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Natural Resources Committee
February 04, 2009

[LB491 LB565 LB624]

The Committee on Natural Resources met at 1:30 p.m. on Wednesday, February 4, 2009, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB491, LB624, and LB565. Senators present: Chris Langemeier, Chairperson; Annette Dubas, Vice Chairperson; Tom Carlson; Tanya Cook; Deb Fischer; Ken Haar; Beau McCoy; and Ken Schilz. Senators absent: None. []

SENATOR LANGEMEIER: Welcome to the Natural Resources Committee. My name is Chris Langemeier, I'm the Chairman of the committee. I'd like to introduce the people around the table here for your benefit as we proceed. I'd like to start off: we have Barb Koehlmoos who is the committee clerk; and then we have Senator Tanya Cook from Omaha; we have Senator Tom Carlson from Holdrege; we have Senator Deb Fischer from Valentine, Nebraska; moving clear out to my far left or your far right we have Senator Beau McCoy from Omaha Elkhorn; we have Senator Ken Haar from Lincoln and southern Saunders County; Senator Ken Schilz will be with us in a little bit; and Vice Chair Senator Dubas in introducing a bill in another committee, she'll be with us; and then our legal counsel Laurie Lage. I'd like to introduce, we have two pages that will be helping us today. We have Justin Escamilla from Scottsbluff, Nebraska, and Melinda Frevert from Omaha, Nebraska will be helping us today as we go through this hearing. As you come up to testify, we will have the introducer introduce their bill and then as each of you that want to testify come up we will ask that you fill out a green sheet. We are going to have the second two bills, we are going to hear them together. I would like you to fill out a sheet for both bills. So even though you're only going to come up once because we're having those two bills together, I would like you to fill out a sheet so it's very clear that we know where you stand on the two issues, and fill them out in their entirety so we have a good, clean record. We also have in the corners of the room is a sign-in sheet. If you want to be on the record of being here today you don't want to come up and testify, we would ask that you put your name and address on here and the bill in which you want your position stated and then tell us whether you support or oppose. So we will have a record...your thoughts there if you don't chose to come up. We are going to do things a little bit differently today. We are going to have Senator Louden has the first bill, LB565, up first and then after the completion of that, then Senator Haar is going to open on both of his bills because they're the same subject matter, LB491 and LB624. So we will have those as one so you can testify on the two bills at once. At this time, we'd ask that you turn your cell phones off and prepare for the hearing. When you come up to testify, we would like you to state your name, again so we can keep a very clean record. We'd like you to spell your name, first and last name no matter how simple it may be, there are a lot of different spellings, we would like to have you spell that for the record. We will go with the introduction, then we will take supporters of the bill and then we'll take opponents of the bill and then we'll take neutral testimony and then the senator introducer gets to have a closing. And with that, we will get started. I'm going to give a little bit more instructions after we do Senator Louden's

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bill on the two combined bills but at this time, Senator Louden is here and is ready to open on LB565. Welcome, Senator Louden. []

SENATOR LOUDEN: (Exhibit 1) Thank you, Senator Langemeier, and good afternoon. And members of the Natural Resources Committee, my name is LeRoy Louden, that's L-e-R-o-y L-o-u-d-e-n. And I represent the 49th Legislative District. I'm here today to introduce LB565, a bill that adopts the Woody Biomass Energy Act. A popular topic right now is renewable energy. When renewable energy is mentioned, most of us think of wind towers and electric generation, however, we have in Nebraska an energy resource that is underutilized, abundant, and clean burning. It's called woody biomass, which is Nebraska's grown wood. There are 1.3 million acres of timberland in Nebraska which contain more than 41 million oven-dried tons of wood per year. According to the Nebraska Forest Service, 117,000 tons of waste wood are produced annually and goes generally unused. Aside from the forest, there are other resources of unused wood such as construction and deconstruction waste and there is a waste that comes from vegetation removal in our rivers and streams and from the clearing of trees for various utility purposes. There is extensive vegetation removal for trees such as Russian olive and soft cedar from rivers and streams. At the present time, this material has to be disposed of. These trees can provide a very good fuel source for such an operation. Burning wood chips for heating and cooling has been working for Chadron State College for 18 years. Chadron uses around 9,000 tons of wood and has an estimated annual savings of \$360,000, which is \$1,000 a day. After the conversion to wood chips, the system paid for itself in the first six or seven years. There's an industry to cut and process the material for the use of the heating and cooling units. These are local jobs to be had. Chadron State College requires six people and machinery to process the wood, and also some local areas of forest are in need of thinning to manage a healthy forest that this would also provide jobs. All of this wood product can be made into chips and becomes a woody biomass which is a proven and reliable energy source for heating and cooling. The cost of conversion is expensive depending on the size of the project. It can range from the hundreds of thousands of dollars to millions of dollars. There are public institutions that are considering converting their heating and cooling system to wood chip energy but the start up cost is high. For example, Peru State College did a feasibility study and found that they would see an estimated savings of \$186,000 per year. However, it would cost around \$1.1 million for Peru to convert. With the savings, the system would pay for itself in about six years. You will find other example of facilities that have done feasibility studies and are considering converting to woody biomass energy in the handout you have in front of you. The problem is they would have to come up with the up front cost without assistance. The up front cost is why I introduced this bill. It would create the Woody Biomass Revolving Loan Fund and that would give public institutions, and I repeat public institutions, that have completed feasibility studies access to funding to assist with the heating and cooling conversion. The intent is that these institutions would pay back the loans with the annual savings realized each year after the system is paid for. The bill would require that the state provide the to get the

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program going. The state would, within a relatively short period of time, be paid back and have more funding available for new conversion loans. We are not asking the state to give them money for this program free and clear, we are just setting up the mechanism for loans that will be paid back. This bill would provide a great opportunity for Nebraska to be able to provide an alternative energy source right out of our own backyard. Woody biomass will help us reduce our dependence on fossil fuels and help us revitalize and stimulate our rural economies. There are others here who have worked with woody biomass and are considering converting their facilities to its use. With that, I ask for your support in advancing LB565 to General File and I would be happy to answer any questions. Thank you. [LB565]

SENATOR LANGEMEIER: Thank you, Senator Louden. Are there any questions?
Senator Haar. [LB565]

SENATOR HAAR: Thank you. Senator Louden, are you familiar with the project that National Arbor Day is doing in Nebraska City with growing trees and burning them?
[LB565]

SENATOR LOUDEN: At the Lied Center? [LB565]

SENATOR HAAR: Yeah. [LB565]

SENATOR LOUDEN: Yeah, well, somewhat familiar. I've been down there and, yeah, they're growing their own trees and burning their own wood and I applaud them for that. This type of situation is where we would be using forest and wood products that are already out there growing. [LB565]

SENATOR HAAR: Yeah. So there are a lot of possibilities here. [LB565]

SENATOR LOUDEN: Yeah. [LB565]

SENATOR HAAR: Okay. [LB565]

SENATOR LOUDEN: Do you live in Lincoln? [LB565]

SENATOR HAAR: Malcolm. Just outside. [LB565]

SENATOR LOUDEN: Did you get your natural gas bill from Black...the other day?
[LB565]

SENATOR HAAR: No, we're all electric, actually. [LB565]

SENATOR LOUDEN: Because I was going to say here where we live we got our natural

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gas bill and what I was somewhat appalled, I didn't mind the cost or anything, but I had to send my check to Rapid City. And I thought, good lord, Rapid City receives all the money out of Lincoln for natural gas, you know, what's going on here? If we can cut that down it would be something that would be to our benefit. [LB565]

SENATOR HAAR: Yeah. [LB565]

SENATOR LANGEMEIER: Okay, are there any other questions? Senator Carlson. [LB565]

SENATOR CARLSON: Senator Langemeier. Senator Louden, I see in the bill you've got...there is a payback, including a reasonable rate of interest. So there would be interest paid on these dollars and simply statement for the record with me is that several of us have been with Senator Louden and visited Chadron State and seen the effectiveness of that program and there's a lot of potential throughout the state for this, and appreciate your bringing the bill. [LB565]

SENATOR LOUDEN: Thank you, Senator. [LB565]

SENATOR LANGEMEIER: Any other questions? Seeing none, thank you. You have heard the opening on LB565. The floor is now open for those that would testify in support of LB565. Come on up, don't be shy. If you have something to hand out, the pages will help you with that. [LB565]

DENNIS ADAMS: Yes I do. Actually, Senator Louden, I think had this one out so I'm going to defer on that one. [LB565]

SENATOR LANGEMEIER: We did get that one. Did you have a green sheet filled out? [LB565]

DENNIS ADAMS: No I don't. [LB565]

SENATOR LANGEMEIER: A testifier sheet? Okay, we'll get that as soon as you're done. We'll have you fill that out if you'd just state and spell your name for us? [LB565]

DENNIS ADAMS: (Exhibit 2) Okay. Good afternoon, Chairman Langemeier and members of the Natural Resources Committee. My name is Dennis Adams and that's spelled D-e-n-n-i-s A-d-a-m-s, and I'm representing the Nebraska State Forester, Scott Josiah. Thank you for the opportunity to testify today on the benefits and promise of woody biomass as an energy source in Nebraska. I am the rural forestry program leader with the Nebraska Forest Service which is part of the University of Nebraska. The Nebraska Forest Service has long been an advocate of using our forest resources in an environmentally sustainable manner in order to stimulate rural economic development,

