that this energy plan looks

Natural Resources Committee  
February 11, 2015

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at all the sectors included. It's extraordinarily important to do that for a number of reasons, not the least of which is the interplay of those with the electric utility industry, which you might guess I kind of think is an important one. However, one of the concerns that I also have is if we listen to a lot of the focus that came about in the discussions today, is there was a large focus on wind. And wind is one component of this, but it certainly is only one of a significant interplay of a whole bunch of resources that's important to the state, not only for state issues but for industry issues that we're all facing. Some of the comments with respect to that further development of that, and I...it's been mentioned but I'm not so sure the interplay has been highlighted enough, is how important this large stakeholder group is. And, in fact, how long it will take to get that kind of involvement to have meaningful input to the plan. And there was a mention of how dynamic it needs to be and there's no doubt it has to be done in a plan. If you look at the planning we do right now, it's a continual process in our industry. It's not just do it once a year. Three years ago if you'd asked me if LES would have the kind of wind portfolio we do now, I would have not thought that was possible, but things change and we try to evolve with that. The...David mentioned the National Association of State Energy Offices and they actually have a publication entitled State Energy Planning Guidelines, that provides an overall outlook and guidelines as to how to approach developing state plans. Interesting thing about that is it's got a whole laundry list and I won't go through all of them, but I have picked out a few that are pretty significant and I'm kind of paraphrasing them. But one of them is recognizing the importance of reliability, security, and resiliency. Extraordinarily important for us in this day and age, there's a lot of things. We don't want to make this a security plan, but it's got to be integral to thinking about when you think about energy and what it means to the state. Cost effectiveness is extraordinarily important, but that's not only just the rate issues we talk about, it's also important when we talk about energy efficiency, demand-side management and those other tools we have to make that better. And, of course, the environmental benefits has to be there. The Clean Power Plan was mentioned, but there's a lot of challenges associated with that. And, of course, support economic growth. There's a longer list in that document than that, but those are certainly key factors that we see playing into it. The guidelines also specify and talk about a role...clear role for the Legislature in developing that. It's probably worth a review to see how they approach that, but we would encourage you to consider a broader approach. There's some discussions here about strategic planning, for example. We think that's actually a good thought when you think about the large scope of it. It would be a great thing for the Legislature or the committee itself to say, what are our strategic priorities with respect to an energy plan? What's our expectations? And then, quite honestly, give the Energy Office the ability to go meet those with respect to this broad scope of alternatives and things that are out there and give them the time to do it. That's an important issue. Finally, we'd ask that you recognize the capital intensive nature of our industry and what our customers have invested to have a very viable utility industry in the state that served us well both in cost and reliability and actually in an outstanding way. And when you look at the way the things that we're going through now, we have a lot of industry transformation. We're all meeting that on the continual basis. That will be a part of this, but if

Natural Resources Committee  
February 11, 2015

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you just look in the last few years, the transformation that has been announced by OPPD or LES or the other portions of our industry with respect to it, the key is, we're all different. We have different portfolios and it means you can't really paint us all the same way because the resources are different. So the way we get to these solutions to provide the best reliability and the best cost and meet those environmental constraints is significantly different. And environmental regulations have a large driver for us in that. They're also going to have to play into this plan to be considered. We look forward to working with the Energy Office on this and thank you for the time. [LB583]

SENATOR FRIESEN: Thank you, Mr. Wailes. Any questions from the committee? Seeing none, thank you for your testimony. [LB583]

KEVIN WAILES: Thank you. [LB583]

JILL BECKER: Good afternoon, Mr. Vice Chairman and members of the Natural Resources Committee. My name is Jill Becker, spelled J-i-l-l B-e-c-k-e-r, and I am a registered lobbyist for Black Hills Energy. I appear before you today in a neutral capacity representing the Nebraska Natural Gas Association which is comprised of NorthWestern Energy, SourceGas, and Black Hills Energy. We appreciate Senator Schilz's efforts in developing a framework for a state energy plan. We support public policy that affirms that economic stability and future growth rely on safe, reliable, affordable energy. We encourage a public policy that considers customer impact and the delivery of cost effective, reliable service for the benefit of all of our utility customers and that relies on market principles, and when appropriate uses incentives to guide behavior in business practices. We support policies that stimulate economic growth by fostering a positive business climate, minimizing customer impact of taxation and regulation and allowing for the responsible development of a diverse mix of energy resources through sound energy and environmental policy. A state energy policy should leverage our state's energy resources, ensure the safe and reliable energy delivery, enter a stewardship of the environment, encourage responsible energy usage, and prepare us for the future. As natural gas providers we look forward to participating in the development of a state energy plan. We encourage the state...the development of this plan through an open and transparent process with the opportunity for a wide diversity of stakeholders to participate. I'd be happy to answer any questions that you may have. Thank you. [LB583]

SENATOR FRIESEN: Thank you, Ms. Becker. Any questions from the committee? Seeing none, thank you very much for your testimony. [LB583]

JILL BECKER: Thank you. [LB583]

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Transcriber's Office

Natural Resources Committee  
February 11, 2015

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SENATOR FRIESEN: Any other wish to testify in the neutral capacity? Seeing none, Senator Schilz, wish to close. [LB583]

