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Natural Resources Committee
February 24, 2010

[LB1048 CONFIRMATION]

The Committee on Natural Resources met at 1:30 p.m. on Wednesday, February 24, 2010, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1048 and a gubernatorial appointment. 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: Good afternoon and welcome to the Natural Resources Committee. I would like to welcome everybody here in the crowd. I'd like to welcome those that are watching on the closed caption, as well as those that are watching on the Internet feed. I am Chris Langemeier, the Chairman of the Natural Resources Committee. I'm going to introduce the committee. We have a couple committee members that had bills up first thing in other committees. They will be joining us as soon as that concludes in the other hearing rooms. We're going to start to my far left. Senator Beau McCoy will be here; he represents Elkhorn and Omaha; he's in Government Committee right now. We have Senator Ken Haar from Malcolm and north Lincoln. Then we have Senator Ken Schilz who also has a bill in another committee and he'll be here momentarily from Ogallala. Then we have Senator Annette Dubas who's the Vice Chair of the Natural Resources Committee. We have Laurie Lage who is the legal counsel for the committee. To my right we have Senator Deb Fischer from Valentine, Nebraska, and next to her will be Senator Tom Carlson who's currently in Judiciary with a bill and he'll be joining us shortly, from Holdrege, Nebraska. Then we have Senator Tanya Cook from Omaha, Nebraska. And then on the end we have Barb Koehlmoos, committee clerk for the Natural Resources Committee. We have two pages that have been helping us all year and will continue; we have...first we have Tony Pastrana who is from Loveland, Colorado, and is a freshman at Union College. And then we have Kiana Mathew who's from Omaha, Nebraska, and she's a sophomore at UNL. As you come up today to testify, you have two options. If you're going to actually, physically come up and testify in the chair, you need one of these green forms. They're located by the back doors; we need you to fill those out in their entirety as you come forward. And when you come forward, give them to Barb Koehlmoos, the committee clerk, before you testify. If you're here today and you're not going to testify, we have this sheet in the back. It looks kind of like a little spreadsheet and what we have you do is you can write your name on it and whether you support or oppose. We only have the one bill after a confirmation that Mr. Burke is so patiently waiting for. But if you want to be on the record of having an opinion and you're not going to testify today, we ask that you fill out that sheet in the corner. As you come up to testify, we'd like you to first of all say your name and spell it, the first thing you do; helps us keep an accurate record, for this is the public hearing for LB1048 and the amendment too. If you have anything that you want to hand out, we ask that you have 12 copies. If you know right now you're short some copies, raise your hand and the pages will work through and help make you some additional copies. If it's

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something you want us to see and you do hand it out to the committee to look at, we are going to keep it and so don't hand out something you want back because once you give it to us, it's ours and it becomes part of the permanent record. If it's something you want to show us, you can try and show it to us from the table as you testify and one of the committee members, if they would like to see it in more detail, they will make arrangements to do that after the hearing. At this time we'd ask that you turn your cell phones off so not to disrupt the testifiers in this process today. And with that, we, in the Natural Resources Committee, we use the light system. You have five minutes to testify on a bill. You will get the green light for four minutes; you'll get the orange light for one minute and then you get the red light and we ask that you stop when you get the red light and open yourself up for questions, if the committee has questions about your testimony. And with that, our first item on today's agenda is a confirmation hearing, a reappointment to the Nebraska Game and Parks and Jerrod Burke has been nominated to serve another term on the Game and Parks Commission and we'd like to welcome him back. It's been a few years since the last appointment. []

JERROD BURKE: Right. Thank you. [CONFIRMATION]

SENATOR LANGEMEIER: If you'd start out by stating your name and spelling it and then tell us a little bit about why you want to be reappointed. [CONFIRMATION]

JERROD BURKE: (Exhibit 1) Okay. It's Jerrod Burke J-e-r-r-o-d B-u-r-k-e and like Senator Langemeier said, I'm here for a reappointment to the Game and Parks Commission. It's a fantastic organization; they do phenomenal stuff around the state. It's really been a privilege to serve the last five years on the board of our commissioners. There's just so much knowledge out there that our staff possesses, so many things out there that you just don't really know that goes on until you've been a part of the system and how it works. They have wonderful people working there and be able to work with some of the natural resources in the state of Nebraska and, you know, represent the constituents of the state of Nebraska. It's just been a phenomenal experience and one that, you know, you can never replace, I don't think. It's just...it's been a lot of fun and I'm looking forward to having an opportunity to do it again. And I just can't imagine a better way to serve the state of Nebraska at this point in time in my life.
[CONFIRMATION]

SENATOR LANGEMEIER: Very good. Are there any questions for Mr. Burke? Senator Haar. [CONFIRMATION]

SENATOR HAAR: Thank you. Did you know this many people would be here to testify for and against you? (Laughter) [CONFIRMATION]

JERROD BURKE: That's interesting, you know. When I walked in and saw all the people I thought, well, maybe, you know, I have that many enemies I've made in the last

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five years, so I'm not sure. [CONFIRMATION]

SENATOR HAAR: No, my question is, just real briefly, I know that the Game and Parks has talked somewhat about an alternative to the sticker thing, you know, when you come into the parks. Could you talk just a minute about that? Is there a possibility of that, do you think; what have you talked about? [CONFIRMATION]

JERROD BURKE: Well, you know, there's been different things discussed. Even before I was on the commission there has been some things talked discussed about ways to handle the park sticker. I'm assuming that's what you're talking about, the park entry permit. You know, there's probably different ways of handling it and I don't know what the best answer is at this point in time, it would take...it would take some doing, I'm sure, on the Legislature's part and on the commission's part as well. When I was just getting on the commission there was some ideas floated around there about adding so much to a motor vehicle registration tax in order to fund the parks so just anybody could come as they saw fit. That was one thing that had been discussed at that point in time. I think Senator Schrock at that point in time was interested in doing something like that. You know, different states have done different things with a percentage of the sales tax; they've done away with some fees and things like that. So there's a lot things out there. I guess it's going to kind of matter what the people in Nebraska would want to do as far as their parks go. There would be some benefits to not having to have the park permit. One of the benefits to the Game Commission would be that the cost of just printing the permit itself, you know, is an expense to us and to be a way to handle that either electronically or just by a matter of whoever wants to come to the parks can come, that would be great. I think it would, you know, probably increase our park attendance, you know, a great deal if you didn't have to have a park permit or people that, you know, is out for a drive or whatever might come to one of our parks. They'd be able to come that much more easier without having to stop and get a permit, so, you know, it would be nice to explore some of those, you know. It's been talked about at different times, but I don't know exactly what avenue that's going to take at this point in time. [CONFIRMATION]

SENATOR HAAR: Thank you. [CONFIRMATION]

SENATOR LANGEMEIER: Very good. Are there...Senator Fischer. [CONFIRMATION]

SENATOR FISCHER: Thank you, Chairman Langemeier and thank you, Mr. Burke, for coming in today. It's been my pleasure to observe you at a few Game and Parks meetings in your capacity as serving on the commission; once in Bassett and a couple times at Mahoney and I want to thank you for your service. It's obvious that you enjoy what you're doing. You ask, I think you ask good questions at the commission meetings and I don't always agree with your votes, but I do appreciate your dedication to it and your willingness to serve. I would ask you, what was the biggest issue when you first

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were appointed to the commission and what do you think is the biggest challenge that the Game and Parks Commission is facing today? [CONFIRMATION]

JERROD BURKE: Well probably when I first got on the commission, there was a lot of discussion at that point in time about a declining use of the outdoors, you know. Hunters and fishermen were at a declining rate; a lot of discussion about what we were going to do to try to reverse that trend. Not only the trend in Nebraska, but the trend nationwide. And at that point in time we were working on developing our recruitment and development program which is our RDR plan which we put together, a 20-year RDR plan we put together to try to bring lapsed hunters and fishermen back, try to educate children, you know, try to get them out in the outdoors, try to get them more involved, because that's basically our future of our outdoors, and at that point in time that was a critical aspect of the Game and Parks Commission at that point in time. Because without people using the outdoors, there's not going to be a lot of need to have the Game and Parks Commission. So that's, not by no means is done. I think our focus is still there. You know, you asked me what is one of the things we're facing right now; I'd say that's still one of the things we're still facing right now, one of the things we continue to work on. We've developed some of the expos around the state. Have an expo at Ponca, Kearney, Chadron, you know, we've developed those and Platte River State Park. We bring in school children on field trips for two days for expos, try to get them exposed to some things in the outdoors. And then at some of our expos, then we have the public come on Saturday then and get exposed to different things, you know, shooting and fishing and all those types of things you can do in the outdoors. So that's still, you know, I don't think that issue is probably ever going to be finished. I think we have to continue to work on that and continue to move forward with that without a doubt. Probably even when I got on the commission and probably even now as well, it's always a funding issue. It's going to continue to be a funding issue of how we're going to fund the things we want to do with the Game and Parks Commission. We come to the Appropriations Committee every year, you know, and ask for appropriations for different things. We do survive a lot on user fees, you know; I think that's going to continue to be an issue as far as funding for the Game and Parks Commission. You know Senator asked about the park permits and things like that, how we're going to continue to fund this going forward. That's probably a big issue whether it's going to be in our parks system or if we're going to maintain a wildlife management areas. How are we going to continue to manage those in the future and maintain the funding source to continue to do that? And I think that's a big question going forward here probably we're going to have to address. [CONFIRMATION]

SENATOR FISCHER: Thank you. I also want to thank Game and Parks Commission. I worked with you guys a few years ago on a hunter mentoring bill that passed and hopefully that's helping... [CONFIRMATION]

JERROD BURKE: Absolutely. [CONFIRMATION]

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SENATOR FISCHER: ...get young people involved in the sport and the appreciation. But thank you again for your willingness to serve. [CONFIRMATION]

JERROD BURKE: Thank you. [CONFIRMATION]

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

JERROD BURKE: All right. Thank you. [CONFIRMATION]

SENATOR LANGEMEIER: You bet. You have heard the opening on the confirmation report for Mr. Burke to the Game and Parks Commission to serve a term from January 16, 2009 to January 15, 2014. Is there anyone here who would like to testify in support of this nomination? They all didn't just rush the table, so. [CONFIRMATION]

JOE HERROD: Good afternoon, Senator Langemeier and fellow members of the Natural Resources Committee, my name is Joe Herrod, J-o-e H-e-r-r-o-d and I'm here representing the Nebraska Council of Sportmen's Clubs. Because there are so many people here perhaps that have not heard about the Nebraska Council Sportsmen's Clubs, we have over 100 member clubs which encompass probably over 100,000 members and we watch what goes on at the Game Commission very closely and we're very appreciative of Jerrod's work and we're very happy to see him appointed for an additional term. [CONFIRMATION]

SENATOR LANGEMEIER: Very good. Are there any questions for Mr. Herrod? Seeing none...oh, Senator Haar. [CONFIRMATION]

SENATOR HAAR: Is this your family? Okay, asking you...okay. [CONFIRMATION]

JOE HERROD: Thank you. [CONFIRMATION]

SENATOR LANGEMEIER: Thank you very much. Is there anyone else that would like to testify in support? Seeing none. Anyone that would like to testify in opposition? Seeing none. Anyone want to testify in a neutral capacity? Seeing none. That closes the appointment for Mr. Burke to the Nebraska Game and Parks. We'd like to thank you for coming down and we appreciate your service. Thank you. The next item on the agenda is LB1048 and I'll turn it over to the Vice Chair, Senator Dubas. [CONFIRMATION]

SENATOR DUBAS: Good afternoon. Ready, set, go. [LB1048]

SENATOR LANGEMEIER: (Exhibit 2) Vice Chairman Dubas and members of the Natural Resources Committee, I bring here, as a primary introducer along with each and

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every one of you on the committee, an introduction to LB1048 and the amendment, AM2010. This has been a long journey; started with LR83 last year and then Senator Carlson asked earlier from one to ten I'm going to change the landscape a little bit. When we started on the journey in LR83, I would state that if we were headed from the east to the west coast we started out somewhere on the wonderful beaches of the east coast of the US. And as we got into LR83, that's the discussion brought us closer to Tennessee. Then we introduced LB1048 and now through two hearings we've moved across the United States and we're now to the west coast. At the end of the day, would there...is there some that would like to build that pier a mile out into the ocean and keep going? Yeah, probably is. But we have made monumental progress. I need to thank and I started to write a list and it just got longer and longer and longer, of all those people to thank and give appreciation, so I thought my first thing I'll do is leave somebody out and I'll get yelled at. So I opted not to do that. And I want to thank the committee at this point for their patience. We've done this a little more...a new fashion type of a hearing, as we had the two briefing sessions prior to today and so you've heard so much about this bill. The goal of LB1048 and its amendments was to determine how we could allow wind for export in Nebraska. And Senator Haar, key...I think he's going to trademark this yet, came up with a statement that says: how do we encourage and how do we allow? And you see that trickled through the bill. That's his trademark statement up to this point. Tim Texel is going to come up behind me and I asked him to do that and I want him to do, for the record, since our briefings were not of public records up to this point, they were both informational and we took a lot of variety of comments and we've tried to work on those issues through a great drafting committee. He's going to come up behind me and go through the bill in detail and we're going to save that for him. I don't want to take his thunder, even though I have it all in front of me, I could. But also for the record, we have a little more language that's not in the bill. We've talked about met towers and how they're marked and how they're dealt with across the state. Public power and the aviators and individuals have been talking about that. We're going to continue to talk about that. So that will be an additional item in the bill. And again, we'll continue to talk about that. We have in this journey we have stretched, I think all sides, about as far as we can stretch them. I think this is a bill in its current form, yes, there will be some word tweaking that goes on over the next couple of days, but I think we have tried to bring everybody in. I don't think it's been closed to any discussion. We've gotten feedback from a wonderful group of people. We keep adding people almost every day to the e-mail list. Oh yeah, we want be in a part of that. And so it's been a good process. And I'm going to conclude there and allow the discussion to continue behind us. And are there any questions for me? [LB1048]

SENATOR DUBAS: Any questions for Senator Langemeier? [LB1048]

SENATOR LANGEMEIER: I'm getting off early? Now normally as someone introduces, we can run away and we can leave, but I will not do that and I've ask Tim Texel to come up next and then we'll open it up for anybody. [LB1048]

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TIM TEXEL: Good afternoon. [LB1048]

SENATOR DUBAS: Welcome, Mr. Texel. [LB1048]