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while at the same time improve the health of our forests. Nebraska, like every other state, has faced dramatically increased energy costs over the past several years. The nation's heavy dependence on declining supplies of fossil fuels obtained from politically volatile areas, an emerging consensus that carbon emissions must be substantially reduced, and the promise of increasing costs of fossil fuels are driving the urgent need for alternative energy sources. Rising energy costs are negatively impacting Nebraska's rural communities, many of which were already facing serious economic decline, and are driving up the costs of heating and cooling our state public institutions. Woody biomass is a proven, reliable energy source for both heating and cooling, as well as an industrial applications, electricity generation, and ethanol production. As an industry, woody biomass creates skilled jobs and new sources of income in depressed rural areas. Nebraska-grown wood is a plentiful economic energy source that can stimulate and revitalize our rural economies while reducing carbon emissions and dependence on fossil fuels. Wood energy can help solve pressing problems in Nebraska by reducing Nebraska's dependence on fossil fuels; two, creating jobs and new sources of income and year-round, skilled jobs in depressed rural areas; three, reducing forest density and fuel loads and thus, reducing catastrophic wildfires; four, creating long-term markets estimated at least 30 years for wood from undesirable tree species such as eastern red cedar cleared from grazing lands and Russian olive from riparian zones; five, addressing scarce water issues in drought-stressed watersheds through sound forest and grassland management; six, creating a healthier and more productive forest and revitalizing rural communities; and substantially reducing the costs of heating and cooling public institutions, saving increasingly scarce taxpayer dollars. There is plenty of wood in Nebraska. The just-released resource bulletin, NRS 27, entitled Nebraska's Forest 2005 summarizes the five-year inventory of Nebraska Forests by the U.S. Forest Service. This bulletin reports that Nebraska's 1.3 million acres of rural forests contain more than 41 million tons of wood, 87 percent of which is on private land. These forests grow nearly 1 million tons of new wood every year, truly a renewable resource. The Nebraska Forest Service also recently completed a study that determined there are at least 270,000 tons of burnable waste wood annually produced statewide by arborists, utilities, forest thinning operations, and wood processors. Traditionally, woody biomass is used to power heating and cooling systems used by efficient, clean-burning mature technologies. Chadron State College currently uses 9,000 tons of woody biomass each year to heat and cool more than 1 million square feet of building space. Other users of woody biomass in Nebraska include the Arbor Day Foundation's Lied Lodge, 3,200 tons per year and a number of alfalfa dehy plants and wood product processing plants. Woody biomass can also be used to co-fire coal burning power plants, reduce air pollution, and offset carbon emissions. All told, fewer than 20,000 tons of waste wood, approximately 7.5 percent of the waste wood supply, and a tiny portion of our forests' annual growth is annually utilized in Nebraska. Clearly, Nebraska has an assured supply of wood to support strategically located woody biomass enterprises. Indeed, woody biomass is the low hanging fruit of alternative energy sources in the state. It is Nebraska's untapped resource and it is ready to be used. Over the past several years,

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the Nebraska Forest Service has funded several engineering studies that examine the feasibility of converting public institutions to woody biomass energy. These institutions include the Nebraska College of Technical Agriculture, Peru State College, Chadron Community Hospital, and UNL's East Campus. Converting these institutions to woody biomass energy would potentially save these institutions \$1.6 million in annual energy costs and reduce atmospheric carbon emissions by 600,000 tons over the 30-year life span of the boilers. Despite these positive results with substantial returns on investment and short payback periods, these institutions have not been able to raise the capital needed to convert to woody biomass energy. LB565 addresses this need in a long-term, sustainable manner by providing a mechanism to continually support investments that reduce the state's expenditures for energy. I would be pleased to answer any questions you may have, thank you. [LB565]

SENATOR LANGEMEIER: Thank you, Mr. Adams. Are there any questions? Senator Haar. [LB565]

SENATOR HAAR: Thank you. At Arbor Lodge, they actually grow...they're trying to find trees, I believe, that grow quickly and burn cleanly. And obviously you're familiar with that research going on. [LB565]

DENNIS ADAMS: To a certain extent. I'm not directly involved in it, but yes. [LB565]

SENATOR HAAR: Okay. [LB565]

DENNIS ADAMS: They're working on...they planted some kind of test plots of hybrid poplar and cottonwood because it's what they...because it's a fast growing species and provides more BTUs per acre. So they're partially utilizing some of the tree resource they grow on their grounds but they're also utilizing mostly wood waste...that it's the residue from a sawmill. [LB565]

SENATOR HAAR: Now, on my property that my wife and I bought in 2000, there was an old barn that we finally had to knock down and we put it in a big hole, burned it, and covered it back up. Would that sort of wood be used in this process as well? [LB565]

DENNIS ADAMS: Yeah, I think there's a lot of potential and opportunities for construction wood, destruction of buildings, and that type of waste wood. Waste wood from, you know, manufacturers, sawmills that maybe have waste products making wood windows or furniture or whatever. This bill is aiming primarily at forest land and, you know, doing the thinning and using the waste wood from natural forest land but wood energy from waste wood is also a distinct possibility. [LB565]

SENATOR HAAR: Okay. Now you said here, reduce atmospheric carbon emissions. Is that because it's a renewable source? [LB565]

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DENNIS ADAMS: Right. [LB565]

SENATOR HAAR: Is that how you're calculating that? [LB565]

DENNIS ADAMS: And trees are basically a carbon sink. [LB565]

SENATOR HAAR: Right. [LB565]

DENNIS ADAMS: So that's one of the reasons that trees are promoted as being sustainable and efficient, ties up atmospheric carbon in growing tissue. [LB565]

SENATOR HAAR: I think Senator Louden had told me earlier that there's some experiments where trees can even be used to absorb harmful ground contamination and the trees destroy it and. [LB565]

DENNIS ADAMS: Yes, there's been quite a bit of research that documents using certain species of trees, in particular along riparian zones that may, you know, absorb pollutants from herbicides or fertilizers and that type of thing from getting into streams so that's another advantage of trees. [LB565]

SENATOR HAAR: Okay. Thank you, and I appreciate Senator Louden bringing this bill forward. Thanks. [LB565]

DENNIS ADAMS: Thank you. [LB565]

SENATOR LANGEMEIER: Any other questions? Senator Carlson. [LB565]

SENATOR CARLSON: Senator Langemeier. Mr. Adams, in your report here on the bottom paragraph on the first page, you indicate that our forests have 41 million tons of wood and grow a million tons of new wood every year. So we could be harvesting a million tons and we wouldn't be losing any of our forests. [LB565]

DENNIS ADAMS: That's right. Sustainable production. So every year forests grow, and so they add wood every year, and that's called the annual growth. So, you know, statewide there's a pretty substantial amount of annual growth that you could basically harvest indefinitely because it's growing that much every year. [LB565]

SENATOR CARLSON: And we aren't anywhere close? [LB565]

DENNIS ADAMS: Not even...not close at all. [LB565]

SENATOR CARLSON: Okay. Thank you. [LB565]

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SENATOR LANGEMEIER: Thank you, Senator Adams...excuse me, Mr. Adams for your testimony. Thank you. Further support? Mr. Hansen, welcome. [LB565]

JOHN K. HANSEN: Mr. Chairman, members of the committee, for the record my name is John K. Hansen, H-a-n-s-e-n. I am the president of Nebraska Farmers Union. And also I am our organization's lobbyist. We appear today in support of LB565. The Nebraska forest resources have long been, in our view, a dramatically under utilized part of our state's resources in a variety of ways. We have a lot more trees than a lot of folks think and we've done a lot better job in our cities and communities of organizing and planting trees and doing the necessary things to replace them in a timely fashion than we have in lot of our rural areas. We have a lot of shelter belts, a lot of pivot corners that have really not been as well managed as they could be. A lot of the trees that normally shed and break through ice storms and other things that a lot of that wood just goes to waste and we would support this, but with the observation that a lot of the folks who are in the best position to utilize woody biomass and use if for fuel are low-income rural folks who are hard up for money to pay fuel bills. In a lot of cases have plenty of time to harvest wood and a lot of cases don't have houses or furnaces that are really set up for that. I was fortunate enough to...on our family's farm home to have a furnace that was able to burn different kinds of fuels including wood and we bought very little fuel ever, for years. We were blessed with elm disease and so we had a ready supply and when I left the farm in '90, I don't think my renter bought any fuel for probably about four years that I had done in advance. And there's just a lot of furnaces and a lot of low-income elderly folks and other folks who could be using a lot of wood that's going to waste in a lot of rural communities. And I realize that would require a much larger fiscal bill, and I suspect that may have had something with Senator Loudon's thinking to at least start with public institutions. This would at least get our foot in the door and establish, I think, a good precedent. And we would support the bill as it is, but that was one of the thoughts we had when we read this is that there was an awful lot of folks who could...and especially elderly retired but also just low-income rural folks who really struggle with heating bills. And with that, I would end my testimony. [LB565]

SENATOR LANGEMEIER: Thank you very much Mr. Hansen. Are there any questions for Mr. Hansen? Seeing none, they're going to let you off the hook. Thank you very much for your testimony. [LB565]

JOHN K. HANSEN: Thank you. [LB565]

SENATOR LANGEMEIER: Further testimony in support? Welcome. [LB565]

WELDON SLEIGHT: (Exhibit 3) Senator, my name is Weldon Sleight, W-e-l-d-o-n S-l-e-i-g-h-t. I am the dean of the Nebraska College of Technical Agriculture. I appreciate the opportunity to speak in favor of this bill. In March of 2008, we completed

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a feasibility study to change our current natural gas system to a biomass system. We're currently spending almost \$120,000 a year in natural gas. We...the study determined that we would save almost \$61,000 a year converting to the wood chip technology. The study further identified 1.5 million oven-dried tons of live biomass within a 50 mile radius of NCTA. Of course, much of that is on the Republican River and we think that that's going to be important to help with those invasive species that are taking over that region. The project will cost \$1.13 million. It will take 18 years to pay that investment off, however, we have two grants that we have written. We think that we can decrease that by at least one third from some grant funding should those come about. Realistically, however, we recognize it's going to be hard to find granting agencies to pay the full amount. So if we could get a substantial amount through grants and then have this LB565 help us, then, complete the project with...as a loan, that would be very important to us. I must also say that...well, this is my interpretation of the benefit to NCTA, the University of Nebraska hasn't taken a position on the bill. Thank you. [LB565]

SENATOR LANGEMEIER: Thank you very much. Are there any questions? Senator Carlson? [LB565]

SENATOR CARLSON: Senator Langemeier. Dr. Sleight, if...I need to understand something here. I think it has quite a bit of bearing to all of us. Your estimate of \$1.13 million, that's...that would be an entire new system, wouldn't it? [LB565]

WELDON SLEIGHT: It's a boiler system that hooks into our current steamline system. So the current system is there but we will have to change. And there will have to be some upgrades to the steamline system, there's no question. But it is primarily the changeover. [LB565]

SENATOR CARLSON: Okay. So this is...these are actually extra dollars necessary to make that conversion. [LB565]

WELDON SLEIGHT: That's right. [LB565]

SENATOR CARLSON: Because I was looking at it thinking, well, if an institution decided they needed to replace their present system there may not be that much of a difference. But in your case, that is all extra new dollars that would be needed for the conversion. [LB565]

WELDON SLEIGHT: That's right. [LB565]

SENATOR CARLSON: Okay, thank you. [LB565]