SENATOR SCHILZ: Senator Friesen and members of the committee, thank you very much for taking the time and I thank everybody that came in to testify. I think that what you saw today was a good indication of people that are interested in this. And I think it is true that you saw a lot of folks that are interested in renewables, basically wind, and I think that that's because you have a lot of people that see the potential in wind in the state of Nebraska, and I don't think that's a bad thing. I think that's a healthy thing. But I can tell you this, they understand, too, that we don't need the energy here. Senator McCollister, I was thinking about this when you were up there and you were asking about a renewable portfolio standard, right? And I was just thinking when I was there, I said, gosh, I hope we aren't thinking that small because in the state of Nebraska we have so much more potential, but that energy has to go someplace else. We don't need it here. So, but we have to think about that because as we ship energy out, that affects what our energy costs here in the state. The model that we have today, when we ship energy to other places affects the costs that we pay for energy here in the state. We have to think about that. We have to plan for that. We have to understand what that means as we go forward. We didn't think about that ten, 15 years ago. We didn't think about regional transmission organizations either 20 years ago or 15 years ago. Those have come into play as well. You talked about how much oil costs today and how much it cost before. No, you can't plan for those kind of things in a sense, but you can head yourself against that by looking at all of the alternatives, just like on my farm. Some of my wells are run on electricity, some of them are run on diesel, some of them are run on natural gas. Sooner or later they all come into line, right, but at times you get different costs on different things and we use that as a hedge. So, there are ways to do those things and those are all things that you do as you plan on how to run an operation as you do in a state. So, I think those are all the kinds of things that you need to talk about. And albeit, when I think about this stuff, it's on a much more simplified level than what we have to deal with on the power generation and stuff. As the other levels go and the other lines of energy we talk about, I think it comes down to the opportunities for economic development and what we can do. And I think also, we need to look at other technologies that may come into play that could provide us economic development opportunities moving forward as well. Let's talk also about the time frame. We understand having done things like the Water Funding Task Force and things, that these sorts of things take time. We get that. I understand that. We'll work with the Energy Office and everybody else to understand a timeline that makes sense and fits for these types of things. As for the cost of the fiscal note and we see that again, I'm not necessarily afraid of a fiscal note as long as what we're doing makes sense and as long as what we're doing gets us the product that we need. What you don't want to do is just try to cheapen something up to the point where you can get something passed. You can do that, but you want to make sure that you've got the work product you need. So, on something like this, we want to make sure that, first of all, we understand the scope of what we need to do, and second of all, that we understand how much that costs, and then third of

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
February 11, 2015

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all, we have the wherewithal to go and look for and get that money to move forward. And I'm willing to take that on and go do that. So we'll study those costs. I've had conversations with Senator Mello already on that cost. We are actively looking to find ways to discuss if there's ways to get this done for less money. It's never a good thing just go throw money at things. I understand that. And we don't want to do that, but we do need a good quality product when we're done. So, I would say that as we do with a lot of these things, it is all a work in progress and we will have time to discuss amongst the committee, and when it's right, and we will kick it out and we will see if we can't put together a work product that does what the state needs it to do. That gives the Energy Office...I think that what you've heard today, the Energy Office needs to have...needs to be looked at and needs to be given some resources to be able to do the job moving forward that they need to do because there's a lot of work that they could be doing and could be helping on that they just don't have the resources nor the manpower to do. So, I would hope that in everybody working together, that we can get this out there and get a plan put in place that actually gives the state of Nebraska the type of information we need moving forward. And with that, I would answer any questions if you've got them. [LB583]

SENATOR FRIESEN: Thank you, Senator Schilz. Something you said in your closing statement brought some thoughts to my head that since we're net exporter of power, we're a surplus power state, does your plan anywhere address whether or not we need to look at it in a regional fashion? Because if we already have a surplus power here but other states are working towards the same goal, and suddenly we all have a surplus power, we're on a collision course to some trouble economically. So, I'm curious if it's mentioned in there if we look on it as a regional, include that into our study a little bit? [LB583]

SENATOR SCHILZ: Oh, I don't think there's any doubt about that. I mean, we're already a part of the Southwest Power Pool. There's other regional organizations that are out there that are...that do exactly that. So there is no doubt that part of that plan has to look regionally, has to look across the whole entire U.S. And part of what we'll see on the 19th from the Brattle Group on the study on LB1115, will give us an indication of some of what we're talking about there. So, you're exactly right. Some of that is out there and we will need to look at that. [LB583]

SENATOR FRIESEN: Okay. Thank you. Senator McCollister. [LB583]

SENATOR MCCOLLISTER: Thank you, Senator. Senator Schilz, of the...who is going to be responsible for the work product? Is that the legislative branch or would that be the executive branch? [LB583]

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Transcriber's Office

Natural Resources Committee  
February 11, 2015

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SENATOR SCHILZ: Well, what would happen is, the Legislature would pass the bill and then it would be the Energy Office's work product, is who it would be. So the executive branch would be in control of that. [LB583]

SENATOR McCOLLISTER: Okay. Thank you, sir. [LB583]

SENATOR FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you very much. [LB583]

SENATOR SCHILZ: Thank you. [LB583]

SENATOR FRIESEN: And with that, we will close the hearing on LB583.