TIM TEXEL: Senator Dubas, members of the committee, my name is Tim Texel T-i-m, last name T-e-x-e-l and I am the executive director and general counsel for the Nebraska Power Review Board. And the Power Review Board is the state agency with primary jurisdiction over electric power suppliers operating in the state of Nebraska. I have some comments first on behalf of the board before I go into the actual provisions of the bill that I'd like to make. And first of all, I'd want to note that at its public meeting held February 19 of this year, the board authorized me to testify in support of LB1048. The board understood that the bill would change slightly from the version that it had before it at that date; the bill has been changing on a fairly regular basis. And at that point my board, by consensus, agreed it supported, in general, this bill. It very much since supported the idea. It didn't take a formal vote because they knew this wasn't the final product. But I wanted to assure you they are in support of this. They encouraged my participation and wanted me to let the committee know that. The board would like to thank Senator Langemeier and the entire committee for its leadership on this issue addressed in this current version. And I know some of the testimony that I will go through will probably be repetitive to the committee members, so if you'd indulge me I will go through the parts. I plan to only go through the parts that the Power Review Board will administer. There's some other provisions in here, and I think it's 25 pages all together, and I plan to go through just the parts that my board and I will deal with specifically. The board has, for some years, been raising the issue that the board's approval process does not lend itself to considering applications filed by private entities to construct generation facilities. The board's approval criteria are set out in Section 70-1014. And the board's current criteria are that the board must find, in order to approve a facility, that the proposed facility will serve the public convenience and necessity, the applicant can most economically and feasibly supply the electric service resulting from the proposed facility without unnecessary duplication of facilities or operations. The current law was created in 1963, specifically with Nebraska's consumer-owned powers entities in mind and with the type of generation in mind that was used at that time, which was primarily large facilities, normally coal-fired facilities. So it was created envisioning Nebraska's consumer owned electric utilities exclusively building all the generation needed in the state for this state's residents. It was not anticipated with the amount of wind energy in the U.S. as there is today. I don't think that was on the radar screen back in 1963 when the board was created and our criteria were created. So the approval criteria were created in order to ensure, as I mentioned, the generation transmission facilities in Nebraska to be the lowest cost for Nebraska's residents as possible to protect the lowest rates with the highest degree of reliability. And that's been my board's mandate. Those are very laudable goals. I think they serve Nebraska and Nebraskans admirably. And Nebraska's consumer-owned power systems

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have done, I think, a very good job under these criterias, judging by our low rates. The problem that concerned the board was what if an entity that is not a Nebraska consumer-owned electric utility, we commonly refer to as public power, files an application to build a generation facility. The current standards don't really make sense with that type of application. That would put the...my board and the private entity filing that application in a very uncomfortable situation. I've often used the analogy it's kind of putting a square peg into a round hole. You might be able to do it, but it's very difficult and as I said, it would be uncomfortable for both sides in that situation. The purpose of the...it doesn't really make sense to require a private entity to meet those standards, the lowest cost standard, especially when you're talking about export because that's protection for Nebraska's ratepayers; it just doesn't fit with that different type of scheme. Another problem arises because resources, such as wind, are not normally the lowest cost in Nebraska, particularly with our low rates. And wind is not dispatchable and wind provides many benefits, but it's usually not the lowest cost, at least in, and economically feasible in a state like Nebraska. So the board raised those concerns that if wind and other renewables are desired in Nebraska, that the current standards can make approval very difficult as I mentioned. The Legislature has previously addressed the issue in order to allow Nebraska's consumer-owned electric suppliers to construct wind and other renewable facilities easier without regard to the lowest cost necessarily, but not for private developers. So that issue was still out there for myself and my board. LB1048 addresses those concerns for these wind power and other renewable export project. It provides specific criteria that are meant for this type of application. This is what the board has been hoping for and we appreciate the work that's been done on this. The board believes that this bill does serve those purposes; it does what it's intended to do. Before I turn to the bill's provisions itself, my board wanted me to mention one point that it believes is important regarding the power purchase agreement. My board, at its meeting, wanted me to mention that the provisions in LB1048 dealing with the power purchase agreements, my board members thought were very important. I think they used the word "fundamental" to this bill. So I wanted to mention that. They asked me specifically to. As Senator Langemeier mentioned, he'd asked me to go through some of the provisions and I will go through, as I said, those provisions that the board will administer. There's others in here that if you have questions afterwards, I might be able to address, but I'm going to skip some of those. The first thing I wanted to mention, I am dealing with AM2010, not the green copy of LB1048, just for the record. The first provision I wanted to mention is Section 2(2), it's on page 2, dealing with the definition of the certified renewable export facility. This, as I said, provides a definition; and under this, the facility must meet three criteria to meet the definition. It must use wind, solar, biomass, landfill gas, or methane as a fuel source. The next one is that it must not be a consumer-owned, essentially, must not be a consumer-owned or a public power electric supplier that's doing this. Now these are for private entities. And third, that the applicant has to, in order to have a certified renewable export facility, must have a power purchase agreement for at least 90 percent of the output with a customer that's located outside of Nebraska. So those are the definitional requirements. It provides a

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definition of stranded asset on page 3. I'm probably not going to go into that unless there's any questions. And the next part that I wanted to go through, which is sort of the meat, the main part of this bill, Section 5, although the definition is also integral to this. Section 5 on page 5, it starts out with a definition that for purposes of this particular section, Section 5, electric supplier means essentially public power entities. Normally, there's a different definition in article 10 that my board deals with for power supplier that's broader than that: anybody selling electricity at wholesale or retail in the state. So we wanted to narrow that so we didn't have to keep using this list of entities in Section 5. Under this, it's a two-step approval process. There's the conditional approval and then there's the final approval and we did that because the developers that were helping us draft this were concerned they couldn't meet all the criteria up front and this gives them an opportunity to meet some of the criteria and get their financing and then come back for final approval. And I'll let them deal any further with that, but that's the issue that was being addressed. The conditional approval has three parts to it. The facility will provide a reasonably identifiable and quantifiable public benefits including economic development. I think that's standard, probably will not be difficult for most facilities to meet. Number two, the facility won't create a substantial risk, that it will strand public power assets in Nebraska. And third, that the facility must meet the definition of a certified renewable export facility that I spoke of earlier. After the applicant would meet those three, than once they meet the next ones that I'm going to go through, they can come back to the board for final approval. And we'll go through those. You can get final approval for one of these facilities if, first of all, there's no materially detrimental affect of Nebraska's...or on Nebraska's retail rates. This is in keeping with the board's current mandate to protect Nebraska's ratepayers from unnecessarily high rates. It clarifies that if a regional transmission organization orders an upgrade in a transmission facility or if the public power entity buys part of the output from this, that's not intended to be a detrimental affect. So they wanted to clarify that. Number...these are small roman numerals now, that was small "i"; and this is "ii", roman numeral 2 on page 6. The applicant has obtained interconnection approvals and has an agreement with the applicable regional transmission organization or other transmission provider; for most of Nebraska, that would be the Southwest Power Pool. There is part of Nebraska though, in the panhandle, that's not part that would not be included in the Southwest Power Pool. Number three, with the "iii", the applicant certifies it has applied for and is pursuing approvals from other governmental entities with jurisdiction over the facility. This would be something like the Department of Environmental Quality, Corps of Engineers, whatever there is out there, they're pursuing those independently. Number four, (iv) the developer and the local utility with transmission assets have a joint transmission development agreement. And the board must also notify the utilities owning 115 kilowatt lines or larger that it deems potentially interested about this so they could also step in and participate. The agreement sets out the developer will pay for transmission upgrade costs that are required or incurred because of the facility. And the local electric supplier has the right to purchase and own the transmission facilities. On page 7, for number 5, the small "v", the applicant or developer must agree to cover any costs not reimbursed

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to the local electric supplier through the transmission tariff. And number 6, small "vi", this one is a fairly long one. The applicant must offer to sell a total of 10 percent of the output to Nebraska's public power suppliers serving loads more than 50 megawatts. They must make that option available. The facilities less than 80 megawatts are exempt from this requirement. We felt that if it was too small it probably would not be worthwhile, too cumbersome. The price is the cost plus the reasonable rate of return and the total 10 percent option will be shared on a load ratio basis amongst all those eligible and the Nebraska power suppliers that want to participate. So there's a total of 10 percent in the aggregate. It's not 10 percent for each of them. And if Nebraska utilities exercises this option, the applicant can increase its facility by that amount needed. So if they need a 100-megawatt facility, they can make a 110-megawatt facility and bring it to my board without, I suppose it would be an amended application, relatively simple process like that. This subsection includes a notice provision to Nebraska's utilities in a time period in which they have to exercise that option. And if a Nebraska utility says yes and then later withdraws from it, there's cost provisions where they have to make the...have to reimburse for those costs incurred by them not withdrawing earlier and causing those costs. Lastly, on page 9 with the small roman numeral 7 (vii), the decommissioning security. On this one, after the tenth year the owner must establish a decommissioning security, and this was to protect the landowners and make sure that public power wouldn't be perhaps left with picking up the cost of this, if something like a bankruptcy happened. If the local governmental entity with jurisdiction creates its own decommissioning requirement, then this process is waived. We wanted to allow for local control in this, and that's that reason for that provision. On page 10, just mention that the applicant has to commence under subsection (3), the applicant has to commence construction within the 18 months of approval. We wanted to have some time period set for that. There's other provisions dealing with eminent domain. I don't plan on going into those. We don't per se administer those. So I think that's the main part. I would mention on page 12, subsection (8), there's a decertification process. And basically, if the owner fails to meet some of the ongoing requirements, primarily a power purchase agreement, the 90 percent, if they fail to continue that requirement, at some point the PRB, the Power Review Board or another entity withstanding could step in and file, essentially, something before the board and make the applicant correct that error. And they have, essentially, a one-year period during which they can correct that problem. If they don't and there's a final decertification, there's, of course, an appeal procedure, but at that point the eminent domain protections would be lost after that. That is what I planned to go through, that's the parts of the bill that my board would be responsible for administering. After that I would be glad to answer any questions that the committee may have. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions of Mr. Texel? Senator Fischer. [LB1048]

SENATOR FISCHER: Thank you, Chairman Langemeier. Thank you, Mr. Texel. On

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page 9, when you spoke of the decommissioning under the seventh part there, why would we wait to year ten before there, what I believe would be any protections for landowners? [LB1048]

TIM TEXEL: The discussion was that it...that before the tenth year the applicant would have considerable incentive and there would be considerable value in the facilities. There would be some concerns that something could happen before that tenth year, but I think part of it was that they have considerable value before the tenth year and they were worried about the up-front cost, what the developers were concerned, that's one way they... [LB1048]

SENATOR FISCHER: When you say "they were worried", the developers were worried? [LB1048]

TIM TEXEL: The developers were concerned about the up-front cost they would have to put up with the decommissioning security. This is one way to, I guess, help encourage these facilities, because it reduces the up-front cost for the developers that they would have to put in... [LB1048]

SENATOR FISCHER: What happens if in the first ten years a turbine is put up; something goes wrong and it...really it never, never even is put into production, but it is still sitting on the landowner. What happens then? [LB1048]

TIM TEXEL: Well, I think as long as the developer, as long as the company that was the applicant before the board is solvent, they'd be responsible for this. This provision primarily, I think, kicks in if there's something like a bankruptcy and they don't have adequate assets to take down the facility. That problem could occur. Like I said, as long as the company is still solvent and has assets, they could be required to take it down. Hopefully, the landowner had an agreement that would have also some protections in it. But there is opportunity in the first ten years for something to potentially go wrong. [LB1048]

SENATOR FISCHER: So if the company isn't solvent in the first ten years, what happens to the landowner? [LB1048]

TIM TEXEL: I guess it might depend on their lease agreement, for one thing. And if there's not adequate assets for the landowner to try to go after, I'm not sure what would happen in that situation. [LB1048]

SENATOR FISCHER: Would the state be responsible in any way? [LB1048]

TIM TEXEL: Well that was one of the concerns of the public power entities, that they might be asked to step in and take care of that. Whether legally who would be

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responsible, I'm not sure that public power would be, but they were concerned that they might be asked to step in and do that. I'm not sure at this point if they would or not. But certainly they were worried about that potential. [LB1048]

SENATOR FISCHER: Maybe I'll ask public power when they come up how they would handle that. [LB1048]

TIM TEXEL: Probably better ask them if...what they feel. I'm not sure if they would have that obligation since it wasn't their facility. But they were concerned about that and they might be able to address that better. [LB1048]

SENATOR FISCHER: Okay. Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Dubas. [LB1048]

SENATOR DUBAS: Thank you, Senator Langemeier. Thank you, Mr. Texel. I can't remember which page it's on, it's where we're talking about the 90/10 requirement. Why do we need 90/10 in there; why do we need any number in there? [LB1048]

TIM TEXEL: Well, the concern was that if we don't...if we allowed all of the facilities' output to be marketed in Nebraska that it would have the effect, or could have the effect of stranding assets because if a facility built a...or if a developer built a large facility in Nebraska and dumped all of the output into the hubs in Nebraska's market, Nebraska's utilities wouldn't be able to sell their excess generation on the market anymore for what they normally could. That...they count on that process to be the same as it is now. They tend to make money doing that because we are low cost. That helps subsidize our ratepayers, that, it's good for everyone because they can sell at low cost...they can sell their low-cost power into the market, get more money, the other entities around the region that need it can get a good deal from it. But that might go away because these facilities are normally...the private developer are going to be subsidized with the federal energy tax production incentive. So, and my understanding is they need to produce that in order to get the tax incentive from it. So the concern was that in a large facility, putting that much onto the market could have a detrimental affect on Nebraska's utilities and our system, ability to sell and such like that. Again, probably public power could address that issue better than I, but that was my understanding from participating in the discussions. [LB1048]

SENATOR DUBAS: Thank you very much. [LB1048]

SENATOR LANGEMEIER: Other questions? Senator Schilz. [LB1048]

SENATOR SCHILZ: Thank you, Senator Langemeier. Tim, thanks for being here today. I know this has been a...quite an endeavor and thank you for all your work. Can you...on

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the...Senator Dubas, her questions sparked me. On the 90/10, can you...how exactly would that process work? In your guys' mind, and maybe this is a question for public power as well, I don't know, but how exactly would that work? I mean, I know there's a time limit on how that does...when would you...when would somebody go into negotiations on whether they were going to utilize 10 percent or want somebody to increase their project by another 10 percent, how does that all work and what do you feel would be the process of how that would get done? [LB1048]