SENATOR LANGEMEIER: Any other questions? Seeing none, Dr. Sleight, thank you very much for your testimony. [LB565]

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WELDON SLEIGHT: Thank you. [LB565]

SENATOR LANGEMEIER: Further testimony in support of LB565? Ms. Harding, welcome. [LB565]

MARY HARDING: Thank you. Good afternoon, Chairman Langemeier, members of the committee. I'm Mary Harding, M-a-r-y H-a-r-d-i-n-g. I'm here today representing the Nebraska League of Conservation Voters in support of LB565, for many of the very good reasons already cited so I won't repeat them. We do have one additional suggestion that has not previously been mentioned during the hearing regarding emissions standards for the equipment that would be purchased under this revolving loan fund. And a question Senator Haar just posed really brought this into focus for us in terms of using waste wood from deconstruction projects. That kind of fuel supply potentially could have lead paint or creosote or any number of other kinds of contaminants, if you will. And so we've had discussion with Senator Loudon about the emissions standards that would apply to this equipment and we're just not clear whether all different sizes of equipment that could be purchased would be covered under current Clean Air Act standards. And so if not, and we're still trying to find out exactly what the status is, we would like to see the applications specify that any equipment purchased with this loan money voluntarily meet those current emission standards even if it's small enough that it might not actually fall under the requirements. If that's clear. So emissions is a concern for us. We also have some concern about sustainable forestry that there are a few areas in the state where we might not want to create an appetite for harvesting wood that is not consistent with sustainable forestry practices, but I think that can be handled very easily with a little language in the application as well. And so with those two suggestions, we do support the bill. Thank you. [LB565]

SENATOR LANGEMEIER: Okay. Thank you very much. Are there any questions for Ms. Harding? Seeing none, thank you very much for your testimony. Further testimony in support? Welcome. [LB565]

ED HOFFMAN: (Exhibit 4) Good afternoon. My name is Ed Hoffman, that's E-d H-o-f-f-m-a-n. I am the vice chancellor for facilities, planning, and information technology for the Nebraska State College System. I appreciate the opportunity to testify today in support of Senator Loudon's bill. And I am here really on behalf of our chancellor, Stan Carpenter, who is on his way back from an interview trip for a candidate for the Peru State College presidency, so we wish him good luck there. The Nebraska State College System has had firsthand experience with the consumption of woody biomass and I think Senator Loudon pointed that out very clearly in his earlier testimony. We have operated a very successful system at Chadron State College for a number of years. The annual cost of maintaining the system at Chadron typically runs about 33 percent, 35 percent less for that campus than either of the other two

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campuses that we operate. So the evidence that there is considerable savings because of the woody biomass system is very evident for us. We would have potential for really two systems or two projects within our system. One would be at Peru State College which has a system very similar to Chadron's. It's certainly smaller, about half the square footage, 500,000 square feet as opposed to 1.1 million square feet, but the same sort of central steam distribution system that already exists on that campus that made the project very feasible at Chadron. Chadron also has potential for an expansion of their existing system and primarily that would go on to the energy that's generated from the system is used in the summertime to also generated chilled water. So there's a steam absorption system for creation of chilled water that's been beneficial. Prior to the steam absorption component of that project at Chadron, they were burning about 7,000 tons per year. Now they're burning about 9,000 tons per year. We do currently have a feasibility study prepared by Geary Engineering and was funded by the Nebraska Forest Service, and that's for the approved project that is ready to go. And we really look at the opportunity that LB565 provides us as being a real beneficial tool in the opportunity to get some of these projects moving. And so with that, I'd take any questions. [LB565]

SENATOR LANGEMEIER: Thank you Mr. Hoffman, are there any questions for Mr. Hoffman? Seeing none, thank you very much for your testimony. [LB565]

ED HOFFMAN: Thank you. [LB565]

SENATOR LANGEMEIER: Further testimony in support of LB565? Don't be bashful. Welcome. [LB565]

RONALD GEARY: Good afternoon. I'm Ronald Geary, G-e-a-r-y, representing Geary Engineering. And I wanted to give a few thoughts in support of this bill. I feel that with the waste wood energy resources that are available in Nebraska that this presents a unique opportunity to the state of Nebraska. And I think it is also a matter of timing and resources. The waste wood supply has been estimated by other people to be 270,00 tons of waste wood per year. That is actually a limited resource. Right now it is available and I think that this bill in support of public institutions would give them the opportunity to take advantage of a resource that is out there. If that is not taken, I'm sure that private enterprise will catch up to that and use that resource. So I think that by acting on this bill at this time, that it presents a unique opportunity to the public institutions. Also, I would like to comment on the interest rate. I know that the bill indicated a reasonable interest rate. It really didn't specify the amount, but I would encourage that to be kept very low to make these projects feasible. And I'm not sure what low is, but if it could be free, zero interest, I think that would be good. I think that the money would come back to the State Energy Office. We were involved in the studies that have been mentioned and I wanted to indicate that our studies have included the cost of the emissions equipment to meet the Clean Air Act standards. So those...the cost of that equipment has been included in

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our estimates that we have provided. With that, are there any questions? [LB565]

SENATOR LANGEMEIER: Are there any questions? Senator Haar. [LB565]

SENATOR HAAR: Thank you. What part of the engineering cycle to do you get in on in terms of this kind of project? [LB565]

RONALD GEARY: We have provided the feasibility studies for Peru State College, the University of Nebraska, and to the Nebraska College of Technical Agriculture. [LB565]

SENATOR HAAR: Okay, thank you. [LB565]

SENATOR LANGEMEIER: Senator Dubas. [LB565]

SENATOR DUBAS: Thank you, Senator Langemeier. So you are an engineer, is that correct? [LB565]

RONALD GEARY: That is correct. [LB565]

SENATOR DUBAS: Okay. We've been told that the Energy Office probably would need an engineer to help evaluate these projects' loan applications. Would you see that as something that would be necessary in order to carry this program out? [LB565]

RONALD GEARY: Yes. I think that the feasibility studies should be reviewed, should be technically reviewed to make sure that the bases have been covered as far as the cost, as far as availability of the fuel and the projected savings. [LB565]

SENATOR DUBAS: Thank you. [LB565]

SENATOR LANGEMEIER: Any other questions? Seeing none, thank you very much for your testimony. [LB565]

RONALD GEARY: Thank you. [LB565]

SENATOR LANGEMEIER: Next testifier in support? Welcome. [LB565]

KEN WINSTON: Good afternoon, Senator Langemeier and members of the Natural Resources Committee. My name is Ken Winston, my last name is spelled W-i-n-s-t-o-n. I'm appearing on behalf of the Nebraska Chapter of the Sierra Club in support of LB565. Actually, I was originally going to testify neutral but during the testimony of other people, I came to the conclusion that basically we support this concept of the bill. And there are a couple of things that we'd like to see changed, so it made more sense to just come and testify in support of the bill and talk about the things we'd like to see added to the

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bill. Here's the reasons we support the bill. We support using sustainable resources that are native to Nebraska; secondly, we support good use of resources that might otherwise not have a viable use. We don't want to see things burned up in bonfires or just put into landfills. Now the things that we'd like to see changed, basically the same things that Mary Harding testified about. We'd like to see a definition of sustainable harvest of woodlands, and I have had conversations with Senator Loudon and his staff about this, and made attempts to contact someone who might be able to help provide us with some language and thus far have not gotten a response. And then secondly, the other concern that Ms. Harding raised, which was making sure that the recipients use the best available emissions technology. And then I guess the final thing would be, I kind of liked John Hansen's suggestion that there may be some private sector folks that could make good use of this as well. I'd be glad to answer questions. [LB565]

SENATOR LANGEMEIER: Are there any questions for Mr. Winston? Seeing none, thank you very much for your testimony. [LB565]

KEN WINSTON: Okay, thank you. [LB565]

SENATOR LANGEMEIER: Further testimony in support of LB565? Come on up. [LB565]

ED GEORGE: My name is Ed George. [LB565]

SENATOR LANGEMEIER: Pardon me? We're still in support. Are you in? [LB565]

ED GEORGE: Yes. [LB565]

SENATOR LANGEMEIER: Okay, come on. Go ahead. [LB565]

ED GEORGE: My name is Ed George, two first names, Ed George. E-d G-e-o-r-g-e. I want to share with you my feelings about this bill. I am a graduate of the University of Nebraska, a land grant university institution. I worked in county extension work as a county extension educator working in Clay County for the university. I became very interested in renewable energy and co-founded, was one of the co-founders of the Nebraska Renewable Energy Association. In my findings, I found a report, Carbon Sequestration and Greenhouse Gas Emissions and Nebraska Agricultural Background and Potential, a report finding to the requirements of LB957 of the 2000 session of the Nebraska Unicameral and containing the recommendations of the Carbon Sequestration Advisory Committee. But a number of practices can help to sequester carbon including: one, conservation tillage, methods, and conservation reserve; two, soil erosion management; three, conversion of marginal agricultural land to grassland, forest, and wetland; four, wetland restoration; five, irrigation; six, elimination of summer fallow; seven, use of biomass or energy crops to substitute for fossil fuels, very very

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important; use of biogas or liquid manures to substitute for fossil fuels; nine, improve fertilizer use and efficiency; ten, range land and pasture land management; number 11, agroforestry; and number 12, forestry. Because of LB957 in 2000, the Nebraska Environmental Trust became an important entity to the state of Nebraska. The question was asked earlier, and I would like to reinforce the meaning and definition of biomass as mentioned on number seven, the use of biomass. What is biomass? The Biomass Research and Development Act of 2000, Title III, defines biomass as any organic matter that is available on a renewable or reoccurring basis including agricultural crops and trees, wood and wood waste and residues, plants including aquatic plants, grasses, residues, fibers, and animal waste, municipal waste and other waste materials. As I envision what we could do with this, we have to take into consideration removal of those trees and use in new industries. I feel like that we need to consider this in the relationship to the Natural Resource Committee, the significance of the use of tree products. I feel like that this could be a very important industry to the future. I look at it in other ways that could be important for the development of Nebraska's economy, yet we need to conserve our natural resources, improve the air and soil and water quality that we have, that it has been a tremendous pleasure living here in the state of Nebraska, yet looking also at economic growth. For that I thank you for your time and interest. Because of my hearing impairment, I would ask if you have questions to slowly say your question so I can understand what you're addressing. [LB565]

SENATOR LANGEMEIER: Are there any questions? Senator Cook has a question. [LB565]

SENATOR COOK: Yeah, would you please repeat your name and spell it for me? [LB565]

ED GEORGE: Yes. Ed George, G-e-... [LB565]

SENATOR COOK: Two first names, like you said. [LB565]

ED GEORGE: Yes. Two first names, in fact it's G-e-o-r-g-e. [LB565]

SENATOR COOK: Thank you. [LB565]

SENATOR LANGEMEIER: (Exhibits 5, 6) Any other questions? Seeing none, thank you very much for your testimony. Further testimony in support of LB565? Seeing none, I have two letters of support from Robert Byrnes from Oakland, Nebraska, and Harold Krueger, the CEO of Chadron Community Hospital. Those two letters will go in the record as support. Are there any testimony in opposition to LB565. Seeing none, is there any testimony in a neutral position? Looks like we have one, come on up. Good afternoon. [LB565]

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MARK BROHMAN: Mr. Chairman and members of the Natural Resources Committee, my name is Mark Brohman, that's M-a-r-k B-r-o-h-m-a-n. And I'm here today representing the Nebraska Environmental Trust. I am the director of the trust. And we're here testifying in a neutral capacity to provide some information on LB565. First of all, the trust supports exploring alternative energy sources, especially those using renewable resources. Tomorrow my board will announce the preliminary grants of the '09 and one of those projects is the Nebraska College of Technical Agriculture, their request for \$360,000 to install a biomass energy system. And so tomorrow we'll announce those grants and they'll know if they were successful from us. It was mentioned earlier by Dr. Sleight that they are asking for \$360,000 from us and he mentioned it was a little over \$1 million project. In the grant in front of us it said that their portion of the project was \$760,000 and so that \$360,000 they requested from us was about 47 percent for that portion. But evidently there are other parts of the project that are not included in the grant application to us that make it, I think he said \$1.3 million. So anyway, that's what's in front of us. They hope to save \$60,000 a year in energy costs, which he mentioned and they're proposing to burn woody biomass to provide thermal energy for heating, cooling, and power generation. And what's so special about that project? When the trust looked at it, some of the things that we saw was that it will enhance wildlife habitat, improve grazing conditions, reduce the chance of wildfires, increase wetlands or water conveyance when the trees are removed from the riverbed and banks, job creation, and lessen our dependence on fossil fuels. This project provides a great partnership with invasive species removal such as cedar, salt cedars, and Russian olive. Those things were mentioned before in some of the previous testimony. Also mentioned by Dr. Sleight I think was that there was \$1.5 million oven-dried tons of white biomass within a 50 mile radius of that site of the college out there. And currently there is an ongoing cedar tree removal effort in the loess hills to the north of Curtis. And then there's also a tree removal program in the Republican River Basin to the south which was also mentioned. That's where you've got the salt cedars and the Russian olives. It's estimated that those two projects alone could provide enough waste to sustain that project out there. So we think it's a good project from many standpoints. It's also been mentioned that Chadron State College has a very successful program that's been on the ground for about 18 years. The Lied Lodge Conference Center in Nebraska City has a similar project down there. So the question comes, are there areas of the state where maybe woody biomass would not work? Some of the information we've read and studied looking at this grant application is to be feasible, you really need to have a biomass source within 100 miles radius. The closer, of course, the better, but 100 miles is kind of the feasibility structure. So there may be areas of the state where you're not able to get enough biomass. So the one thing that we don't want to encourage is large farms of trees to supply the needed biomass that might require large quantities of water, pesticides, herbicides, insecticides, and fertilizers but there may be trees, shrubs, maybe even switchgrass that would not require those expensive inputs and may provide some habitat benefits on top of it. So we believe it's positive that LB565 sets up a revolving loan fund, that's the way it's set

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up. It requires the projects to be economically and financially feasible. And last, the quote of, this is actually the language in the bill...it "minimizes adverse impacts to the state's natural resources." So as long as those goals are part of LB565, we think that the bill definitely has merit. So with that, I'd entertain any questions. [LB565]

SENATOR LANGEMEIER: Thank you very much, Mr. Brohman. Are there any questions? Seeing none, thank you very much for your testimony. [LB565]

MARK BROHMAN: Thank you. [LB565]

SENATOR LANGEMEIER: Are there any other testifiers in a neutral position on LB565? With that, seeing none...Oh, I'm sorry, Senator Louden, would you like to close? Everybody keeps leaving on me, so I'm not used to closing. [LB565]

SENATOR LOUDEN: Yeah, I'll do it quick and short. Senator Langemeier and members, I mostly wanted to thank you for your attention to this bill. And as I think John Hansen testified and perhaps Ken Winston, they would like to see it into other public areas or private areas and that was part of the reason we wrote the bill right now for public entities only, because to get this thing started and that was where the tax savings would be, that was where it would be most important to save some money. And we think that if this did work, probably that type of deal for private enterprise would be more of a tax credit type deal rather than a revolving loan fund. So that was the reason the way the bill has been situated now and so I wanted to point that out, that that's where we planned on heading. One other thing I would mention, that yes, we have some open ending in that and we'd be certainly entertain any motions that the committee may have, any ideas that would make this thing work further. We didn't put in an interest rate, and also we didn't put in the term of years mostly because on this one handout the Forest Service has mentioned some guidelines there. And so the question was we thought after we had testimony because they talked about five to ten years or something like that. And so we thought after there was testimony it would probably be better to come forwards with some type of a time frame on how long the money could--would--could be loaned out there. So with that, anything that the committee would want to do along that line, we'd certainly be appreciative of it. And with that I would...if there's any questions I'd answer questions, and with that I would thank you for your time. [LB565]

SENATOR LANGEMEIER: Thank you, Senator Louden. Are there any questions? Seeing none, thank you very much for your testimony. With that, that concludes the hearing on LB565. Now we're moving on and I'm going to give a little more instructions here. We're moving on to LB491 and LB624. We are going to hear these bills together. So we're going to ask you when you come up to testify, Senator Haar is going to open on both of them, but then when we ask you to come forward to testify after you state your name and spell it, I would like you to say whether your testimony would apply to LB491, LB624 or both so we can make sure we have a clear record. And Senator Haar,

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we are ready when you are. [LB565]

SENATOR HAAR: (Exhibit 7, 8, 9) Thank you, Chairman Langemeier and members of the committee, I'm here to introduce two bills, LB491 and LB624. These bills both deal with energy efficiency loans. LB491 establishes a loan fund for home energy efficiency loans. The program creates zero interest loans that are paid back by the savings created by the efficiency. And that kind of is this first sheet I've handed out to you and the concept, I think, is very much like Senator Louden said. You look at the current energy bill, you install the energy efficiency and then use the money saved to pay off the loan. The funding for the loan program comes from expected federal stimulus money. I do not have an amendment to LB491, I'm sorry, I do have an amendment to LB491 that's a technical amendment to include the Nebraska Municipal Power Pool. LB624 establishes a similar loan fund for public buildings. This would include all state buildings and political subdivision buildings. Similar to LB491, the loans are paid back with zero interest and the payments are based on the savings. The funding for the program, again, comes from the federal stimulus money. And then I'd like to put some footnotes to the testimony. First of all, the money is not there yet. It's enabling legislation if we get all the dollars falling from Washington that we hope and think we're going to get. And the concept is to have a shovel ready plan to accept those plans if they come. In addition, we've begun conversation with Senator Nelson's Office to see if he would be interested in the future trying to get us instead of simply grant money, getting us revolving loan monies through the federal programs. I want to talk then just briefly, again a footnote, about the current energy program. And that's the second handout. This is the Department of Energy's dollar and energy savings loan program and what I'm suggesting differs somewhat from...I guess the only thing similar is that they're both loans. In the current plan, if I loan Senator Langemeier...if he gets, let's say \$100 total, \$50 of that would come from the state revolving fund, \$50 would come from a bank. And then the State Energy Office out of this revolving fund would pay 5 percent interest, the person getting the loan, Senator Langemeier, would pay 5 percent, and the total 10 percent goes to the bank that's participating. So that's the difference here. We have kind of looked at this as a balance to LB158, if you remember Senator White's bill which says that public buildings and so on must meet a certain energy standard. So in some ways you could look at his bill as the stick and this would be the carrot. I think one thing that would make this very attractive to, especially public entities, would be that there's no interest involved, that you simply pay that loan down from the savings that you make. And finally, it may take a little bit of tweaking, as some of the other new senators are aware, trying to get bills into the hopper and everything and get them perfect within the ten days is a problem. So there may be a few things we want to tweak in the bill but the bill itself, we think, is pretty much in place. That other bill, by the way, was LB14 that would require state agencies, community colleges, and the University of Nebraska system to achieve a 10 percent reduction in energy and so on. And again, I guess that would be the stick, this would be the carrot. And finally, what makes me excited about the hearings today is the cheapest kind of energy is achieved through energy efficiency

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and that's what these bills are about. What I like so much about Senator Louden's bill is it's a renewable source that's native to the state of Nebraska. So I think both of these would be just excellent ways to increase our energy independence in the state of Nebraska. And so, with that I am open to questions. [LB491 LB624]

SENATOR LANGEMEIER: Okay, very good. Are there any questions for Senator Haar? I don't see any at this point. Maybe for your closing. [LB491 LB624]

SENATOR HAAR: Okay. Thank you very much. [LB491 LB624]

SENATOR LANGEMEIER: Thank you, Senator Haar. You have heard the opening on both bills. The floor is now open for testimony in support. [LB491 LB624]