TIM TEXEL: It would probably be...I'll take a shot at it, but I...probably between the developers and our utilities they could deal with that better. But when they come to us, an applicant or developer, in this case, would probably already have a power purchase agreement. My understanding is they normally with this kind of investment, they're going to want to have a power purchase agreement; they're going to want to have investment lined up in the facilities so they would come to us and have that 90/10 when they file an application. Now maybe they wouldn't have the financing because there was some concern about the chicken and egg type argument with financing and getting some kind of approval from the state because the people who would be financing it want to know that there's some approval from the state before they start investing, was my understanding. So I guess the exact process of how the developers get this, I've never been involved in that, but my understanding is they'd try to have a power purchase agreement when they come to us, to the extent they can. Certainly, after they get the initial conditional approval on this, they'd want to go and get a power purchase agreement before they have that final approval. And that's one of the requirements, so at some point they would have to have it. When they get it exactly would be, I think, left up to them. My board, even with current standards, doesn't typically care about the timing, as long as you meet all the requirements by the time we give the final approval. [LB1048]

SENATOR SCHILZ: Sure. [LB1048]

TIM TEXEL: Does that...I don't know if that completely addresses your question. [LB1048]

SENATOR SCHILZ: I understand, I understand where you're coming from and I can ask some public power folks how they envision that working because I have a feeling there's a lot of folks out there that maybe have never done this before. [LB1048]

TIM TEXEL: Haven't done this. I haven't. [LB1048]

SENATOR SCHILZ: Thank you. [LB1048]

SENATOR LANGEMEIER: Any other questions? Seeing none, thank you very much. [LB1048]

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TIM TEXEL: Thank you. [LB1048]

SENATOR LANGEMEIER: Now we'll move into...you've heard the opening with the two of us, combined opening. Come on up. Now we're going to take supporters of LB1048 and AM2010. Welcome. [LB1048]

RON ASCHE: (Exhibit 3) Thank you, Chairman Langemeier and members of the Natural Resources Committee. My name is Ron Asche, that's R-o-n A-s-c-h-e. I'm president and CEO of Nebraska Public Power District and I'm also currently the president of the Nebraska Power Association. The Nebraska Power Association represents all of the electrical utilities in the state. Nebraska Public Power is the largest generating utility and provides nearly half of the energy consumed in the state of Nebraska. A year ago, as Senator Langemeier described, LR83 was introduced by the Natural Resources Committee and public power, the wind developers, landowners, and environmental community and many others embarked on a endeavor to study the potential for expanded development of wind energy in Nebraska. The purpose of LR83 was to study issues, to explore the opportunities for private development to build wind and other renewable energy projects for energy export while preserving our state's unique public power system. Tremendous effort has been expended by you, Chairman Langemeier and all of the members of the Natural Resources Committee, the public power industry, the wind developers and the other interested parties in this process. Today I'm here to speak to the results of that effort, AM2010 to LB1048. The various groups have worked very diligently over the last year, especially in the last few months, to reach a compromised legislation. The public power industry believes that AM2010 accomplishes the purpose of LR83. We also believe that AM2010 addresses the concerns that the wind developers had regarding the ability to do business in Nebraska with wind for export. More specifically, AM2010 provides private developers a process to construct and own renewable energy generation projects in Nebraska for export to other states. It provides protection from eminent domain for certified renewable energy projects. This was a key concern of the developers that we heard often. It provides for development of transmission infrastructure necessary for certified projects to export the energy produced. Another key issue that had to be addressed. It protects landowners by requiring a decommissioning process for the wind projects. It provides a process for the Power Review Board as Tim Texel just described, to approve private development of renewable energy projects. It also preserves the public power authority of Nebraska to serve all of the Nebraska customers. And finally, it provides protection from adverse cost and reliability impacts to the electric ratepayers in Nebraska. And those last two provisions were very key elements for the public power industry. NPPD and the NPA support AM2010 to LB1048. We believe this amendment will protect the citizen ratepayers of Nebraska, while also providing an opportunity to utilize Nebraska's abundant renewable energy resources. An important component of this bill that we believe is necessary to protect Nebraska ratepayers is the power purchase agreement

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requirement. The utilities in Nebraska have built facilities sufficient to serve our customers maximum needs for energy during peak load periods. This typically occurs in the summertime when weather conditions are hot and dry and we see large loads due to air conditioning and irrigation. In the off-peak periods, we have surplus generation capacity then that we can use to produce energy for sale outside of the state of Nebraska into the wholesale market. That surplus energy is typically sold, most often at prices higher than what we charged our Nebraska customer-owners. And the revenue from those sales is used to keep our electric rates to our Nebraska customers low. As indicated in the briefing on this issue last week, we believe there will be significant rate impacts to Nebraska customers if wind energy is simply dumped into the energy wholesale market. There would be a reduction in both the volume of sales that public power makes into that wholesale market, as well as the price that we get for that energy that we sell into that market. Transmission reliability could be impacted and there could be increased costs to the utilities to respond to the variable energy production from those renewable generation facilities located in our area and increased transmission congestion. In conclusion, opening the state for significant development by private interest is a fundamental shift in the business model for a public power state like Nebraska. While some may think this legislation does not go far enough, we believe it is a monumental step forward. On behalf of the public power industry in the state, we thank you Senator Langemeier and members of the Natural Resources Committee for your leadership on this legislation. And I'd be happy to answer any questions that you have. [LB1048]

SENATOR LANGEMEIER: Thank you very much. Are there any questions? Senator Haar. We'll work our way around. [LB1048]

SENATOR HAAR: Just a couple. Since public power, both NPPD, the data you showed us, NPPD and OPPD produce excess capacity. Under what circumstances do you think that they would exercise that option to purchase the 10 percent since you already have excess capacity? [LB1048]

RON ASCHE: Well, there are periods of time that we do purchase energy in the market and that might be an opportunity. It might represent a lower cost. But probably more likely is, NPPD, for example, and OPPD, both have renewable energy goals for our respective systems. NPPD and OPPD have adopted goals of getting 10 percent of our energy requirements to serve our Nebraska customers from new renewable energy resources. So taking advantage of that 10 percent could help fill that need that we have identified. And should there also be, at some point in time in the future, a national renewable energy standard that would be required, this might also represent another opportunity for us to utilize the 10 percent of the output to help meet any obligations we might have under a national energy standard. [LB1048]

SENATOR HAAR: So then in terms of...since you already have surplus, would that

additional amount mean that you'd be putting more electricity out onto the spot market?
[LB1048]

RON ASCHE: If we were...yes, is the basic answer, including the energy that facilities that we're adding our own renewables, that does result in some additional energy that we will be selling into the market because that adds a little bit to our surpluses. And that same scenario would occur if there were a national energy standard that we had to meet and we had other generation that was then utilized less. We would look to take that energy into the market, if possible, and again, earn some margin on that for the benefit of our Nebraska customers. [LB1048]

SENATOR HAAR: And then you mentioned in your testimony that you increased cost to the utilities to respond to...no wait, I'm sorry, well just talking about going into the market and what that, you know, would cost and so on; you're going to try and quantify that, right? We have talked about that. [LB1048]

RON ASCHE: Right. We have worked with OPPD and we've done some estimates based upon the volumes of energy that we both sell into the market right now and the margins that we earn on that. Kind of what we estimate is the upward impact for NPPD would be a loss in margins of about \$82 million a year, which would mean a rate impact of about 13 percent in our wholesale rates and almost 9 percent in our retail rates. OPPD has estimated over the next several years the loss of margin would impact their retail rates by approximately 6 percent. Now whether all of that would happen, all of that could be lost, of course is dependent upon a number of factors. One would be how much wind might be dumped into the market; what happens with our own load growth here in the state of Nebraska versus what we've assumed that it's going to grow. So there are a lot of assumptions there, transmission congestion issues that would have to be addressed. And it's very difficult to come up with a precise number as to how at any point in time that that might be affected. But that's kind of the upward bounds as we see it right now. So it would be anywhere from zero to, you know, the percentages or numbers I've described. [LB1048]

SENATOR HAAR: Were those the numbers from the other day, or have you worked on those some more? [LB1048]

RON ASCHE: Those were the numbers, I believe, that were presented to you last Friday at a briefing session. [LB1048]

SENATOR HAAR: Okay. And those were numbers if you sold nothing on the spot market? [LB1048]

RON ASCHE: That's correct. [LB1048]

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SENATOR HAAR: Okay. Is that...that's not likely, is it? [LB1048]

RON ASCHE: It's not likely, and again, how much wind additions in the state would impact that would largely depend on how much your wind farms were built. Is it 100 megawatts for export or putting into the energy market? Is it a 1,000 megawatts? Is it 5,000 or is it 10,000? You know, there have been numbers described as much as 8,000 megawatts of wind potential in Nebraska. If all of that were dumped into the market, I would think that would substantially eliminate, for example, the sales that we're making. [LB1048]

SENATOR HAAR: Well I'd like to work with you some more on that... [LB1048]

RON ASCHE: Sure. [LB1048]

SENATOR HAAR: ...to develop some scenarios, [LB1048]

RON ASCHE: Um-hum. [LB1048]

SENATOR HAAR: because I think, I think it's really important we try and quantify that. And I understand it can't be exact numbers, you know. Hopefully, the world will be here tomorrow. [LB1048]

RON ASCHE: Yeah. I think we've bounded it, Senator, as to what the impacts would be and then where within that bounds is...depends on what assumptions that you make on a number of different key elements. [LB1048]

SENATOR HAAR: Okay. Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Schilz. [LB1048]

SENATOR SCHILZ: Thank you, Senator Langemeier. Mr. Asche, thank you very much for coming in today. Thank you for all of your organizations' work on this important issue. Senator Haar got me thinking and wondering a little bit. During the off season, you say you sell excess power on the spot market and you're getting a premium for that, basically, to what it takes for you to produce it, and so if our demand would go up during those times, would it actually be detrimental to our ratepayers because we wouldn't be able to sell that on the spot market for a premium? [LB1048]

RON ASCHE: Well we have an obligation to serve our customers and to the extent that there is load growth. Load growth can cause, you know, our electric rates to go up. Would we have to add facilities or use our more expensive generation of resources to serve that, so yes, there can be. But that's the obligation that we have is to serve whatever their needs are and we try and do it at as low a cost as we possibly can and

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the... [LB1048]

SENATOR SCHILZ: You're walking a tightrope there, aren't you? [LB1048]

RON ASCHE: Yes, we are walking a tightrope. [LB1048]

SENATOR SCHILZ: Understand that, and I'm just trying to figure this out for myself. And then, you know, we hear about all this new energy, renewable energy that's coming into the queue in the Southwest Power Pool and around the country itself and we've heard amazing numbers of seven gigawatts and who knows what the number is exactly. So...and I'm not sure how much of that is being sold on the spot market; maybe there's somebody that can tell us later. But I guess my question is, obviously you're concerned about this no matter what happens, right? [LB1048]

RON ASCHE: That's correct. [LB1048]

SENATOR SCHILZ: Because as power is dumped on the spot market, whether it be here in Nebraska or anywhere else, that will impact your business model, won't it? [LB1048]

RON ASCHE: Yes, to some degree, yeah. If the power is dumped here in Nebraska, that will have a more direct impact versus if it's dumped in the market down in the panhandle of Texas, for example. [LB1048]

SENATOR SCHILZ: So if we're not careful and we get...and just hypothetically speaking, like we're all having to do this, if we would happen to get no development at all but yet have development everywhere else that's dumping into the market, we could be in a much worse situation than we are today because we have no development plus we have energy costs going up and we're sitting here wondering how did we get here; would that be fair? That could be a scenario that could play out? [LB1048]

RON ASCHE: Well that could be a scenario, depends again on where that wind, that energy is produced and to what volumes... [LB1048]

SENATOR SCHILZ: Sure. [LB1048]

RON ASCHE: ...and what the transmission constraints and issues are. It's very difficult to make just blanket assumptions as to, you know, what impacts may or may not be. But certainly, more energy that comes into the marketplace and you have your load out there, the more supply you've got, let's say whatever load, that will drive market prices down and, particularly in Nebraska here, we are surplus energy, we have energy to take into that market that would have an adverse effect in our view on both the quantity that we could sell and the price that we would get for it and have some adverse impact on

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our Nebraska customers. [LB1048]

SENATOR SCHILZ: So if the price goes down, our price goes up? [LB1048]

RON ASCHE: Since we're so surplus right now, that's...if you're short and they're buying in the market, then the opposite would be true, but right now both NPPD and OPPD are surplus...or we have surplus energy available and to the extent that we lose that market or get reduced pricing, it does have a negative effect on us. [LB1048]

SENATOR SCHILZ: Okay. Thank you very much. [LB1048]

SENATOR LANGEMEIER: Senator Dubas. [LB1048]

SENATOR DUBAS: Thank you, Senator Langemeier. Thank you, Mr. Asche. I think both you and Mr. Texel kind of hit on why the 90/10, but I guess I would like to have you just expand; if we went anything bigger than the 10, that would be very difficult for you to absorb or to handle? [LB1048]

RON ASCHE: It creates a more concern. I think we would have preferred, as a power industry, to have 100 percent of the energy under a power purchase agreement, you know. The 90/10 does provide the developer some flexibility. The more you change that going to a lower percentage under a PPA, the bigger a concern it becomes to us and the impacts on the markets. [LB1048]

SENATOR DUBAS: Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Fischer. [LB1048]

SENATOR FISCHER: Thank you, Chairman Langemeier. Thank you, Mr. Asche, for being here. I'd like to start out with the decommissioning question. We've heard that there was concern that the decommissioning, the burden for decommissioning wouldn't fall to the local electric utilities and that's an important agreement, a deal maker here with this bill. Do you think it's fair to the landowners that we're looking at a 10-year period before they're protected? [LB1048]

RON ASCHE: Well there is risk there, Senator, and, at least in my view, there is in that first ten years, you know, there is that risk that exists that if the landowner is not financially capable and the project is shut down for whatever reason that there is a question on the financial ability potentially of the developer to decommission that facility and the financial wherewithal and that is a risk that exists right now with the existing language. [LB1048]

SENATOR FISCHER: If you can, could you please tell us how NPPD is handling the

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future decommissioning of the wind farm up by Ainsworth, Nebraska, on the private land that's up there, the 36 turbines that are there? [LB1048]

RON ASCHE: We don't have any specific decommissioning fund or anything like that created that...for that facility. The size of our financial capability of our organization, we're confident that at some point in the future when that facility does need to be decommissioned we would have the financial wherewithal to do that. I will contrast that with the...our nuclear facility down at Brownville, Nebraska, and there is a federal requirement there that's administered by the Nuclear Regulatory Commission. We actually have to build a decommissioning fund and that's perceived to be very, very expensive to do that. It would even test the viability of organizations that don't build a decommissioning fund, if you will, to be able to do that at some point in time in the future. So, both ourselves and OPPD have been building dollars because those will be significant obligations, contrasting, what I believe for a wind farm, for example, up there at Ainsworth, that we would be able to handle that without any great difficulty at all. [LB1048]