KEN WINSTON: (Exhibit 10) Good afternoon, Senator Langemeier and members of the Natural Resources Committee. My name is Ken Winston, W-i-n-s-t-o-n is the spelling of my last name. And I'm appearing on behalf of the Nebraska Chapter of the Sierra Club in support of both bills, LB491 and LB624. As it's generally acknowledged that energy efficiency provides the greatest potential for reduction in fossil fuel use including the greatest opportunities for greenhouse gas reduction. Approximately 40 percent of our energy use is related to buildings. As is often stated, as Senator Haar stated, the cheapest and most environmentally friendly kilowatt is the one that is not generated. LB491 would provide a mechanism for no interest residential energy loans. As we all know, energy costs have risen fairly dramatically in recent years, often reducing the funds available for other consumer activities and low-income people in particular have found it difficult to pay their bills. Many older homes are poorly insulated, have leaky doors and windows and outmoded heating and lighting systems. A complete retrofit of buildings can often result in energy savings of 50 percent or more. Just changing the light bulbs can reduce energy expenditures by 10 percent. However, many people are unable to undertake the initial expense needed to make their homes more energy efficient. The no interest loans would be paid back through the energy savings as Senator Haar indicated. Now, one of the things that LB491 contemplated is the idea that it would be run through the state's public utilities, and we think this is a good idea for a couple of reasons. First of all, our utilities know how much energy their customers are using so they can tell if somebody's got a \$400 a month energy bill and their neighbor's got a \$200 a month energy bill, they may have a sense that one person's energy use is out of whack. And so they can go and contact them directly and say we know that your energy bills are high, we'd like to see...here's a program that could help you save some energy costs. Secondly, almost all of the energy utilities have programs in place at the present time to do energy efficiency programs. Either...sometimes they call it conservation, sometimes energy efficiency, but nonetheless they have programs in place. I guess the third thing is, they also have expertise. They know...they are familiar with this kind of program. Now, I guess there's a couple of other things that I wanted...I guess, as I mentioned in my letter, there may be some reasons to have someone else

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administer the . If that's a good idea, we'd certainly be willing to support that idea if the utilities don't want to administer the . But we do think that it makes sense for the utilities to be involved in the process because of their knowledge both of their customers and of the processes of energy efficiency. I'm going to talk a little bit about the benefits of energy efficiency. Simply, I mean, if somebody's spending \$200 a month and they reduce their energy bills by \$50 a month then obviously that's \$600 a year that they can be spent for something else. And then also note the number...I'm not sure what year this was from, but I had a number, \$5.4 billion of costs for energy that were going out of state on a yearly basis. We're also supporting LB624. Part of the reasons for LB624, or our support for LB624, is the even though the Energy Office does have an energy efficiency loan program, it's not available for public schools and the are fairly limited for other public entities. So we'd like to find opportunities for those to be used. We understand that these bills are intended to provide a mechanism for the use of federal in the event they come through the stimulus package that's currently being debated by Congress. At that, the bill passed by the House had about \$22 billion for energy efficiency programs. We believe that energy efficiency programs would create jobs for carpenters, electricians, plumbers, engineers, and designers. In addition there would be expenditures for equipment and fixtures needed to make buildings more energy efficient and that this would in turn have an economic multiplier effect. So we believe that these bills have good...would provide benefits to families, to the economy, and to the environment by increasing energy efficiency. And I'd be glad to work with the committee and the introducer and other interested parties if the committee wants to work on either of these concepts and I believe that these concepts should be advanced to the floor. I'd be glad to answer questions if I can. [LB491 LB624]

SENATOR LANGEMEIER: Thank you. Are there any questions for Mr. Winston?
[LB491 LB624]

SENATOR COOK: I have a question. [LB491 LB624]

SENATOR LANGEMEIER: Senator Cook. [LB491 LB624]

SENATOR COOK: Yes, thank you, Senator Langemeier. Do you know what the number is for the amount of energy expenditure within the state? You've got a figure of \$5.4 billion that goes outside of the state. [LB491 LB624]

KEN WINSTON: I don't have that. [LB491 LB624]

SENATOR COOK: Nobody knows what that number might be? [LB491 LB624]

KEN WINSTON: I don't have a number for the total amount of energy. [LB491 LB624]

SENATOR COOK: I'm just curious to see if it's the same or a lot bigger or a lot less.

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[LB491 LB624]

KEN WINSTON: Well I would guess that the overall expenditure is higher, but the number that I saw, and this is actually that I saw from last year, so I don't know what year it's from. But I mean, I saw the number last year and I don't know whether it was from 2006 or 2007. But at that time, they were reporting that \$5.4 billion was spent on energy sources from outside the state, whether it was money that was going to Wyoming for coal or money that was going to foreign countries for oil or what have you. But most of the energy money, and I think the idea is that most of the nonrenewable energy money does go out of state and so. [LB491 LB624]

SENATOR COOK: All right, and that's the point you're trying to make with your testimony? [LB491 LB624]

KEN WINSTON: Yes, that's correct. [LB491 LB624]

SENATOR COOK: All right, thanks. [LB491 LB624]

KEN WINSTON: Thank you, Senator. [LB491 LB624]

SENATOR LANGEMEIER: Seeing no other questions, thank you very much for your testimony. [LB491 LB624]

KEN WINSTON: Thank you. [LB491 LB624]

SENATOR LANGEMEIER: Well done. Further testimony in support? Welcome. [LB491 LB624]

KRISTEN GOTTSCHALK: Senator Langemeier, members of the Natural Resources Committee, my name is Kristen Gottschalk, K-r-i-s-t-e-n G-o-t-t-s-c-h-a-l-k. I am here to testify on behalf of the Nebraska Rural Electric Association and I serve as their registered lobbyist. First of all I want to...and I am here to testify in support of both LB491 and LB624, although my testimony will probably focus more on LB491. I do want to thank Senator Haar for his introduction of LB491 and LB624. It's important to recognize that efficiency and conservation are tools to reduce energy demand and also delay the need to build new generation, which is costly and controversial at this time. And what we most like about LB491 is that it recognizes that the homes most in need of energy efficiency and conservation improvements are those homes of low-income or elderly individuals who could not afford to put large expenditures out to make those energy efficiency improvements. Last year, LB1001 was passed which addressed a very similar audience to LB491, those individuals at 150 percent of the poverty level and below. And that bill, although different, was a grant program. It was a program meant to address this very concern. One of the things that's different between the two is that in

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LB1001, the administration of that program, the utilities were allowed to go outside to a third party or have a central administration for those . And I do think this is important. Senator, Ken Winston pointed out that it's nice to have the utilities involved because our small utilities are more in touch with the energy use of their individual consumers than would a large central organization. However, a lot of these small electric utilities, and we have over 170 different utilities, electric utilities, in the state of Nebraska, and that could potentially be 150 different administrations of this program. And unfortunately, with some of these small utilities, they may not have the staff or the manpower to be able to effectively administer these programs and therefore may not become involved solely for that reason even though they see that there's a need and a demand. So while it's important to keep the utilities in place, we think that perhaps there should be some consideration given in LB491 to provide a central administration source and still use the utilities as a contact point for these types of programs. And my testimony on LB624 would be repetitive and again, efficiency is important in delaying or stopping the need for new generation and we firmly believe that public buildings should have access to at a reasonable cost to do this. [LB491 LB624]

SENATOR LANGEMEIER: Very good. Are there any questions for Ms. Gottschalk? Seeing none, thank you very much for your testimony. Further testimony in support of LB491 or LB624? Welcome. [LB491 LB624]

W. CECIL STEWARD: Thank you very much. Good afternoon, Senator Langemeier, members of the committee. My name is W. Cecil Steward. First initial W., middle name C-e-c-i-l, last name Steward, S-t-e-w-a-r-d. I'm Dean Emeritus at the College of Architecture at the University of Nebraska-Lincoln. I'm also the founder and current president and CEO of the Joslyn Castle Institute for Sustainable Communities. One of the entities that operates within that nonprofit organization is the Nebraska Center for Sustainable Construction. I cannot think of any public policy activity at this particular moment in time that would be more important to our communities, to this nation, to the state, and to our environment. This is a major step to begin to present evidence to our consumers and our public that we are in fact, serious about energy consumption. It is going to take, in our opinion, federal, state, local, and personal investments in these problems of renewable energy as well as energy conservation. And I will not duplicate the testimony that's been given about the importance of conservation. It is absolutely true and correct that the best and most efficient step is our conservation effort. And by the way, I'm testifying in favor of both bills. In looking at the entire state and the potential impact, you could roughly estimate that there's approximately 600,000 residential buildings in the state. Most of those buildings have been constructed in the '50s, '60s and '70s when insulation and energy efficiency was not even on our radar screen. Very inefficient structures, for the most part. If you consider that about 80 percent of those are potentially eligible for investments for energy conservation retrofit, you would quickly come...let's say each resident needed to spend approximately \$5,000. This is more than a weatherization potential, it's the systems, it's the Energy Star utility systems that

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would go into efficiency as well as weatherization and improvement of the building envelope. But you can quickly calculate that there's a jobs potential here of over \$2 billion in this state by the act of seeking energy efficiency. And within that, as Ken Winston iterated, there are a number of trades that would be potential beneficiaries of this kind of influence. Lincoln, alone, it could be as many as 800 new jobs in this community to take care of 80 percent of the residential structures in this community. So this has a huge potential impact. It's not something for just the low-income or just the few, it's that 40 to 70 percent of the energy flow through our structures that we're talking about. Now, my final point is that in addition to that \$2 billion job potential, it can save the building of four new power plants for this state for at least a period of 10 to 15 years. LES says if they were to build a new plant today, first of all it would need to be coal-fired. That's not the way that we would like to see our future power sources generated. It's not clean energy, but it would cost at least \$150 million to build one new power plant. This program potentially can save the building to the public funding of four power plants. So I encourage you to think about this in a total community by community and statewide basis. And I encourage your approval. Thank you. [LB491 LB624]

SENATOR LANGEMEIER: Very good. Are there any questions? Seeing none, thank you very much for your testimony. [LB491 LB624]

W. CECIL STEWARD: Thank you. [LB491 LB624]

SENATOR LANGEMEIER: Further testimony in support? I don't want to waste too much energy getting up and down here. Welcome. [LB491 LB624]

BRIAN HALE: Thank you, Senator Langemeier, members of the committee. My name is Brian Hale, B-r-i-a-n H-a-l-e. I represent the Nebraska Association of School Boards. We're here to speak in support of LB624. One, in that it avails schools now of the loan program on its face, but there is apparently going to be some amount of money coming down our way in the form of a stimulus package and we will have to be somewhat light on our feet to make sure that we do things the way the feds want us to do things. And so this is an opportunity, I think, for us to study that process, see how the money can best be distributed, hopefully still as a grant and not just loaning out grant money. They'll get the...there's a grant end and a loan end so I think that we support your inclusion of us on the face and also believe that, as I say, there's work to be done in figuring out what the final ink is going to look like on the stimulus package. So one thing I do think is a fairly safe bet giving that it's federal grant monies, don't short yourself on the administrative costs that you might need to sift through it. So with that, I will close my comments and take questions. [LB491 LB624]

SENATOR LANGEMEIER: Thank you very much. Are there any comments...questions? Seeing none, thank you. [LB491 LB624]

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BRIAN HALE: Thank you. [LB491 LB624]

SENATOR LANGEMEIER: Just for the testifiers' information, we have a number of senators testifying in other committees so that's why they're getting pulled out so they will be back if we're still going before they get done. Welcome. You have some handouts, okay. [LB491 LB624]

LAVERNE THRAEN: I can't get in front of you guys without a handout. [LB491 LB624]

SENATOR LANGEMEIER: We like handouts. [LB491 LB624]

LAVERNE THRAEN: (Exhibit 11) I had a major computer fiasco, so pardon the printing business on it. There's ink, you can read it. Okay, my name is LaVerne Thraen, 4728 Cass, Omaha, Nebraska. The reason I'm before you... [LB491 LB624]

SENATOR LANGEMEIER: I need you to spell that for me. [LB491 LB624]

LAVERNE THRAEN: Oh, L-a-v-e-r-n-e T-h-r-a-e-n. Okay, so everybody's for efficiency, everybody's for zero interest loans. This would have been great in 1976 in high interest environments. Currently we have a real low interest environment so you're really not offering any more than my Sony card can give me. So always so little so late. Federal money...waiting for money to come fill these voids is kind of again, we're not really doing anything. I want you to pass the bill of course, because this is all we have here. But I'll give you a couple of freebies. If you had the Governor just change the building permits, that all new buildings were zero emission and all retrofits were as energy efficient as possible, there's your stick. And then you, as a Legislature, create a "feebate" program which is a fee on inefficient equipment and a rebate on more efficient equipment that's more expensive, and that would cost nothing, neither one of those things would cost the state a thing. That's a, you know, it pays for itself, the "feebate" program does. And then you'd actually be doing something right now and not waiting for federal. And then you'd really be sending a major indicator that, you know, when the federal come and low interest loans are needed for subdivisions and what have you, you'll be ready. But, you know, this would actually be something that's free. And then something that is this money, I'm really concerned...can I borrow money right now to make this room more efficient? Now, you'd think get some windows, doors, and insulation. Well, no, actually just change the orientation of this room. Put these desks behind me, open up these windows. You'd be using the sunlight for day lighting, and you'd be using the sunlight for heating. Now am I going to...can I get a low interest loan to just change these desks; would that apply? And I'd like for you to put that in there. Orientation is really, really important. I was driving down here, driving down the street, saw a really old building for sale. It was this really, kind of narrow thin building, but real long. And the whole long side was due south, just blasting with sun right now. And of course, were there any windows? No. And it was built in the 1800s and "blah-bitty-blah" and now everything's

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been torn off around it and it's just sitting there. So I want to be able to put this loan money towards putting new windows in that building. And maybe they'd be super energy efficient and maybe they would also open up the building for a nice nightclub that you could view in and watch people dance, for example, because the sun would be shining in there, for example. Can a low interest loan be used for plants? Can I replant my entire neighborhood or my house or my business so my trees are warming me in the winter and cooling me in the summer and plant orientation? Can I use that for this? That's an energy efficiency development. So be sure to give you guys some idea because you just seem lack of them, always, you know. It's just a terrible deal. And I think that's it. I think building codes, I got the plants, I got the orientation. You know, I guess that's it unless you guys have got some wonderful questions. I've got billions of ideas. I've only left two because I know this is structured so there you go. [LB491 LB624]

SENATOR LANGEMEIER: We might can only handle so many at a time, so. [LB491 LB624]

LAVERNE THRAEN: I know. I can only give you two. I know, I know. It's...you know, it took us 30 years to get to zero interest loans. I mean, I have been testifying at this building, Omaha, Nebraska, city councils. I have pictures with me and Nelson holding hands and the whole business. You know, 2009 you come around with the zero interest loan. I've currently got \$24,000 on zero interest loan. My brother currently has \$70,000 on zero interest loans. What in the hell are you going off us that Sony or Nebraska Furniture Mart can't? Unless you pay us. That's a minus 1 percent and 2 percent, you know, that would be nice. You know, so anyway, so again... [LB491 LB624]

SENATOR LANGEMEIER: Very good. [LB491 LB624]

LAVERNE THRAEN: ...if this was a high interest environment, gosh, this would be the greatest thing, we'd be kissing the hem of your feet. But we're in a low interest environment where nobody can borrow money. We have a credit freeze. You're suggesting loaning money when the federal government is benevolent enough. You know, building codes, "feebates" are things that you can do right now. And you don't have to wait for anybody. Thank you, any more questions? [LB491 LB624]

SENATOR LANGEMEIER: Very good. Are there any questions? Seeing none, thank you very much. Further testimony in support? You have to follow. [LB491 LB624]

KEN MASS: Senator Langemeier and the committees, my name is Ken Mass. I represent Nebraska AFL-CIO and here today in support of two...both bills, LB491 and LB624. As in the bio, both of these bills will create jobs and that's what we need in today's economy, coming down part of that stimulus package chute. The states and out in loans and that kind of thing. I think everybody has touched on why and Senator Haar

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did an excellent job explaining them. I think he's got a lot of help and the testifiers of why it's important, so. I'm ready to ask any questions, if there may be some. [LB491 LB624]

SENATOR LANGEMEIER: Very good. Are there any questions for Mr. Mass? Seeing none, thank you very much for your testimony. [LB491 LB624]

KEN MASS: Thank you, sir. [LB491 LB624]

SENATOR LANGEMEIER: Further testimony in support? Ms. Harding, welcome again. [LB491 LB624]

MARY HARDING: Thank you so much, Senator Langemeier and members of the committee, Mary Harding, M-a-r-y H-a-r-d-i-n-g representing the Nebraska League of Conservation Voters in support of both bills. Trying to be brief and not reiterate previous points already made. One of the things that I've become familiar with in some of the national conferences I've attended in the last six months is a renewed emphasis on energy productivity. And that's what this is really about, is trying to get the same comfort and convenience and power out of fewer units of energy, as the way to go for energy security for the nation in the future. One of the reasons that this is especially good here in Nebraska at this particular time is that the studies I'm familiar with show that the cost of implementing energy efficiency programs is about half the cost of the next unit of base load power, megawatt per megawatt. And so it's a very good, efficient, cheap investment. Certainly, if cap and trade or a carbon tax becomes a reality at the federal level, and we have reason to believe that it's going to be given very strong consideration, then this investment shows immediate return to all Nebraskans because the cost of a carbon tax or any kind of carbon cap will be socialized across all ratepayers in the state. And so any way that we can reduce consumption in advance of that is an economic savings to all ratepayers in the state. We especially support the retrofit for public buildings because that is a place where ratepayers are paying twice. I pay to heat my own home and light my own home, I also pay to power my library, my courthouse, my statehouse, etcetera. We share the Rural Electric Association's concern about access for all Nebraskans regardless of their utility provider because as Ms. Gottschalk mentioned, there are variances of capacity between the utilities, and hope that that can be addressed. That would summarize our comments and thank you very much. [LB491 LB624]

SENATOR LANGEMEIER: Very good. Are there any questions? Seeing none, thank you very much for your testimony. Further testimony in support? Welcome. [LB491 LB624]

LYNN REX: Thank you. Senator Langemeier and members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And

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this afternoon, I'd first like to thank Senator Haar for introducing both measures. We believe that these bills are extremely important and on behalf of the Municipal Power Pool, they also wanted to thank him for the amendment that he discussed in his opening remarks. Certainly in terms of what's going on with the federal government and the economic stimulus package, this fits within the purview of what they're considering right now. It is extremely important that Nebraska be in a ready position to take advantage of that. So we know other states are doing this, our national affiliate, the National League of Cities, has been encouraging states to do these very sorts of things and I want to commend Senator Haar for putting this measure in. In addition, just in traveling the state, I know that many of you have done that as well, there are hundreds if not thousands of public buildings out there that need retrofitting. And the small village or the municipality may not have the money to actually do that, but these energy efficient loans would certainly be very helpful in assisting them in that endeavor. I'd be happy to respond to any questions that you have, but we really appreciate the introduction of these bills. We think job creation is important, we think the tax savings are important, and we think the retrofitting and the energy efficiency is also extremely important. [LB491 LB624]

SENATOR LANGEMEIER: Okay, for the record, you're testifying in support of both bills, correct? [LB491 LB624]

LYNN REX: Yes. [LB491 LB624]

SENATOR LANGEMEIER: Okay. Are there any questions? Seeing none, thank you very much for your testimony. Further testimony in support? Welcome. [LB491 LB624]

MARY CAMPBELL: Thank you. Chairman Langemeier and members of the committee, Mary Campbell, C-a-m-p-b-e-l-l, registered lobbyist for the Lincoln Public Schools, testifying in support of LB624. We support both the concept and also the strategy of having a legislative vehicle available should it be needed regarding any possible federal stimulus . And that's all. [LB491 LB624]

SENATOR LANGEMEIER: Very good. Any questions? Seeing none, thank you very much for your testimony. [LB491 LB624]

MARY CAMPBELL: Thank you. [LB491 LB624]

SENATOR LANGEMEIER: Further testimony in support? Welcome back. [LB491 LB624]

JOHN K. HANSEN: Mr. Chairman, again, members of the committee, for the record, my name is John K. Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union and also am their lobbyist. We are in support of LB624 and LB491. We have been working

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on renewable energy and energy issues ever since I've been president which is 1990. And one of the first things that I learned when I got into the renewable energy arena was how important it was to do, first of all, energy efficiency and begin there. The best example of that, I think, is I learned a long time ago was the example of hauling water with a leaky bucket. If you were hauling water with a leaky bucket it would become fairly obvious to you fairly quickly that you really ought to try to stop up the holes in the bottom of the bucket. When we do energy efficiency a lot of times because it's more invisible and it's not quite as obvious, we miss that part. And so we thank Senator Haar for bringing LB624 and LB491 both forward and we like several parts of this. One is that I do think that the federal government is going to do something, and in the stimulus package. I think it's prudent and proper for us at the state level to figure out how we create the opportunity to take advantage of this opportunity to do two good things at least. That is to help create jobs and also increase energy efficiency which are good for the long term in both cases. The...I like the part of involving the public utilities, have a lot of faith and confidence in them and am certainly open to considering any kinds of more appropriate ways to administer this, but there's expertise there in that entity--in those entities--and would, you know, if there needs to be changes made to be able to make it more appropriate, I'm certainly open to that. And would encourage the committee to give it favorable consideration and look favorably upon both of these bills. And with that, I'd end my testimony and would try to answer any questions if you would have any. And at this point in the hearing, I can't imagine what there would possibly be. [LB491 LB624]