SENATOR FISCHER: Do you have anything in your contracts with the landowners or it's just assumed that you will be taking those turbines down when they're no longer able to be in use? [LB1048]

RON ASCHE: I'm going to have to answer, I don't know what's in those agreements, Senator. That's something I'll have to find out and we can get back to you as to what provisions are in there for decommissioning. [LB1048]

SENATOR FISCHER: Do you think I'm off the target asking these questions? [LB1048]

RON ASCHE: Oh, absolutely not, Senator. [LB1048]

SENATOR FISCHER: So it is something we need to take into consideration here? [LB1048]

RON ASCHE: I think the Natural Resources Committee, and you know, that's an issue that everybody needs to be aware of with their eyes wide open going in and come up with a resolution that is satisfactory or reasonable to all the interested stakeholders. [LB1048]

SENATOR FISCHER: Okay. On another track here; the transmission lines are a big concern and not just where they're going to be built, but how they're going to be built and an even greater question is if they're going to be built. Do you think they will be built without a PPA? [LB1048]

RON ASCHE: No. And I think...and I'll...Bruce Rew is here from the Southwest Power

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Pool that can more thoroughly address that. But without a PPA, as the structure is within the Southwest Power Pool right now, if you don't know where the power is going to go to, if you don't have a PPA that you're going to deliver to such a location or certain entities, it's very difficult to determine what type of transmission systems, additions and upgrades that you might need. And the rules now would require that there would not be any upgrades made, other than just in the local area that...to handle that. And if you didn't have a PPA and dump that into the market and you didn't know where that was going and absent transmission additions and upgrades to the grid, if you will, we would expect that there would be more transmission congestions and more difficulties in managing the reliability of the system as a result of that. A PPA allows you to...you know where point-A is, the wind farm, and where the delivery point is, point-B. And the transmission study then allows you to analyze the transmission grid as to whether you can deliver that power from point-A to point-B and if the system is not adequate, it identifies what type of upgrades you will need to make. Absent that PPA, you don't know where that power is going if you're going to just dump it into the market, so it's very difficult, if not impossible, other than into the very local area, to determine what type of transmission system upgrades you might need to make to the system. And if that power is coming in, it's going to create more transmission congestion; it's going to make it more difficult for the utilities to manage the system, if you will, and maintain reliability. And I think that's a real key element of why a PPA is very important from our standpoint, in addition to the market issues that we've talked about. [LB1048]

SENATOR FISCHER: With regards to transmission lines, and you have built numerous transmission lines in the past and I assume will continue to do so as our public power district, how often do you use your power of eminent domain to put in transmission lines? [LB1048]

RON ASCHE: Well any time we do a transmission project we try and go out and voluntary...negotiate voluntary easements with the property owners and we've been very, very success in that. But there are occasions when we're not able to reach agreement with the property owner and we'll have to exercise our right of eminent domain. I'll give you an example. On the 345-line that we've built from Columbus to Lincoln, that's an 80-mile line, I believe we exercised our right of eminent domain I think on four parcels of property on that and I think there were some 300 all together, if I remember correctly. So we try and voluntarily negotiate with property owners for an easement. But there are occasions when we're not able to come to agreement and we do exercise our right of eminent domain. [LB1048]

SENATOR FISCHER: You said 4 out of 300 some. [LB1048]

RON ASCHE: I believe it was about 300, if I remember correctly. [LB1048]

SENATOR FISCHER: So the vast percentage of property owners are willing to enter

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into easement contracts with public power when you're putting in any kind of transmission lines? [LB1048]

RON ASCHE: That's correct and it's part of our process is going out and explaining to them the need for the facilities and the...etcetera. [LB1048]

SENATOR FISCHER: Have you ever had over a quarter of the people protest? [LB1048]

RON ASCHE: I'm not sure what you mean by protest, but certainly it's not... [LB1048]

SENATOR FISCHER: I've heard from some constituents who are concerned with this bill and with another one we have in this committee, and with the eminent domain part of it. And one of the proposals that was brought to me and I believe to other members of this committee would be that if 75 percent of the people who are affected by this...or, it's if 75 percent of the people who are affected, they needed to sign off on a transmission line going through before the utility could use their eminent domain power. Would...is that something that would ever happen? I mean, it sounds like you have a vastly higher percentage than that that sign off willingly. [LB1048]

RON ASCHE: Yeah, obviously when, whether it's NPPD or any other public power entity in the state needs to acquire easements, every property owner along that route, whether it's a transmission or distribution line, obviously has concerns about what is being done on their property. And again, we try and work with all of those property owners and voluntarily acquire easements. And I think both ourselves, NPPD and the other utilities have been very successful in getting volunteer easements and not having to exercise the right of eminent domain. I've never heard of percentages of the magnitude that you've talked about. But certainly every property owner along the proposed route does have concerns. And we want to try and address those concerns in a very open and forthright fashion with the property owners and try to, again, come to a voluntary agreement in regards to acquisition of those easements. [LB1048]

SENATOR FISCHER: And how do you determine the...what you're going to pay for those easements? [LB1048]

RON ASCHE: We employ professional appraisers that go out and actually do appraisals on the property and try to determine what fair market value is, and then we look at the size of the easement that we need and use that as a basis. One of the factors will be how the land is, you know, what it's used for, whether it's row crop or pasture land, all those things will affect the value. [LB1048]

SENATOR FISCHER: And if someone is going to contest that, they would go to court, correct? [LB1048]

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RON ASCHE: That is correct. [LB1048]

SENATOR FISCHER: And have you ever seen a court case that has been decided in the favor of the landowner, in a case like this when you try to use...or when you do use eminent domain? [LB1048]

RON ASCHE: Well certainly there have been court cases where the courts may have awarded a higher payment for the easement, but I'm not aware, personally, of any times when the court has denied public power's eminent domain authority to acquire an easement on a specific piece of property. But I can't say that I have a vast amount of history on that. I could have...check with our staff. But certainly there have been cases where landowners have maybe been awarded a higher payment for the easement. [LB1048]

SENATOR FISCHER: Okay. Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Haar. [LB1048]

SENATOR HAAR: First of all, I want to address a question of risk a little bit. We talked about there's a risk to the landowner, there's a risk to the ratepayers and so on. None of this, would you agree, none of this is really without risk? I mean, we hope that landowners are going...it's going to be a real benefit for them and so on, but there's a small amount of risk to signing those contracts. [LB1048]

RON ASCHE: I would agree, Senator. [LB1048]

SENATOR HAAR: And I think it's really important that we don't say there's a hundred percent anywhere in this. The other thing, going back to transmission for a minute now, my understanding there are, kind of three kinds of transmission arrangements. One is with a PPA where you have point to point and it's very clear; and then if you don't have any PPA and you're just going out to the market, you have to take what you get. But there's also a third one, and I'm wondering whether you folks participate in that. Sort of the spot to spot like, I don't know, for LES somewhere here to Wyoming. Is that reserved on the transmission or do they just go out there and get, you know, get what they can off the transmission line? [LB1048]

RON ASCHE: No, LES would have a transmission system reservation to move the power that they get from the power plant in Wyoming for delivery to the community of Lincoln. [LB1048]

SENATOR HAAR: Okay. So that really...that part isn't threatened by sale to the market, right? I mean, they only get first rights on that. [LB1048]

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RON ASCHE: They would have first rights, yes. [LB1048]

SENATOR HAAR: Okay. Thank you, appreciate that. [LB1048]

SENATOR LANGEMEIER: Are there any other questions for Mr. Asche? Seeing none, thank you very much for your testimony. [LB1048]

RON ASCHE: Thank you very much, Senator Langemeier and members of the committee; appreciate the opportunity to be here. [LB1048]

SENATOR LANGEMEIER: Further testimony in support of LB1048. Welcome. [LB1048]

DAVID LEVY: Thank you, Chairman Langemeier and members of the committee. David Levy, D-a-v-i-d L-e-v-y, attorney with Baird Holm in Omaha, here today representing wind developers, Midwest Wind Energy and Invenergy, as well as Boyd Jones Construction. I've been a very active member of the drafting committee on this bill as well. My client, Mike Donahue from Midwest Wind Energy was planning to be here to testify directly to you today and due to snow in Chicago today, his flight was cancelled and so he didn't make it. So, if it's okay with the chairman and the committee I'd like to first read a fairly brief statement from Mr. Donahue. And I have a very brief statement myself and then I'd be happy to answer any questions you might have. [LB1048]

SENATOR LANGEMEIER: It's your five minutes, yep. [LB1048]

DAVID LEVY: I'll talk fast. Thank you. Mr. Chairman and members of the committee, this statement is on behalf of Michael Donahue, M-i-c-h-a-e-l D-o-n-a-h-u-e. Mr. Donahue is a co-owner and executive vice president for Midwest Wind Energy, a leading developer of utility scale wind farms in the Midwest and Great Plains. Midwest Wind Energy, along with their equity partners, Edison Mission Energy, developed the 80-megawatt Elkhorn Ridge Project near Bloomfield and they have recently entered into a power purchase agreement with NPPD for another 80-megawatt wind farm to be constructed this year near Petersburg. They also have several projects under development in Nebraska that are well positioned to serve customers outside the state so this bill is of great interest to Midwest Wind Energy. First and foremost, Mr. Donahue would like to express his appreciation for the process initiated by the Natural Resources Committee last year, which has led us to this point in time, where we are considering a comprehensive bill intended to protect Nebraska's successful system of public power while allowing and encouraging private developers to develop, own and operate wind farms for export. This process began with the passage of LR83 which created a framework for all the major stakeholders to identify key issues, proposed solutions and to educate the public and one another about the challenges and benefits associated with developing Nebraska's premier wind resource in a responsible manner. In Mr.

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Donahue's 25-year career in government and project development he has never witnessed a better organized consensus building process, and he thanks the Chairman and the members of this committee for your leadership on this complex issue. Building consensus among major stakeholders in a process where the stakes are so high is not easy; it requires a lot of give and take and inherently nobody gets everything they want. This bill is the essence of successful consensus building. Mr. Donahue believes that it achieves its primary goal, which is to protect public power and Nebraska ratepayers, while allowing and encouraging private wind farms to be developed for export. It's a measured bill and a careful bill. Mr. Donahue does not expect its passage will result in a modern day gold rush of developers flocking to Nebraska. But from what he can tell from his participation in this process, this was the careful approach that the committee set out to take. As a private developer, Midwest Wind Energy can live with this bill and they can make it work. Do they wish the certification process was more clear-cut and less arduous? Yes. Do they wholeheartedly endorse a provision that allows a government entity to decertify the facility and make it subject to condemnation? No. But they understand the need for that provision as well and they appreciated the committee's and the bill's work on taxes on wind farms as well. Again, it's a compromise. It's about give and take; protect, allow and encourage. Speaking for Midwest Wind Energy, we support AM2010 and look forward to the challenge of working through its many provisions to develop export projects for the mutual benefit of all stakeholders. They know that the work is not done. and look forward to participating in the remainder of the process. And I would just like to say and echo some of those things. You know, the goal here of protect public power and encourage private development has somewhat of an inherent conflict in here. There has to be give and take and compromise to achieve those somewhat competing goals. And as a member of the drafting committee, I suppose I'm biased from all the long hours spent, but I do think the bill does that. The bill as it's...AM2010, does address the five areas that I raised to this committee during the first briefing on February 4th and my clients, Midwest Wind Energy and Invenergy, support AM2010. So I'd encourage you to send that out to the full body. I would be happy to answer questions. My red light is on so I'll just again thank you. Senator Fischer, you had some questions about decommissioning which I can try and address from the developer's standpoint if that's of interest, but my time is up. So thank you. [LB1048]

SENATOR LANGEMEIER: Senator Fischer, do you have a question? [LB1048]

SENATOR FISCHER: I guess I do. (laughter) Thank you very much, David. Yes, how would you answer my questions here? Why are we waiting ten years before, I think, protecting individual landowners? [LB1048]

DAVID LEVY: Sure. Thank you. Again, that's some of that give and take. And in part of this, you know, again, one goal here is to encourage and allow private wind development. And to do that, you have to try and make yourself, or your state, as

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competitive with other states as you can or not, at least, set up a competitive disadvantage. Many states do not require the posting of decommissioning security until 10 or even 15 years into the process. So that's sort of the goal from that side. Why is...and as Senator Haar pointed out, there's risk in all of this. There's a little bit of risk there for the landowners, certainly. We believe that risk is mitigated significantly for a number of reasons. First, this bill requires a project before it can be approved to have a 10-year power purchase agreement. That means that that facility is guaranteed to sell all of its product for 10 years. That's a pretty good thing when you're in business. I wish I had one of those for my services. It's unlikely that a facility with that benefit is going to go out of business during that period. Also, in the lease itself, in most wind leases at least that I'm familiar with, there's a decommissioning requirement. This bill makes it clear that it is the requirement of the developer to do the decommissioning. And as Mr. Texel noted, the facility, the value of the facility is massive in comparison to the decommissioning costs at the beginning and at least for the first 10 years, if not well beyond. One example might be, even if a company goes out of business, let's say it's a company that owns a bunch of warehouses, they're not going to leave the things in those warehouses as they go. Those are assets to that business that are valuable that can be sold, moved, shared with, transferred, whatever the case might be. The same is true for the wind facility. So the asset that is there, in a sense, is itself the decommissioning security. Yes, there's a cost and an effort and a process to take it down, but that cost pales in comparison to the value then of that thing you've taken down and if the developer's gone and that's your property, you can sell that and recoup many times over your decommissioning costs. So again, there's risk, but we believe it's small and that was one of those trade-offs to try and make sure that Nebraska's as competitive with other states as we can make it. [LB1048]

SENATOR FISCHER: In the contracts that you've been involved with, do you have a decommissioning part in those contracts with landowners? [LB1048]

DAVID LEVY: In the leases. [LB1048]

SENATOR FISCHER: Yes. [LB1048]

DAVID LEVY: Yes. Yes, we do and another thing I would point out, at least from the Elkhorn Ridge project, Knox County has a required posting of decommissioning security. I don't know off the top of my head when they've required that to be posted and I can get that information to you. But... [LB1048]

SENATOR FISCHER: Yes, could you please. [LB1048]

DAVID LEVY: Sure. [LB1048]

SENATOR FISCHER: And if a shorter time period than 10 years, let me know if you'd