SENATOR LANGEMEIER: You might be right. Are there any questions? Seeing none, thank you very much. [LB491 LB624]

JOHN K. HANSEN: Thank you, Mr. Chairman. [LB491 LB624]

SENATOR LANGEMEIER: Thank you for your testimony. Further support testimony? [LB491 LB624]

BRIAN MIKKELSEN: Senator Langemeier, members of the committee, my name is Brian Mikkelsen, it's B-r-i-a-n M-i-k-k-e-l-s-e-n. I'm representing the 28,000 members of the Nebraska State Education Association. I won't go over what everyone else had testified to. We have two probably a little bit different spins on this bill in support of LB624. One is that many of our members teach, and our kids are in classrooms that are in desperate need of repair. And a lot of that is in the air quality area and so it's our hope that providing districts more resources to do this in the most efficient manner solves two problems. One, you know, some of the problems they haven't been able to fix in the past, but also doing it here in the most efficient manner possible so. The second thing also is, you know, as you hear from your districts, the cost of fuel and heating and energy itself, electricity, is a huge burden on the budget and the more we can move toward energy efficient programs at the local level means hopefully more dollars for the classroom. So, with that, we'd be supportive of LB624 and open to any

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questions you might have. [LB491 LB624]

SENATOR LANGEMEIER: Okay. Thank you, are there any questions? Seeing none, thank you very much for your testimony. [LB491 LB624]

BRIAN MIKKELSEN: Thank you. [LB491 LB624]

SENATOR LANGEMEIER: (Exhibits 12, 13, 14) Further testimony in support of either LB491 or LB624? Seeing no more, I do have two letters both in support of both bills. And Robert, I never say his name right, Byrnes from Oakland, Nebraska, and Jim Otto the president of the Nebraska Retail Federation, and then we have one letter in support of LB624 by itself and that's Bruce Rieker with the Nebraska Hospital Association. Are there any testimony in opposition to LB491 or LB624? Welcome, come on up. [LB491 LB624]

BONNIE ZIEMANN: (Exhibits 15, 16) Excuse me. My name is Bonnie Ziemann, B-o-n-n-i-e Z-i-e-m-a-n-n. Senator Langemeier and members of the resource committee, good afternoon. My name is Bonnie Ziemann, and I am the deputy director of the Nebraska Energy Office. Thank you for the opportunity to testify this afternoon and I am testifying in opposition of LB491. The agency thoroughly reviewed the proposed legislation and found three main deficiencies to the bill as it is introduced. For the following reasons, the Energy office opposes LB491, which would create local electric utility-based home energy efficiency loan programs. The first deficiency is one of duplication. The first priority for these proposed loans is for persons whose household income is at or below 150 percent of the federal poverty level. Under the existing federally funded Low-Income Weatherization Assistance Program, these households are eligible to receive free weatherization services. These services can include replacement of furnaces as well as traditional insulation, replacement of windows and doors, infiltration of winter weather and the heat in the summer. Because of the anticipated substantial federal funding from the stimulus packages for the Weatherization Assistance Program, the agency is ramping up to provide services and we aim to triple or quadruple the number of homes receiving free services over the next two years. And we will also be installing high efficiency heat pumps and backup natural gas furnaces where it is appropriate. For those utility costumers whose income is above federal guidelines, there is the Energy Office's Dollar and Energy Saving Loan Program. We've operated that program for 18 years. We have financed more than 23,000 residential improvements totaling--page turn--more than \$215.4 million. The chief distinction between the proposed utility-based program and the currently operating Energy Office program is simply the interest rate, 0 and 5 percent respectively. The second deficiency is the revenue stream to capitalize the Home Energy Efficiency Fund. Unspecified grants, loans, and federal are listed as capitalization sources. The Energy Office is unaware of any current grants, loans, and federal that could be used in such a manner. The final deficiency relates to the proposed geographic distribution of the in the

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Home Energy Efficiency Fund. Under the proposed legislation, eligible entities are to receive an allocation from the fund based on the utility's number of customers. Since a number of the state's 162 electric utilities only have a few hundred customers, it is conceivable that those utilities would never receive sufficient allocation from the fund to make a loan. Therefore, this would essentially bar their customers from benefitting from the proposed loans. However, the existing Low-Income Weatherization Assistance Program and the agency's Dollar and Energy Saving Loan Program have no such geographic limitations and are available to any Nebraskan. That concludes my testimony and I will be glad to answer any questions that you may have. Thank you. [LB491 LB624]

SENATOR LANGEMEIER: Just for one clarification. [LB491 LB624]

BONNIE ZIEMANN: Yes. [LB491 LB624]

SENATOR LANGEMEIER: For my own sake, is you're testifying in opposition to LB491 only, that's it. [LB491 LB624]

BONNIE ZIEMANN: Yes. [LB491 LB624]

SENATOR LANGEMEIER: Only. [LB491 LB624]

BONNIE ZIEMANN: Yes. [LB491 LB624]

SENATOR LANGEMEIER: Okay. Questions? [LB491 LB624]

SENATOR McCOY: Thank you, Senator Langemeier. That was half of my question, I guess. To further answer my question, Ms. Ziemann, is has the Energy Office taken a position on LB624? Or are you not willing to offer any. [LB491 LB624]

BONNIE ZIEMANN: We've not taken any position on LB624. [LB491 LB624]

SENATOR McCOY: Okay. Thank you. [LB491 LB624]

BONNIE ZIEMANN: I handed out to you the number of Dollar and Energy Saving Loans that have been made in each one of your districts and as you can see, that's a considerable amount of money and it is 21.4 percent of all of the loans that we have made. [LB491 LB624]

SENATOR COOK: I have a question, Senator. [LB491 LB624]

SENATOR LANGEMEIER: Very good. Senator Cook. [LB491 LB624]

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SENATOR COOK: I've noticed from this chart, that the number for Legislative District 13 is quite a bit smaller than the other numbers reflected, and I'm not taking it personally, fellow members of the committee, but can you tell me how these programs are promoted because I imagine there are quite a few homes within our district that would be eligible and quite a few families that could benefit from the program. [LB491 LB624]

BONNIE ZIEMANN: When we established the Dollar and Energy Saving Loan Program, we decided not to put in any geographic kind of distribution of and you're right. District number two has the lowest number of participation in the loan program. The third District has the highest... [LB491 LB624]

SENATOR COOK: Okay. [LB491 LB624]

BONNIE ZIEMANN: ...with the first District second. I don't know really the reason why Omaha does not participate more, but what we do to promote the program is through the state's...through the lenders that are participating in the program, and there are over 600 sites across the state where people can get loans. They send out...they promote the loans through the bank, savings and loans promote the loan program as well as credit unions. And utility companies contact us and ask for fliers on the loan program and they use them as stuffers in the utility bills. And a bank will ask us for fliers if they're doing a special loan promotion, so we provide those fliers upon request. Senator, the one thing that we don't do is we don't actively go out and advertise the loan program. And we've learned over the years that by doing that we run out of money in the loan pool and then it creates a waiting list, and then people get angry and we get calls as to why your loan isn't being funded. And we have to wait until the repayments come back in, in order to fund additional loans. And we've had waiting lists three times in the 18 years of our program. We do, though, go out and make presentations to organizations. We have booths at different events. We have booths at open houses with the Homebuilders Association, you know, a lot of areas that we do cover. I don't know for sure what else we could be doing other than buying advertisement or not particularly...probably in the paper buying advertisement, but doing public service announcements might be another thing. I'm mystified as to why Omaha does not...the other thing, too, is that lenders must be a Nebraska chartered bank or institution and some of our very large banks have been purchased by foreign banks, meaning outside of Nebraska banks. And then what they do is they collect the loan money and take it outside of the state. So some of our major lending institutions when they were purchased and no longer were Nebraska banks were not eligible to participate in the program. And in Omaha that could be also one of the reasons. [LB491 LB624]

SENATOR COOK: All right. Thank you. [LB491 LB624]

SENATOR LANGEMEIER: Senator Carlson. [LB491 LB624]

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SENATOR CARLSON: Senator Langemeier. The sheet that you gave us, is that over what period of time? [LB491 LB624]

BONNIE ZIEMANN: That's over the entire of the program, over the 18 years. [LB491 LB624]

SENATOR CARLSON: Okay. Now these are federal dollars? [LB491 LB624]

BONNIE ZIEMANN: No. There are no tax dollars in the loan program. Let me correct that, there's \$250,000 that was given to us by the Department of Environmental Quality to make waste minimization loans and we have that as a special sector in the loan program. So other than that, it is all oil overcharge or petroleum violation escrow . Those came into the state in the early '80s and they were a result of lawsuits, the government against oil companies for overcharging consumers in the late '70s and early '80s. And what we did in Nebraska with \$10 million of the that came in was to capitalize this loan program. Part of the funding--funds that came in went out in grants. Some of it was left for the next administration, it came in under senator--excuse me--Governor Kerrey at the time and then under the Governors after that, they each put money into the loan program. So it grew from \$10 million because it wasn't enough to meet demand to today we have about \$24.2 million or something like that and it continuously revolves. [LB491 LB624]

SENATOR CARLSON: Okay. Now, these figures, so it's over the 18-year period. [LB491 LB624]

BONNIE ZIEMANN: Um-hum. [LB491 LB624]

SENATOR CARLSON: Do they reflect both loans and grants? [LB491 LB624]

BONNIE ZIEMANN: We don't make grants through the loan program. [LB491 LB624]

SENATOR CARLSON: Well I thought you used the term grant. Okay you do have grants but that's not reflected in these figures. [LB491 LB624]

BONNIE ZIEMANN: No. The weatherization program is a free program. It is totally different, it is federally funded. Is that what you're talking about, the grants? [LB491 LB624]

SENATOR CARLSON: Um-hum. [LB491 LB624]

BONNIE ZIEMANN: Yeah. That's federally funded and has nothing to do with the loan program. [LB491 LB624]

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SENATOR CARLSON: On the federally funded dollars then for grants, are there guidelines from the federal government on how that needs to be distributed on some kind of a proportional basis? [LB491 LB624]

BONNIE ZIEMANN: The federal funding for the weatherization assistance program, we provide that service free of charge. We don't give grants out. It comes into the state as a grant from the U.S. Department of Energy to the Energy Office and then we subcontract that out to local community action agencies and the Weatherization Trust in Omaha, and it is distributed based on population. [LB491 LB624]

SENATOR CARLSON: Okay. Thank you. [LB491 LB624]

SENATOR LANGEMEIER: Are there any other questions? Seeing none, thank you very much for your testimony. Further testimony in opposition? Welcome. [LB491 LB624]

ROBERT HALLSTROM: (Exhibit 17) Senator Langemeier, Chairman Langemeier, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m, middle initial J. And I appear before the committee today as registered lobbyist for the Nebraska Bankers Association to express our opposition to LB491. I certainly want to make it clear for the record and also to Senator Haar that we're not taking exception with the worthiness or the objectives of the legislation in terms of providing increased energy efficiency and the objectives of the legislation are certainly meritorious in that respect. We would take exception, however, in the methods to get there as proposed under LB491. The Nebraska Bankers Association has historically had a position of opposition to direct government competition with private enterprise in the area of lending by financial institutions. In this particular area, and I think Senator Haar in his opening remarks had referenced the Dollar Energy and Savings Loan Program which also Ms. Ziemann had talked about, banks have been very actively engaged in that program over the years since its inception, I believe, in about 1990. They've made loans across the state for many worthy projects and we would see the possibility of looking at issues such as these types of interest rate buy-down programs, loan guarantees that have been used in different forums particularly with regard to the Dollar and Energy Loan Program as being a better prototype. It's kind of interesting, one of the witnesses earlier talked about we're sitting here waiting and hoping, as I think we all are, for federal stimulus money to come down and help the economy and create jobs but it's not clear just yet whether we're going to get those in form of grants or loans. Certainly if they are loans there would be some additional issues that we would raise with regard to the manner in which LB491 is designed. I note on page 3, Section 4 of the bill there is a lot of things that are looked at in determining whether to approve or deny a loan application. And if you're certainly looking at this program as being more in the form of a grant, one of the things that is not there that generally should when you're approving or rejecting loans is the creditworthiness of the ultimate borrower. And if you don't have creditworthiness standards you are certainly going to be looking at not getting 100

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percent payback on your initial outlay of funding and if the federal government does in fact make the stimulus payments in the form of a loan rather than a grant, we may come up a bit short at the end of the day, particularly if these loans are zero interest. And in that respect, obviously, I don't know that banks are sitting here saying they want to make zero interest loans but again, it's the government competition with financial institutions that runs counter to our traditional notions of fair play. I think it also gives the opportunity for the federal government to speak out of both sides of their mouth. With the liquidity crunch that we have, all of you have seemingly read federal government encouraging banks and financial institutions to make more and more loans. They give us stimulus monies and then we turn around and use the stimulus monies to compete for loans that banks might otherwise make. It doesn't necessarily flesh with one another. With that, I'd be happy to address any questions that the committee might have. [LB491 LB624]

SENATOR LANGEMEIER: Are there any questions? I have one, Mr. Hallstrom. Being in the real estate business, the Energy Office talked about by the grants and they handed out and my district gets a lot of these mainly because as a real estate agent, we push them. Most of my bankers that we deal with push these loans that was talked about by the Energy Office as people need new furnaces or something as they go into their lender and their lender says, hey, you can go get this 2 percent, 3 percent loan you'd probably qualify. I see lenders pushing for that you're testifying that the lenders don't want the competition. I'm confused. [LB491 LB624]

ROBERT HALLSTROM: Well, Senator, they are promoting the loans. They want to continue making the loans if they're going to compete for the loans on a zero interest basis. The prospect would be that the interest rate, whatever the effective interest rate is and by the way, the Dollar and Energy Loan Program interest rate and the interest rate buy down has fluctuated over the years with the marketplace changing, you could create an environment where the two options are going to be you use the Dollar Energy Loan Program at x percent or you get a zero percent loan from your friendly direct government competitor. That's what I'm talking about in terms of the competition. It's either a zero percent loan as provided under LB491 from the hoped for economic stimulus package monies or you use the existing Dollar and Energy Loan Program at whatever the prevailing rate is. And those monies, Senator, could be used to buy down that interest rate to zero percent or whatever percent the government felt through the State Energy Office was appropriate. The projects will get done the same, the same job creation issues that I think people are rightfully interested and concerned about would come about, just the same plugging those monies through and using an interest rate buy down through the existing program. [LB491 LB624]

SENATOR LANGEMEIER: Very good. Any other questions? Seeing none, thank you very much for your testimony. [LB491 LB624]

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ROBERT HALLSTROM: Thank you. [LB491 LB624]

SENATOR LANGEMEIER: Further testimony in opposition? Seeing none. Is there any testimony in a neutral position? Don't hurt yourself. Welcome. [LB491 LB624]

SHELLEY SAHLING-ZART: Hello. Chairman Langemeier and members of the committee, for the record my name is Shelley, S-h-e-l-l-e-y Sahling-Zart, S-a-h-l-i-n-g-Z-a-r-t. I've vice president and assistant council for Lincoln Electric System here in Lincoln and I'm testifying today for the Nebraska Power Association which represents all of Nebraska's electric utilities across the state, public power districts, municipalities, co-ops, rural public power districts, rural public power district and irrigation districts. We're here testifying today neutral on both LB491 and LB624. The first thing I'd like you to do is thank...I'd like to thank Senator Haar for the amendment to include the NMPP energy in the definitions of the legislation. They certainly appreciate that and we hope you will support that amendment. By and large, we support the concept of this bill. Energy efficiency is something that we're all focusing very heavily on right now. It really is where we can get the biggest bang for our buck, if you will. It's the lowest hanging fruit. We can go out there and make some pretty quick improvements in energy efficiency, drive our overall demand down, and push those power plant decisions back into the future. We have some concerns about some of the mechanics of this bill, however, which is why we're coming in neutral. Conceptually it's a great bill but as several people have indicated, the utilities don't particularly want to be in the loan business, for a lot of reasons. We aren't positioned to determine creditworthiness or loan eligibility as Mr. Hallstrom mentioned. Loan repayment and collection, we have a hard enough time collecting our electric bills; we don't want to be chasing down loan payments as well. And for the low-income, the income verification would be a little difficult for us to do too and would require a great deal more record keeping than we are equipped to do now. So from that standpoint, take us out of the loan business and we'd probably be more supportive of the concepts in this bill. I would just note that energy efficiency is a pretty popular thing right now and there seems to be a lot of demand for it. Lincoln Electric System, if you've watched your papers over the weekend, we launched our new \$1 million sustainable energy program. That program actually has seven smaller incentive programs for energy efficiency. They're targeted at both the residential level as well as there's some programs for commercial businesses. Within two days, the first two days of this program, Monday and Tuesday, we have had preauthorizations for \$166,000 of incentives. So there is a demand for these types of incentives and loans out there and I think this would be a great program to try and get started. We just need to work on some of the mechanics. Senator Cook, I'd like to also clarify one thing. Mr. Winston earlier referenced the \$5.4 billion number spent on energy outside the state. I did clarify with him, I think that's a total energy so it would include gas and oil, and gas and oil would probably be the lion's share of that. I can't give you the electricity number off the top of my head. I could get that for you, but it would be a fraction of that total number. And I just wanted to clarify that. [LB491 LB624]

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SENATOR COOK: Thank you. [LB491 LB624]

SHELLEY SAHLING-ZART: With that, I'd be happy to answer any questions. [LB491 LB624]

SENATOR LANGEMEIER: Is there--Are--there any questions? Senator Carlson. [LB491 LB624]

SENATOR CARLSON: Senator Langemeier. I've got a philosophical question, I guess. If by some miracle overnight every resident in the state had state of the art energy saving heating and cooling units in their houses, insulation and whatever, energy saving overnight, so we cut our need by 50 percent to buy power, what does that do to our public power? [LB491 LB624]

SHELLEY SAHLING-ZART: That's an interesting philosophical question and it, that is a dilemma for us. If we cut loads that significantly...we are in kind of a unique position because we are one of the few industries you'll find that actually go out and ask our customers to use less of our product. But overall, as nonprofit utilities theoretically you'd think your costs come down. So assuming you're still obtaining the revenue to cover your costs, we should be okay but that's an interesting question. That's one I think I'm going to go back and pose to the industry and talk about how much reduction is a bad thing. I mean, how much reduction actually starts to hurt your utilities, I think that's a really interesting philosophical question. And I'll be prepared to bring you an answer to that at a future hearing, how about that? [LB491 LB624]

SENATOR CARLSON: Okay. Thank you. [LB491 LB624]

SENATOR LANGEMEIER: Very good. Are there any other questions? Seeing none, thank you very much for your testimony. [LB491 LB624]

SHELLEY SAHLING-ZART: Thank you. [LB491 LB624]

SENATOR LANGEMEIER: Any other testimony in a neutral capacity? Seeing none, Senator Haar you are recognized to close on LB491 and LB624. [LB491 LB624]

SENATOR HAAR: Going to be careful how I sit down here. [LB491 LB624]

SENATOR LANGEMEIER: I've noticed that. [LB491 LB624]

SENATOR HAAR: Well, when I was interviewing my LA, Tom Green, we talked about opposition and we both agreed that usually opposition makes things better. So we've listened carefully today. I mentioned Senator White's bill earlier and it's LB14, not 150

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whatever I said. I'm still struggling with LB numbers. Again, I'm very excited about these bills. I always thank John Hansen for his great analogies. We might just call this the Leaky Bucket Bill in honor of John, because that's exactly what it is. Again, we'll work to create a few of the things...I think the testimony from the bankers, I don't want to fight the bankers but there's so much need out there that we'll never get enough money to do everything that's needed through government grants. But with that, I would appreciate all your questions and listening to it. And I think the bill...we will work in the next week or so to make the bill better. So any questions? [LB491 LB624]

SENATOR LANGEMEIER: Are there any other questions. [LB491 LB624]

SENATOR HAAR: And I love your comment because the same, of course, is true with gas taxes exactly. We're seeing less people using less gas and so our transportation money is going down while the road costs go up and so that is certainly a catch-22. Thank you very much, I appreciate your attention. [LB491 LB624]

SENATOR LANGEMEIER: Very good. Thank you very much. That concludes the hearing on LB624 and LB491. (See also exhibits 18, 19, 20) Thank you all. [LB491 LB624]

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Disposition of Bills:

LB491 - Held in committee.
LB565 - Held in committee.
LB624 - Held in committee.

Chairperson

Committee Clerk