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be happy with that too. [LB1048]

DAVID LEVY: Okay. [LB1048]

SENATOR FISCHER: Okay. Also, have you been involved in any decommissioning that's gone on? [LB1048]

DAVID LEVY: I have not. [LB1048]

SENATOR FISCHER: Do you know of any that's gone on? This is a new industry that's happening, but I would assume that there's been some turbines that have been decommissioned over their life span so far, haven't there? [LB1048]

DAVID LEVY: I'm sure there have. My knowledge of this is that...or my experience with this is that in the cases where wind farms are older and the equipment has worn out, typically there's still a lot of value in having that wind resource identified and that land secured. And so what they'll do is they'll come in and build new turbines on the land or replace the turbines that are there to the extent they can. So as far as I'm aware of, in the situations that I personally know of, the effort, actually, has been to renew the wind farm rather than either walk away from it or remove it. But I'm sure that's not the entire universe. [LB1048]

SENATOR FISCHER: Thank you. [LB1048]

DAVID LEVY: Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Cook. [LB1048]

SENATOR COOK: Thank you, Mr. Chairman and thank you, Mr. Levy for coming today. In your statement that you read from your client, you made a reference to not causing a gold rush. I'm wondering if you would be comfortable in identifying one aspect of the framework that we have now that with a change might get us closer to the gold rush? [LB1048]

DAVID LEVY: Senator, that's a difficult question; it's a 25-page bill and a lot of the provisions are intertwined. [LB1048]

SENATOR COOK: The certification process maybe? [LB1048]

DAVID LEVY: The certification process is a detailed process. I think that the part of this that it will be trickiest to implement, if I might answer that way... [LB1048]

SENATOR COOK: Yes. [LB1048]

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DAVID LEVY: ...is probably the 10 percent option. And I want to make it clear, that is something that my clients have agreed to and are agreeable to. But in direct response to your question, Senator, that is probably the most unusual and trickiest provision I would say that is in here. And while I have the opportunity, I want to make a quick point about that, because I think there's a very important clarification. That 10 percent is not the 10 percent that is the converse of the 90, okay. So the 90 percent PPA requirement is completely separate from that 10 percent. Maybe that's clear to the committee, but I know in talking to people, there's been confusion. So if I were to build a 100 megawatt wind farm, public power said they'd like 10 megawatts; I could actually build a 110 megawatt wind farm, but I would only have to have 90 megawatts subscribed in a PPA out of state. So I would still have that 10 percent kind of cushion in case something happened with my PPA or otherwise. So I just wanted to make that clarification. [LB1048]

SENATOR COOK: Thank you. [LB1048]

SENATOR LANGEMEIER: We'll work our way back out. Senator Dubas. [LB1048]

SENATOR DUBAS: Thank you, Senator Langemeier. Thank you, Mr. Levy. Since you've been involved with this with your client, has the market demand for wind energy increased? [LB1048]

DAVID LEVY: Yes, the supply has certainly increased when farms are being built fairly rapidly. But yes, the demand has increased as well. I know there is some concern about, is there a demand for export from Nebraska? And I can confirm that there is. One of my clients is actually working on an export project right now. They do not have a PPA for it, but they are bidding on it and the project would be built in Nebraska for export out of state. So this is a real thing that is here now. [LB1048]

SENATOR DUBAS: Do you think that export market will grow in a...how quickly do you think that export market demand will grow? [LB1048]

DAVID LEVY: I don't know. There are a lot of factors. More and more states are adopting their own renewable standards. More and more companies are seeking to buy renewable energy for a variety of reasons and of course, the federal government is talking about all of these issues as well. So all of those things will affect the rate of growth of the export market; but I'm confident, at least, that that market will continue to grow for the foreseeable future. Nebraska has one of the very best wind resources in the state and so we're a prime candidate to be able to provide and serve that export market. [LB1048]

SENATOR DUBAS: So the fact that there is such an interest with so many of these

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companies in developing wind energy and I would imagine many of them are looking to get into the export market, there must be a pretty strong feeling that that market is going to continue to expand. [LB1048]

DAVID LEVY: Yes, I think that's probably the best indicator is that more companies are coming in and wind farms are being built. And just as an example, sort of geographically, one of my clients has built a project in South Dakota where the power is exported to Tennessee. So even when it has to travel a fairly long distance, there's still enough demand to support whatever additional hurdles come in in that situation. [LB1048]

SENATOR DUBAS: I guess that was going to be my next question; how far are we exporting this? Are we staying pretty regional or are we looking at from coast to coast? [LB1048]

DAVID LEVY: You know, I'm not familiar with all the projects; certainly I suspect it is somewhat regional because of the different transmission grids that serve the United States. [LB1048]

SENATOR DUBAS: Thank you. [LB1048]

DAVID LEVY: Um-hum. Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Haar. [LB1048]

SENATOR HAAR: At this point in time, do you consider wind energy a pretty mature industry? [LB1048]

DAVID LEVY: That's a good question. Maybe a...there are a number of developers who have been in the industry for a decade or more. There are a lot of new developers, I think, coming into the industry as well, as we just talked about, a number of projects being built. So it may be both a somewhat mature industry, but an industry that has another maturing period and another growth period. [LB1048]

SENATOR HAAR: A lot depends on what the federal government is going to do, right? [LB1048]

DAVID LEVY: That's certainly one factor. But I've also seen a lot of other reasons that places and companies are interested in purchasing energy generated by renewable sources. But certainly if the federal government said you must buy this energy, there would be even more of an interest in supplying it, I would think. [LB1048]

SENATOR HAAR: Well, right now, obviously, the PPA is a preferred method for

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financing and all that kind of stuff; what will it be like in five years? [LB1048]

DAVID LEVY: You know, if I knew, I wish I knew that, Senator, in all seriousness. The PPA is, as you said, the preferred method right now. As far as I understand it, in most parts of the country the PPA was the preferred method five years ago, so if the past is an indicator of the future, the PPA will still be a preferred method in five years, but, you know. [LB1048]

SENATOR HAAR: Ten years? [LB1048]

DAVID LEVY: I wouldn't want to speculate. [LB1048]

SENATOR HAAR: Okay. Thanks. [LB1048]

DAVID LEVY: Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Schilz. [LB1048]

SENATOR SCHILZ: Thank you, Senator Langemeier. Mr. Levy, thank you very much. I know you've done a lot of work on this and a lot of time and effort. Off of Senator Haar's question, I think that as we go forward and we see these things and we have more experience with them, the PPA is well evolved to a certain point, as far as, you know, if we're setting up PPAs for 10 or 15 or 20 years, obviously, if you're getting into a contract like that, you want to make sure you're not locked in at a certain price or...that. So we will see a change in how these things work. I mean, has there always been long-term PPAs like this or do they come around in shorter segments or... [LB1048]

DAVID LEVY: You know, I don't know. The PPAs that I've been involved with typically are at least 20 years with, sometimes, one or two 10-year options. So they're very long-term. And I, you know, I think that benefits both sides. I'm sure there are times each side says, oh boy, I wish we would have negotiated that price a little differently, but that happens both ways. But they're very long-term, at least in my experience. [LB1048]

SENATOR SCHILZ: Sure. And not to...not to...I'm going to just jab you a little bit here, but, if when you were getting ready to go to law school, somebody told you that you had to have all your business lined up for the next ten years, would you still have done that? [LB1048]

DAVID LEVY: I don't know. [LB1048]

SENATOR SCHILZ: That was just a question. Thank you. [LB1048]

SENATOR LANGEMEIER: Other questions? Mister... [LB1048]

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DAVID LEVY: But if they told me I could, I would have. [LB1048]

SENATOR LANGEMEIER: Mr. Levy, I just want to thank you for your participation as I've been living this 20 hours a day for the last 11 months. I know we've had some weekend conversations and I keep sitting here I think I should be asking some questions, but I've asked all these people so many questions, and so, but I do want to thank you for taking my calls and answering our questions at all times of the day, weekends and thank you. [LB1048]

DAVID LEVY: Well, thank you. And again, thank you for the opportunity to participate. It's been a very good process. So thank you. [LB1048]

SENATOR LANGEMEIER: All right. Further testimony in support of LB1048? [LB1048]

DAVE MALLECK: My name is Dave Malleck, D-a-v-e M-a-l-l-e-c-k. I'm a fourth generation landowner from Red Willow County, Nebraska. As a fellow Nebraskan, I'd like to thank the committee for all their work, especially Senator Langemeier, for the good people of Nebraska. My brother and I are a co-owner of a project south of Indianola, a 40-megawatt, 30-turbine project that we're about six months into. I'm here to testify in support of LB1048 and tell you a little bit about the project and a few of our concerns at this point. As ratepayers in the state of Nebraska, there's always been two things we've always been concerned about...actually, three things: the rates we pay, our water tables, and the rates we pay. That's what you do as farmers. We're looking at this, that side, but also as economic development for these small towns. In Indianola, we really haven't had any real development since the '50s since the oil fields came in. There's been nothing in 50 years. This development will be 30 turbines, 40 megawatts. During the 8- to 12-month period that we'll be developing this, we will employ 90 people. Sixteen million dollars worth of commerce will be generated in that area, McCook area. After it's done, we're going to employ three full-time people. These jobs pay about \$60,000 a year. The commerce from that point going forward will be about \$1.2 million per year for the local community. Three hundred and fifty thousand dollars will be payable to the landowners average over a 25-year period. As I looked at this as a developer or co-owner and a farmer, most of these facts are already known to the committee. But there's one fact as I made the rounds, stalking all you senators the last two days, there is a figure from the National Renewable Energy Laboratory that says 40 megawatts of power generated by wind will save 86 million gallons of water per year. That's 86 million gallons of water per year. As we're in the lower part of the Ogallala Aquifer in southwest Nebraska, our water table has been dropping every year. We're going to have to go lower and lower for our stock tanks. This is a very important factor for us that I've never heard brought up, ever, in any of the discussions that's been brought up in Nebraska. This is a huge project for Indianola. The town is more excited than they've ever been about something like this. One concern that we have about the

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LB1048 is under eminent domain. If we lose a contract, we have a year to find a new contract and during that year we cannot sell to the spot market. We don't think that's fair. We should be able to sell during that open market while we try to find a contract. That's the one area we don't agree with. The second thing I'd like to have the committee come away with is, besides the 86 million gallons of water, is the long-term contracts that we're all going after, these contracts for Kansas City, St. Louis, and in Tennessee. As a fourth generation Nebraskan, we've always had the go slow, be conservative attitude, and it's really done well for the state actually. But as we take the slow approach there are only so many contracts that Kansas City is going to give out for long-term renewables, there's only so many contracts St. Louis is going to give out, as examples. And trust me, the developers in Kansas and Iowa are all over them. If we do the go slow and take our time with it, these contracts won't be there. The time for action is now on this. Again, thank the committee for the time and I'll answer any questions that are in my skill set as a farmer and a rancher and a co-owner. Thank you. [LB1048]

SENATOR LANGEMEIER: Thank you. I think you'll do fine. Senator Haar, do you have question? [LB1048]

SENATOR HAAR: Tough questions for you. No. (Laugh) Thank you very much. Talk a little bit about the economic development. I mean obviously we want rates to stay low, our current rates to stay low and so on, but I would like, for example, from you later just a list of what you see as those benefits to your community. But could you go through those again for me? [LB1048]

DAVE MALLECK: I mean, 90 workers working in a town of 700 people have got to eat some place every day. They've got to buy different things, they've got to buy gas. There's a lot of commerce for that small town. That's a lot of jobs. There's never been that many jobs in Indianola. There will be hotel rooms. There's diners, there's clothing, there's hardware. A lot of the stuff for these turbines you can't get there, but most of it you can. And according to the figures we see, it's about \$16 million just on the development part. If you bring three full-time jobs to Indianola, they may live in McCook but they're still living in Indianola, \$60,000-a-year jobs, we're going to fill those probably out of Concordia, Kansas. Concordia College in Kansas has a tech school down there to develop these kids to work on these turbines. A \$60,000-a-year job is a pretty good in McCook or Indianola and that money will flip. The other side of it I'll mention too, we have one of our landowners, I'll call her Hazel, she has two sections of land, 1,200 acres. She lives on Social Security. She's in her mid-eighties. Now I know if it's anything like our land, we're not making that much on it after taxes. As I told her, you're going to have seven turbines on your place. She looked me directly in the eye. She said, David, do you know what I can do for my great-grandchildren with that money? I got one that wants to buy a car. He's 16 years old. I can buy him a car. One wants to go to junior college in McCook. She's going to put him through junior college. And the oldest one is living in an apartment with two children. She wants to help them put a down payment on

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a house. That's the economic development to these small communities and that's what's never been mentioned. [LB1048]

SENATOR HAAR: Well, tell her I'm available for adoption. (Laughter) But I would like those figures from you. Now one thing, and you may or may not be aware of this, but I believe it's Northeast Community College is beginning some courses on... [LB1048]

DAVE MALLECK: Absolutely, wonderful. [LB1048]

SENATOR HAAR: ...wind maintenance and so on, so hopefully we're going to be able to ramp up in Nebraska some of those trainings as we get more (inaudible). [LB1048]

DAVE MALLECK: There are two colleges in Omaha,... [LB1048]

SENATOR COOK: Metro College as well. [LB1048]

DAVE MALLECK: ...Metro College... [LB1048]

SENATOR HAAR: Yeah, and Metro as well. [LB1048]

DAVE MALLECK: ...would be wonderful to support some of those jobs. [LB1048]

SENATOR HAAR: Good. Thank you so much. [LB1048]

DAVE MALLECK: You're welcome. [LB1048]

SENATOR LANGEMEIER: Are there any other questions? Seeing none, thank you very much for your testimony. [LB1048]

DAVE MALLECK: Thank you, Senator. [LB1048]

SENATOR LANGEMEIER: We appreciate it greatly. Next supporter of...next individual wishing to testify in support of LB1048. [LB1048]

GARY GATES: (Exhibit 4) Chairman Langemeier and members of the Natural Resources Committee, my name is Gary Gates, G-a-r-y G-a-t-e-s. I'm president and CEO of Omaha Public Power District. OPPD fully supports the efforts put forth by the drafting committee and have resulted...that has resulted in AM2010 to LB1048. It's very important that the amendment allows the development of renewable energy by private developers and protects public power's basic mission of providing low-cost, reliable electric energy for Nebraskans. Public power works closely with the Department of Economic Development to attract business and industry to our state. Nebraska has the fifth lowest rates in the nation. The cost of electric energy is one of the top

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considerations for business and industry to locate in Nebraska. We must be very careful that we do not diminish the benefits of public power, that public power brings to that economic development. I believe that this bill meets all the principles of allowing renewable development and protecting the value of public power that it brings to the state. Now some of the key provisions of this amendment that do bear repeating from Mr. Asche's statement: public power has given up its right of eminent domain to help assure that renewable projects can obtain financing; provisions for decertification will allow developers to cure any issues to keep or renew their projects and assure that there is a process to deal with any noncompliance. The condition of requiring a power purchase agreement is very important to help assure that export projects are not impacting the revenues achieved from public power participating in the wholesale markets and using those revenues to keep the rates low in Nebraska and affordable. OPPD supports AM2010 as presented. We believe the amendment will support renewables for export and allow Nebraskans to take advantage of all our natural resources while protecting the value of public power it has brought to Nebraska for over 60 years. Want to thank you, Senator Langemeier and members of the Natural Resources Committee, for all of your work on this very important issue. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? Senator Haar. [LB1048]

SENATOR HAAR: Well, while public power is at the desk there, I need to give credit where credit is due, and I'm a good listener but the words of "protect" and "allow" came from John McClure (laugh) so I need to give him that credit. When did...when did public power...when was public power given the right of eminent domain by the Legislature? Do you know that? [LB1048]

GARY GATES: I don't know that. We've had it a long time. [LB1048]

SENATOR HAAR: Yeah. [LB1048]

GARY GATES: OPPD was created in 1946 and has used eminent domain over a long period of time. [LB1048]

SENATOR HAAR: Okay. [LB1048]

SENATOR LANGEMEIER: Are there any other questions? Seeing none... [LB1048]

GARY GATES: If I could clarify, at least it's my understanding from the previous presenter, I believe during the cure period you can sell to the open market for (inaudible). [LB1048]

SENATOR LANGEMEIER: That's my understanding, but we will verify that and make

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sure our wording does that. Thank you very much. [LB1048]

GARY GATES: Uh-huh. [LB1048]

SENATOR LANGEMEIER: Further testimony in support of LB1048? Welcome. [LB1048]

JIM YOUNG: (Exhibit 5) Welcome...or thank you. My name is Jim Young, that's J-i-m Y-o-u-n-g. I live in rural Kimball County and farm in Kimball and Banner County, Nebraska. And to orient the people in the room, I'm sure the committee knows where that's at but I had some questions about that earlier, Kimball and Banner County are in the southwest corner of the Panhandle. We have Colorado to our south and Wyoming to our west. I am 1 of 12 board members from the Banner County Wind Energy Association. On behalf of our association, I would like to thank Senator Langemeier and the natural resources district...or Natural Resources Committee for all the work they have done on this bill. We're just kind of pinching ourself back there in western Nebraska and can't hardly believe this is happening and we're really excited about it. And I'd also like to thank this committee and Senator Langemeier for your hospitality last weekend where you hosted a number of people from our area and it was a very positive experience for everybody that was there. Today I'm going to speak about something that's near and dear to my heart, and that is rural Nebraska and western Nebraska in particular, where I was born and raised. Rural Nebraska is and always will be a great place to live and work. Unfortunately, rural Nebraska is struggling economically. You all know that. In the past five years, Kimball, the town of Kimball which is in Kimball County, has lost our poly pipe factor, our Performax brick-making business, our John Deere dealer, our machine shop, our Ford dealership, and a pharmacy. Both Kimball and Banner County schools are losing school population yearly, and this is going on in lots of parts of Nebraska. Kimball Public Schools, where I was a board member for 24 years, is projecting a \$400,000 shortfall for the upcoming school year. I'm glad I'm not a member of that board anymore and they are going to really have a lot of work to do and have to make some tough decisions. When I graduated from Kimball in the '60s, we had close to 100 students in a grade, and now we're down to around 40 and still declining. These are facts of life that we can and will deal with. One of the things we are constantly looking for is rural economic development to help offset these problems. From my front porch on clear nights I can see hundreds of red blinking lights to the south. These lights belong to wind energy generators that are being constructed across the border in Colorado and are literally being built right up to the Nebraska border. So for that purpose, reason, it's exciting for us to realize that because of the vision and hard work that the Natural Resources Committee is putting into this bill, we will now have the potential to have economic development in our own backyards. In much of western Nebraska we don't have a lot of topsoil, we don't have a lot of rainfall or humidity, and we don't have a very long growing season. What we do have is a whole lot of wind. Because of this and other considerations, wind energy

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development companies have tied up land with leases and cooperation agreements on tens of thousands of acres in Kimball and Banner County, and I'm sure this is true for other parts of Nebraska as well. We don't have a lot of transmission lines to transport electricity or a lot of demand for Nebraska energy, so if we are going to have significant rural economic development from wind in western Nebraska, we're going to have to have projects large enough to allow the developers to build miles of transmission lines which will tie into lines out of state that can export our power to places like the front range of Colorado and California. We feel that with the passage of LB1048 all this can become a reality for many parts of Nebraska, and for that reason we support this bill. In a famous Charles Schulz cartoon, Charlie Brown says, with my luck, when my ship comes in I'll probably be at the airport. We would like to thank the people in this room for your efforts in making sure Nebraska is not at the airport when it comes to economic development. [LB1048]

SENATOR LANGEMEIER: That was pretty good. [LB1048]

JIM YOUNG: And I have three board members that are here with me today from Banner County that will speak next, if that's okay. [LB1048]

SENATOR LANGEMEIER: Yep. [LB1048]

JIM YOUNG: So...because we're a long ways from home. [LB1048]

SENATOR LANGEMEIER: No, you're...we'll see if we have any questions... [LB1048]

JIM YOUNG: Any questions? [LB1048]

SENATOR LANGEMEIER: ...for you before I just let you slip away. Senator Haar. [LB1048]

SENATOR HAAR: Well, as you know, we have admirals in the Nebraska Navy, so (laugh) your ship coming in analogy is very interesting. Could you talk for just a minute because we're all concerned about every which way of risk in this whole process and last year Senator Dubas' bill required contracts with landowners to have certain protections. But there is some risk and I...tell me what your thought is on that. [LB1048]

JIM YOUNG: Well, you're asking a farmer to answer that question. [LB1048]

SENATOR HAAR: Sure. [LB1048]

JIM YOUNG: And when we go plant our crops every year we obviously can use insurance, but insurance covers very little of our risk. And in western Nebraska we have massive hail storms that can wipe out everything we have inside of 30 minutes, so

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everything we do is risky. And this to us seems to be, to me anyway, seems to be a lot less risky than farming, as far as that goes. [LB1048]

SENATOR HAAR: Good answer. Thank you. [LB1048]

JIM YOUNG: Because we don't have to put our money into it. [LB1048]

SENATOR HAAR: Thanks. [LB1048]

SENATOR LANGEMEIER: Senator Fischer. [LB1048]

SENATOR FISCHER: Thank you, Chairman Langemeier. Thank you, Mr. Young. Nice to see you guys again. Have you seen the amendment that replaces the bill that we're working off of today, that copy? [LB1048]

JIM YOUNG: We looked at that briefly this morning. It was the first time we've had a chance to look at that. [LB1048]

SENATOR FISCHER: And your group is comfortable with that amendment? As landowners, you are comfortable with that amendment? [LB1048]

JIM YOUNG: We have a few comments on that and that will be coming next. [LB1048]

SENATOR FISCHER: Okay. Thank you. [LB1048]

SENATOR LANGEMEIER: Are there any other questions? Seeing none, we're going to let you out. [LB1048]

JIM YOUNG: Okay. [LB1048]

SENATOR LANGEMEIER: I know, Chuck, I appreciate you looking like you're ready but... [LB1048]

CHUCK HASSEBROOK: I am... [LB1048]

SENATOR LANGEMEIER: ...we do appreciate that but let's keep the Banner group together, if we can. They're running on a theme here so we're going to... [LB1048]

SENATOR FISCHER: They have a long drive home too. [LB1048]

SENATOR LANGEMEIER: Yeah, they got a long trip home. Welcome. [LB1048]

ARTHUR OLSEN: (Exhibit 6) Thank you. Thank you, Mr. Chairman, members of the

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committee. My name is Arthur Olsen, A-r-t-h-u-r O-l-s-e-n. I'm a member of the Banner County Wind Energy Association also, and also a farmer, rancher and landowner in Banner County. The Wind Energy Association was formed to advance the use of wind energy and to protect the rights of the landowners and negotiate with the wind developers. I am a supporter of this LB1048 but there's a few things that I've got a little bit of a problem with but nothing serious. I have done some...oh, some financial work on it to figure out how we could make sure we got the money in Banner County and it appears that that money is going to be forthcoming. There's another paragraph in there that I won't cover that, I won't go through. You can read that. We just think that possibly we could save the state some money by just sending the money right straight to us and save you guys the accounting problem. (Laugh) We don't want it to get lost down here, is the main thing that I'm trying to say. (Laughter) [LB1048]

SENATOR LANGEMEIER: Yeah, you and I have had that discussion. [LB1048]

ARTHUR OLSEN: Senator Langemeier and I discussed that rather vocally one night, but I think we're on the same page. [LB1048]

SENATOR LANGEMEIER: Yeah. We are. [LB1048]

ARTHUR OLSEN: We have two great wind developers in the area right now, have got land leased. They're ready to go to put a wind farm up as soon as they can get it sold. We've got met towers up, that have been measuring the wind for over two years on some of them. There's been some up. We've got over six of them up right now and there's, I think, three of them that have been up for a year, two of them have been up over two years. So we know the wind blows and the people out there know the wind blows. And with the addition of a wind farm in Banner County, the jobs that would be created is great. Wow! Just think with jobs being around there, the other income that would flow into the county, the surrounding counties, the extra families in the community, the added students in our school system, we might even be able to keep our school system. Right now we're importing students. We run two buses to Scottsbluff and Gering to pick up two busloads of kids to keep our school going. Perhaps the main thing that I'm here for is to make sure that we don't tax the wind people out of Nebraska. Thank you for this opportunity and thank you. [LB1048]

SENATOR LANGEMEIER: Very good. Senator Haar, questions? [LB1048]

SENATOR HAAR: Yes, thanks. Good to see you. Your third page of your handout is a spreadsheet. I love spreadsheets. (Laughter) So...and the point here is just to show us some numbers or... [LB1048]

ARTHUR OLSEN: Right. [LB1048]

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SENATOR HAAR: ...do you have a preference for large versus medium or what are you trying to demonstrate with the spreadsheet? [LB1048]

ARTHUR OLSEN: Well, a medium-sized wind farm, this shows about how much money would be generated with a production tax, which I feel that I was very much in favor of but with this set horsepower tax or nameplate tax, I can support that because actually it's going to get us more money. [LB1048]

SENATOR HAAR: Uh-huh. [LB1048]

ARTHUR OLSEN: I was trying to figure out...I was trying to protect the wind developer more than I was myself and spread it over a longer period of time. But with the...like a 1,000-tower wind farm, I wouldn't pay any land tax. [LB1048]

SENATOR HAAR: Uh-huh. [LB1048]

ARTHUR OLSEN: And there's definitely a possibility that there would be a 1,000 towers in Banner County. [LB1048]

SENATOR HAAR: I hope so. Good. Thanks. [LB1048]

SENATOR LANGEMEIER: Very good. Senator Carlson. [LB1048]

SENATOR CARLSON: Thank you, Senator Langemeier. Mr. Olsen, as you look at this, and it looks like it's one tower per 80 acres, in Banner County who's going to directly benefit from this project? In other words... [LB1048]

ARTHUR OLSEN: The people who have got the 80 acres that have got the tower on it. [LB1048]

SENATOR CARLSON: Yeah, and how many won't? I mean how many won't have 80 acres? [LB1048]

ARTHUR OLSEN: How many won't have a tower? [LB1048]

SENATOR CARLSON: Yeah. [LB1048]

ARTHUR OLSEN: Well, there's 700 people in the county, so the biggest share of them are going to get a tower, more than likely. (Laugh) [LB1048]

SENATOR CARLSON: Well,... [LB1048]

ARTHUR OLSEN: I don't know that. [LB1048]

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SENATOR CARLSON: Okay. And that's a hard question. [LB1048]

ARTHUR OLSEN: I mean... [LB1048]

SENATOR CARLSON: But there will be some that won't have a tower. [LB1048]

ARTHUR OLSEN: Oh yes, definitely. [LB1048]

SENATOR CARLSON: How do they benefit? [LB1048]

ARTHUR OLSEN: No taxes. No real estate tax. [LB1048]

SENATOR CARLSON: Okay, is that...that's okay. That makes it... [LB1048]

ARTHUR OLSEN: And they're going to have a nice school, good community center, a lot of things like this. [LB1048]

SENATOR CARLSON: Okay. Good school, no or very low property tax,... [LB1048]

ARTHUR OLSEN: Right. [LB1048]

SENATOR CARLSON: ...and a better community in which to live. [LB1048]

ARTHUR OLSEN: Yeah. [LB1048]

SENATOR CARLSON: But no generated annual income out of the project. [LB1048]

ARTHUR OLSEN: Not really. [LB1048]

SENATOR CARLSON: Okay. Okay, thank you. [LB1048]

SENATOR LANGEMEIER: Are there any other questions? Seeing none, very good. Thank you very much. [LB1048]

ARTHUR OLSEN: Thank you very much. [LB1048]

SENATOR LANGEMEIER: And there's one more or is there two more? [LB1048]

ARTHUR OLSEN: No, there's two more. [LB1048]

SENATOR LANGEMEIER: Two more. Okay. [LB1048]

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ARTHUR OLSEN: Don't give up. [LB1048]

SENATOR LANGEMEIER: Oh, I just...I thought I heard three. That's okay. Three more is what I meant. Welcome. [LB1048]

ROGER LEE MCGOWAN: (Exhibit 7) Thank you, Senator Langemeier and all the distinguished senators of the Natural Resources Committee, for allowing me to speak on big wind. My name is Roger Lee McGowan, R-o-g-e-r L-e-e M-c-G-o-w-a-n. I'm proud to be a landowner from Banner County, Nebraska. I'm on the board of Banner County Wind Energy Association. I'm grateful for the opportunity to share my views about big wind and jobs to revitalize Banner County, and I support LB1048 as it stands and AM2010. Big wind will not only be a boon for Banner County but all of Nebraska. There will be many benefits; however, I decided to talk about jobs today. The one most important benefit of exporting wind energy will be the jobs in Banner County. The United States Department of Energy estimates that during two years allotted for construction of 500 2-megawatt towers, there will be 1,634 new jobs. Wind developers have plans to build more than 500 2.3-megawatt towers in Banner County and are ready to begin. There will be good-paying jobs that these projects will bring to rural Nebraska. The categories of jobs for big wind manufacturing are service, marketing, and the public sector. Scottsbluff, Gering, and Kimball could serve as locations for manufacturing and hopefully assembly plants close to points of use. The construction jobs may stay in the region longer than two years due to the huge wind potential in western Nebraska. Free enterprise has always been a good thing for this country. That's why America is great. We should be looking at ways to go forward instead of tying the hands of progress. There are also non-wind jobs that will come to our area. Again, the U.S. DOE estimates them to be around 1,664 new jobs for each two-year period of 1,000 megawatts. The operational phase of the wind project should last at least 20 years. The jobs that involve the turbines are estimated by the U.S. DOE to be 260 for every 500 2-megawatt turbine. These are the jobs that are here to stay. The U.S. DOE estimates 191 extra jobs will continue to be around during the operational phase. So we see an estimated total of 3,298 jobs during the construction for each 1,000 megawatts, and there's estimated a total of 451 jobs during the 20-year operational phase. We need jobs in the Panhandle for families to make a good living. Rural Nebraska will experience revitalization. As we speak, our community college system is developing programs to teach and train those that will have these wind jobs. There's a large building already available for training in Sidney. In Europe, the mechanical and electrical technicians who operate and maintain the turbines are called "windsmiths," just a little bit of... It is good for all of Nebraska, not just a few. So we need to push forward and not tread water. Let's help make jobs for Nebraska and not all the other states around us. We are number 3 in the nation for wind potential and number 26 for production. Iowa is number 2 in production with not near the potential that we have. We have a great opportunity at this time to make Nebraska one of the greatest renewable natural resource power producing states in the nation. It's important for us to use our natural...isn't it important for us to use our natural resources

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in the best way? The benefits from private wind-producing companies are not only the tax to be charged on them, but the jobs created by these projects will help put Nebraska's budget back in the black. It will help the nation wean itself from the use of non-renewable resources. Where are the jobs? The answer, my friends, is blowing in the wind. The answer is blowing in the wind. Thank you for letting me speak. [LB1048]

SENATOR LANGEMEIER: Very good. You did a great job and you weren't with the group Friday... [LB1048]

ROGER LEE MCGOWAN: No. [LB1048]

SENATOR LANGEMEIER: ...so a new addition. [LB1048]

ROGER LEE MCGOWAN: New addition. [LB1048]

SENATOR LANGEMEIER: But we lost Karen, who was kind of the life of your party. [LB1048]

ROGER LEE MCGOWAN: Karen helped me polish my speech, so. [LB1048]

ARTHUR OLSEN: She sends her love. [LB1048]

ROGER LEE MCGOWAN: Yes. [LB1048]

SENATOR LANGEMEIER: Yeah, I get e-mails from her. Are there any questions? Seeing none, thank you very much for your time and testimony. [LB1048]

ROGER LEE MCGOWAN: Thank you. [LB1048]

SENATOR LANGEMEIER: Welcome. [LB1048]

RICK LARSON: Thank you, Senator. My name is Rick Larson, L-a-r-s-o-n and R-i-c-k. I live in Banner County. I'm a third generation farmer from Banner County and, first of all, I'd like to take this opportunity to thank both Senator Langemeier and Senator Schilz. Senator, you've done a great job in trying to get our district on the map out here and we really appreciate that. And I'm also on the Banner County Wind Board and if Karen was here we'd be the Banner County wind enthusiasts, and we try to bring that with us because we are very excited about it. And to be perfectly honest, when we come to eastern Nebraska, central Nebraska, I guess we're probably a little bit envious because we see the potential that you guys have in this part of the country with ethanol and what you're able to do with the renewable energy with ethanol. And if it wasn't for the ethanol business, that 13 billion bushel corn crop would really be a tough situation for agriculture. And I think the parallel that I'm trying to draw is that in western Nebraska,

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and Lee was talking about big wind and we definitely have big wind, we've got the turbines, we've got a met tower on our farm and we know that we've got that potential, and if there's ever a time that we could be a least-cost producer it would be with wind, and we think we've got the documentation to make that...to make that happen. I'm not going to bore you with any other details but we do think that big wind is the ethanol boon that we could have in western Nebraska. The only concern that we really have would be on page 22, lines 8 through 10, and it states there that the subdivision would...that the subdivision would be...would bring in the tax scenario of being terminated in 2013 and, Senator, our project probably won't get completed until a considerable time after that. So that's a point that we'd like to look at and I guess probably our recommendation on that would be to probably give us five years after the completion of the project to make that funding work. So that's...we'll make it short and sweet and go from there. Thank you. [LB1048]

SENATOR LANGEMEIER: We'll talk about that in more detail. I don't think that's going to do the fear you had that we talked about. So are there any questions? Senator Schilz. [LB1048]

SENATOR SCHILZ: Thank you. Not so much a question. Rick, thank you so much. We've known each other for quite a number of years now and I know you've been...you've been all over the state and lived everywhere. You know, I guess I'd just like to...just like you to just reiterate again how important this really is to Banner County. And if you don't have wind development, what do you see as the future of Banner County? [LB1048]

RICK LARSON: Well, I think it's a culmination of a lot of things. You know, Art talked about our school system. We had a school system that was probably built on oil money back in the late '50's. We don't have any kids coming back. Our cost of production...we're a wheat and cow country is primarily what we are. We're going to...we also have Pumpkin Creek going down through it and that particular area, we're just...we don't have the water resources. We're not going to be a least-cost producer in wheat if biotech really takes off. We won't have the advantages because we don't have the water resources. So therefore, what you have to look at is what can you do to bring enthusiasm, to bring people, to bring investment back to areas like Banner County and Kimball County? And it's just not going to happen unless you're a low-cost producer. And I think in the wind side of it, I think we could really be a low-cost producer. It looks like we've got all of those advantages and we've got a...unfortunately, we've got a really short window, in my mind, of making that thing happen. Because if we're not there pretty quick, we're probably going to miss it. And that's why I think, like some other people in the room before me suggested that, you know, time is of the essence, and I think most people out there realize that. I mean we've got so much wind production that we passed at least 300 wind turbines on the way down here, and we didn't even go west, and they just keep going up. So I think that's the essence of urgency for us. [LB1048]

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SENATOR SCHILZ: Thank you very much. How many cattle are in Banner County? Do you know, just approximately? [LB1048]

RICK LARSON: Well, if the two feedlots are full, there's 40,000, plus maybe 10,000 brood cows, and 700 people, and you know... [LB1048]

SENATOR SCHILZ: And I haven't heard any of them yet, cattle or people, complain about wind towers, right? (Laugh) [LB1048]

RICK LARSON: That's right. That's right. I don't...if the wind turbines come to Banner County, I don't think we'll see...we won't see many people complain. [LB1048]

SENATOR SCHILZ: Thank you very much. [LB1048]

SENATOR LANGEMEIER: Senator Fischer. [LB1048]

SENATOR FISCHER: Thank you, Chairman Langemeier. I've got all the mother cows in my legislative district so... (Laughter) [LB1048]

RICK LARSON: I know you do. You've got the economic advantage. [LB1048]

SENATOR FISCHER: But, yeah, I have counties with less than 700 people. So I wanted to ask you as a landowner, and I've been kind of harping on this today, do you feel you're covered? Do you feel that you're protected with the decommissioning and with eminent domain concerns? [LB1048]

RICK LARSON: Oh, Deb, I don't know for sure whether I can say that, but am I...I think you have to look at the alternative. If something doesn't happen out there, we're kind of in trouble. You know, we've got 25 percent of our land base is in CRP. Those people disappeared. You know, we need something that's going to generate productivity and especially if we can be on the cutting edge of it and be a low-cost producer. I think that's more important than anything else out there today. [LB1048]

SENATOR FISCHER: Do you think...do you think it's up to the individual landowners to protect themselves? I mean how much can government do? Do you think it's up to the individual landowners to work out the contracts for the easements and also the contracts for the turbines? You know, I'm asking what do you want me to do? You want me to pass this bill so... [LB1048]

RICK LARSON: I want you to pass this bill. I want you to support it. [LB1048]

SENATOR FISCHER: ...so you can get going on some projects and you'll take care of

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yourself? [LB1048]

RICK LARSON: I think in our part of the world, yeah, I think that would be...I think that would be a pretty good statement. Yes, I do. [LB1048]

SENATOR FISCHER: Thanks. [LB1048]

SENATOR LANGEMEIER: Senator...oops, I got to go...Senator Haar was first, or is he eating? [LB1048]

SENATOR HAAR: I'm eating. [LB1048]

SENATOR LANGEMEIER: Okay. Senator Carlson. (Laughter) [LB1048]

SENATOR CARLSON: Thank you, Senator Langemeier. Rick, I'm going to ask in a little different way part of what Senator Fischer was talking about. And I like your attitude. And I'm not asking this because I've got any reason to be suspicious of anybody, but you're so open and honest, you admit in Banner County we're in trouble. [LB1048]

RICK LARSON: We are. [LB1048]

SENATOR CARLSON: We need...we need something to happen. And a lot of times when people are that open and honest, then somebody is trying to take advantage of them. Now is your experience so far with the private developers that you're satisfied with the kind of relationships you have and the kind of arrangements that you think can be made so that you'll benefit the way you should? [LB1048]

RICK LARSON: Senator, that... [LB1048]

SENATOR CARLSON: I didn't think it was that hard a question. (Laughter) [LB1048]

RICK LARSON: Well, I mean it's a lot like what Jim said. I mean you have to have some confidence that these people can, you know, number one, it takes so much money for them to put those projects together that you have to feel pretty confident that once they start construction that those dollars are there and that they've got the commitments long-term to get that energy sold. I mean you just...in today's economic environment that we're at, with the type of dollars...and I don't know the exact dollars if 1,000 turbines were put in Banner County, but it just looks to me like once they start construction on that, if it looks like it's going to happen, and of course we've already had our agreements put to...got to have gotten started before that happens, but you just wouldn't put that type of dollar investment out there if there wasn't something pretty good to make those returns happen. And I think with this, with this bill, it looks to me like it solidifies probably what we want to get done. [LB1048]

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SENATOR CARLSON: Okay. Good. Thank you. [LB1048]

SENATOR LANGEMEIER: Now... [LB1048]

SENATOR HAAR: I did have a question. [LB1048]

SENATOR LANGEMEIER: Well, you had raised your hand once so, Senator Haar. [LB1048]

SENATOR HAAR: I know. Can you tell us which developer you're working with or is that proprietary? [LB1048]

RICK LARSON: Well, the one I'm working with is Midwest. [LB1048]

SENATOR HAAR: Okay. [LB1048]

RICK LARSON: I can...I guess I can talk about that. [LB1048]

SENATOR HAAR: Okay. Good. Just curious. Thank you very much. [LB1048]

RICK LARSON: You're welcome. [LB1048]

SENATOR LANGEMEIER: Are there any other questions? Seeing none, thank you very much. And thank you four for making the trip down again from last Friday. [LB1048]

RICK LARSON: Thank you, Senators. [LB1048]

SENATOR LANGEMEIER: Further proponents of LB1048? [LB1048]

CHUCK HASSEBROOK: Thank you, Chairman Langemeier and members of the committee, for all the work you've done to move this forward, and thanks for having me back again. [LB1048]

SENATOR LANGEMEIER: Name. [LB1048]

CHUCK HASSEBROOK: (Exhibit 8) My name is Chuck Hassebrook, it's spelled C-h-u-c-k H-a-s-s-e-b-r-o-o-k. I'm representing the Center for Rural Affairs of Lyons. I did want to say thanks to the Banner County landowners for, you know, making some very valid points about the importance of this to rural Nebraska. When I spoke with you last week, I said two things were critical to maximizing the benefit of wind development to Nebraska and rural Nebraska. One is that we share in the ownership so that we can get a piece of the wealth that's created by wind development, and the other is that we

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find a way to use the boon that's created by the building of these turbines to provide the basis for lasting prosperity in rural Nebraska, not just a boon followed by a bust, but lasting prosperity. I've put together some rough legislative language. It would need some work but I've tried to move this, my proposal, a little bit further along, or our proposal than when we spoke last week. To summarize, we would enable owners of renewable export facilities to earn sales tax reductions on their turbines and towers. I believe adding this to LB1048 can be done without incurring a fiscal note, because without LB1048 there is no renewable export facility building in Nebraska. And therefore, providing tax relief on something that wouldn't otherwise exist wouldn't...shouldn't generate a cost. We'll see if the Department of Revenue agrees. [LB1048]

SENATOR LANGEMEIER: They don't. [LB1048]

CHUCK HASSEBROOK: Okay. Our proposal would say that we would provide 50 cents of sales tax relief for each \$1 of stock contributed to an employee stock ownership arrangement. If we reach the full potential of wind development in Nebraska to create permanent jobs in wind farms, as projected by the U.S. Department of Energy, that would set aside about \$200 million of ownership and wealth in wind farms vested in the 2,000 positions, permanent positions that would be in Nebraska and held by Nebraskans. We'd also provide a dollar-for-dollar sales tax reduction for contributions of stock to the Nebraska Job and Rural Trust in that, this is our proposal, but how we use some of the wealth that's created by the building boom to build lasting prosperity. The funds, the stock granted to the...turned over to the Nebraska Job and Rural Trust, we'd require that at least a third of that be endowed to provide a permanent source of income to support rural community development. So could turn around and make grants for things like rural communities to establish small business incubators, to organize things like local investor clubs to provide equity investment in small business development. It could be used to put schools...curriculum in schools on entrepreneurship to prepare our youth to start new businesses, could fund programs to provide loans and training for small business development, or add amenities to rural communities to make them more attractive places for people to live and draw folks. Perhaps most important, though, half the funds would be set aside to be used immediately in the near term for investments, for grants, what have you, in Nebraska businesses with Nebraska employees, to get started and to grow in the business of the construction business of building wind towers and turbines, manufacturing components, and providing services to them. For example, this trust could provide the equivalent of a 20 or 30 percent investment tax credit on investments in gearing up Nebraska companies with Nebraska employees gearing up to get in the construction business of wind turbines or manufacture their components. This really is the key, I think, to capturing long-term benefit for Nebraska. About seven times as many jobs will be created in the construction phase as in the operation phase, so we need to find a way of turning that into long-term prosperity, not all being gone after the construction phase is over. As I said last week, we would prioritize small business and

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investments in distressed urban and rural areas. You know, and I do want to talk more about the revenue impact. I believe there's a way to do this that's revenue neutral. I believe it's a fleeting chance because after this bill is passed the revenue will be in the baseline from export projects. And so only if we do it in this bill is there an argument for revenue neutrality. And I also believe in the long term doing something like this to use this, to maximize the potential of wind development to revitalize distressed communities, rural Nebraska is going to bring in more revenue. Because the key for us, and I alluded to it last time, is we have to improve upon, you know, now we're ranked at about 45 among the 50 states in the percentage of our work force in the income earning ages. If we can use this to move that up to, say, 35 or even 25, it's going to be very good for our long-term fiscal health. Thank you. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? Senator Haar. [LB1048]

SENATOR HAAR: Now the stock ownership that you're talking about, would that just be for Nebraska workers or any workers? [LB1048]

CHUCK HASSEBROOK: That would be for Nebraska workers, yeah. [LB1048]

SENATOR HAAR: Okay. So it would also be encouragement to hire Nebraska workers. [LB1048]

CHUCK HASSEBROOK: Yes, it would. [LB1048]

SENATOR HAAR: Okay. [LB1048]

SENATOR LANGEMEIER: Are there any other questions? Senator Carlson. [LB1048]

SENATOR CARLSON: Thank you, Senator Langemeier. Chuck, Senator Fischer and I both asked the preceding testifier from Banner County about...and she talked specifically about them being comfortable that they can work their own deals. [LB1048]

CHUCK HASSEBROOK: Uh-huh. [LB1048]

SENATOR CARLSON: And then that's why I followed up with my question. So you're asking government to do this. [LB1048]

CHUCK HASSEBROOK: Actually not. I mean the deals that the developers are making are with landowners. And I think probably the best way for landowners to protect their interest is to band together in landowner associations, like folks have done in Banner County, and so that they can't be picked off one at a time, but to get together and do that for themselves, and that's for the landowners. And I think landowners, by doing

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that, can protect themselves. But I think if we want to ensure a longer-term benefit for the entire rural community and prosperity for the entire rural community, then I think there are some things that government can do to move this development in a direction that really does that. One of those is providing some incentives to enable the people working these farms to share in the ownership, and the other is trying to set aside some of the revenue created in the construction boom, which will be a fleeting source of revenue because they're only going to...there's going to be a boom to build these things and then it's going to start to wain, to capture some of that revenue to invest in long-term rural development. [LB1048]

SENATOR CARLSON: Well, I'm tracking with you on landowners and associations getting together and then collectively bargaining for something like this. I don't like the idea of big government stepping in here and mandating these kinds of things to be done. And it sounds good, but I'll be interested to see what some of the private developers would say about this. [LB1048]

CHUCK HASSEBROOK: If I can clarify, there is no mandate. There is simply an offer to them to say that if you do these things we'll provide sales tax relief; no mandates. [LB1048]

SENATOR CARLSON: Yeah, but that's a government decision there to make that come about. [LB1048]

CHUCK HASSEBROOK: Yeah. It's an incentive, yeah, government incentive. [LB1048]

SENATOR CARLSON: Okay. Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Haar. [LB1048]

SENATOR HAAR: Another question, kind of put you on the spot here. You keep saying rural development and rural development in terms of tax, the exemption from sales tax, but really all of Nebraskans would be, you know, footing the bill for that exemption in sales tax. So where does this... [LB1048]

CHUCK HASSEBROOK: Well, I think it benefits all of Nebraska. First of all, the exemption in sales tax that induces funds into the Nebraska Job and Rural Trust, that would help create wind-related businesses in all distressed communities in Nebraska, whether they're in Omaha in census tracts or anywhere, or in rural Nebraska. There's an existing definition statute of a distressed area. So it includes census tracts in urban areas as well as, frankly, almost all of rural Nebraska. But the other benefit that the rest of Nebraska gets from this is, I don't mean to keep harping on this, but I think it's really essential, we're 45 among the 50 states in the percentage of our population in their income earning years. We rank 5 in the percentage of our population in the

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service-demanding years. If we can...and that problem starts in rural Nebraska where we're aging because there aren't opportunities for young people. If we can create more opportunity all over the state, that's going to create more taxpayers, and I think we have to do that if Nebraska is going to be on more fiscally sound...on a more fiscally sound basis. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any other questions? Seeing none, thank you very much for your testimony. We need a stoplight to issue people in here. Welcome. [LB1048]

SHERRY VINTON: (Exhibit 9) Thank you. Thank you, Senator Langemeier and members of the Natural Resources Committee. For the record, my name is Sherry Vinton S-h-e-r-r-y V-i-n-t-o-n. I'm a rancher from Grant County and I serve as a board member on the Nebraska Farm Bureau Federation board of directors. I'm testifying today on behalf of Nebraska Farm Bureau. This past summer I served as chair of the Nebraska Farm Bureau's wind task force. This group was brought together specifically to evaluate Farm Bureau's wind policy and to make recommendations to our state legislative policy committee on this issue. We had representatives from across the state with varying backgrounds and interest. There was great discussion, much research, and a lot of good questions were asked. Ultimately, we agreed on the following points. Our membership is supportive of wind development opportunities in the state of Nebraska for both domestic use and export. Our membership also believes that the reliability and low rates of public power should be preserved. We believe that there is great opportunity for economic development for wind, but also that private property rights should be protected and landowners should take great care in working with developers and other interested parties as they develop contracts. Ultimately, Farm Bureau's voting delegates voted a policy on this topic. That policy was shared with you last week in a briefing and a page has just handed out copies for your reference as you continue discussions. The policy our members adopted offers flexibility. We believe there needs to be a balance between opening up Nebraska for wind development opportunities and preserving public power. We believe the Legislature needs to have that discussion about where that balance should be. We've heard from our membership a great desire for economic activity large-scale wind development can bring to our rural areas. It is the sense of our membership that wind development is going to occur regardless, whether it is in the state of Nebraska or elsewhere. We believe the state of Nebraska should be in a position to take advantage of these opportunities. Our board of directors met this morning via conference call and discussed the amendment. After a long discussion, we believe the amendment, as we understand it, offers a compromise that fits within our current policy. We know there are details that will continue to be discussed and that there are various viewpoints on the proposed policy, but on a whole, this compromise provides a platform to begin meaningful discussion on the floor of the Legislature. We urge the committee to advance the amendment and offer our support in working with them and the members of the Legislature as they navigate this important and timely

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issue. Again, I would like to thank Senator Langemeier and the whole committee. I know you've done a tremendous amount of work on this very complicated issue. We'd also like to thank the many members of the drafting committee and the staff for their time and efforts. I'd be happy to try and answer any of your questions. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? Seeing none, thank you very much for your testimony. [LB1048]

SHERRY VINTON: Thank you. [LB1048]

SENATOR LANGEMEIER: Further testimony in support of LB1048. Welcome. [LB1048]

RICK BOARDMAN: (Exhibit 10) Chairman Langemeier and members of the Natural Resources Committee, my name is Rick Boardman, R-i-c-k B-o-a-r-d-m-a-n. I'm with Boardman Aerial Spraying at Henderson, Nebraska. I appear before you on behalf of the Nebraska Aviation Trades Association. The association represents agricultural aerial applicators in Nebraska. Over the past several months, the association has been working with several entities involved in wind energy as it relates to the meteorological, or the met towers. These towers are the precursors to wind turbine electrical towers and are used to determine the feasibility of placing a turbine in a particular location. We have met with the Department of Aeronautics and electrical suppliers, as well as your office, relating to a safety concern. Our association does not have a position relating to wind energy, but we are requesting that this committee add language to LB1048 to provide for a life safety of agricultural aviators, as well as other low-flying aircraft such as medical helicopters and other small aircraft. Met towers are generally constructed to be around 197 feet in height, which is under the Federal Aviation Administration's jurisdiction. Towers at 200 feet or greater do fall under FAA guidelines for lighting and marking. Met towers are usually constructed from galvanized pipe, which is grayish in color. These towers are virtually invisible to us as we make aerial applicants to farm fields. The grayish color blends into the earth and we have had many near misses with these towers with our aircraft. Our requested amendment would provide that these persons owning or leasing a met tower would report the location of the tower to the Nebraska Department of Aeronautics, who would make this information available on a Web site. This system is being utilized in Wyoming with a great deal of success. We have met with the Department of Aeronautics and they are amenable to accepting this responsibility. This would give our applicators an opportunity to check for towers prior to flying over fields. In addition, we are requesting that the towers be painted with red and white stripes and be equipped with one or more flashing lights. The amendment outlines that the lighting and marking standards would apply to those structures constructed after the enactment of LB1048, unless the structure is taken down for modifications or reassembly. We do not believe the costs to be exorbitant if you compare it to the potential loss of life if one of our aircraft or a medical helicopter hits one of these towers. Some have suggested that an alternative to painting the towers would be to provide for

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marking balls on the sides of the towers. We have experimented with this type of marking and have found them to also not be very visible. We sincerely hope that the committee will accept our suggestions and we are requesting this for life safety reasons. Thank you for allowing me to testify today. If you have any questions, I'll try to answer them. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? Senator Carlson. [LB1048]

SENATOR CARLSON: Thank you, Senator Langemeier. I don't really have a question but I think that we are concerned about this and that it certainly needs to be addressed and to your satisfaction. So I think that you've given some good suggestions here. Thank you. [LB1048]

RICK BOARDMAN: Thank you. [LB1048]

SENATOR LANGEMEIER: Very good. I do have one question. When you talk about the tower marking balls, are they the same balls that we put in our power lines like at the end of runways? [LB1048]

RICK BOARDMAN: Yes. Yeah. The problem... [LB1048]

SENATOR LANGEMEIER: You're just putting them the other direction. [LB1048]

RICK BOARDMAN: Yeah. The problem with the balls on the towers, they tend to blend in too. When you're approaching airports, for example, they're going to have power lines around them, you tend to be watching for that around airports. When you're flying low to the ground you can see those balls if they're above the horizon, but if you're in a turn and they're even with the horizon or below you can't see them. They just blend in too well. [LB1048]

SENATOR LANGEMEIER: So there's some due notice that you have when you're flying into an airport that... [LB1048]

RICK BOARDMAN: You kind of watch for the... [LB1048]

SENATOR LANGEMEIER: ...they're there somewhere? You just got to find them? [LB1048]

RICK BOARDMAN: Yeah. You kind of got to watch for them. A lot of them are buried now but smaller strips do have them. [LB1048]

SENATOR LANGEMEIER: Okay. Are there any other questions? Seeing none, thank

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you very much for your testimony. [LB1048]

RICK BOARDMAN: Thank you. [LB1048]

SENATOR LANGEMEIER: We appreciate it. Welcome. Further testimony in support of LB1048? [LB1048]

KEN WINSTON: (Exhibit 11) Good afternoon, Chairman Langemeier and members of the Natural Resources Committee. My name is Ken Winston, K-e-n W-i-n-s-t-o-n, appearing on behalf of the Nebraska Chapter of the Sierra Club in support of LB1048. This bill, this hearing today is a historic occasion for wind development in the state of Nebraska. The Nebraska Chapter of the Sierra Club has supported wind development for many years. LB1048 represents a significant opportunity to expand wind development far more than a lot of us would have envisioned just a couple of years ago. We believe that this bill provides many opportunities that have been described in earlier testimony. I want to recognize, Senator Langemeier, your leadership on this issue, and I, at the hazard of naming names, I also want to recognize several other members of the committee, including Senator Haar, Senator Schilz, and Senator Dubas, for the work that they've done. And also, as you indicated, there are some risks in naming people, leaving somebody out, and I don't intend to do that, but I also want to recognize the fact that there are other members of the Legislature not part of this committee who have also done a lot of groundbreaking work in this area, including Speaker Flood, Senator Dierks, Senator Lathrop, Senator White, Senator Harms, and Senator Adams, and I think their work should be recognized as well. I guess I also want to indicate that we also recognize...I was part of the drafting committee and have worked with your committee counsel and I think that her work ought to be recognized in this process of patiently dealing with all of us day after day and getting people to work together. But I also believe that because of the fact that there are some issues, this bill is just being unveiled for a lot of people today, there may be some people who will respond to it and say, gee, what about this and what about that. And I guess where we're coming from is we want to commit to continue to work on that process constructively to address those concerns to the extent they may arise. I wanted to mention the goals of the Sierra Club in this process: first of all, that Nebraskans should receive the economic benefits of wind development; secondly, the review and permitting process should provide a balance between attracting business and protecting the interests of Nebraskans; and finally, as has been said by a number of other people, that we support the objectives of public power to provide good service and low rates to Nebraskans. And then as I conclude by talking about the fact that this isn't really about lobbyist organizations and I really didn't know that the people from Banner County were going to be here today but I note that they made the case eloquently for the issue of economic development and, as I indicate, hopefully LB1048 will unlock the doors for opportunities such as these while also providing adequate protection from those who might unscrupulously prey on their hopes or dreams or use their power to overwhelm legitimate private property interests.

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I'm not referring specifically to those people, but other people in that situation. And also, I believe that LB1048 is about the future of this state and hopefully, although I know children are rare to give credit to their parents, hopefully they will at least receive the benefits of the work that's done here by this committee. I'd like to indicate that, once again, we'd be glad to continue to work with the committee and any interested parties on this bill and wholeheartedly encourage the advancement of the bill and the passage of this bill by the Legislature. And would hope that when the bill passes, my dream is to see a 49-0 green vote on the board the day that this bill passes in the Legislature. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? Seeing none, thank you very much for your testimony. [LB1048]

KEN WINSTON: Thank you. [LB1048]

SENATOR LANGEMEIER: Thank you. Further testimony in support of LB1048? Welcome. [LB1048]

CLINT JOHANNES: (Exhibits 12 and 13) Good afternoon, Senator Langemeier, members of the committee. My name is Clint Johannes, C-l-i-n-t J-o-h-a-n-n-e-s. I work for the Nebraska Electric G&T and I'm chairman of the NPA joint planning subcommittee, so I'm here today testifying for both the Nebraska G&T and for the NPA. The focus of my testimony will be somewhat just on the technical side because my committee deals with the technical issues. The two major ones are the concern about reliability and then, of course, keeping the rates low, and those things have been talked about quite a bit today so I will not repeat any of that, in the interest of brevity. I'll just mention a couple things that are a little bit different perspective and maybe emphasize a thing or two. Maintaining reliability is important, of course, and having a PPA helps with that because it does require, then, the two levels of study, the study to interconnect and the study for deliverability, which is important to identify transmission, and that's important for reliability. In terms of impacting rates, one thing that hasn't been mentioned that helps from our Nebraska ratepayers' perspective is the fact that the...as the amendment is now written, there's provisions for the recovery of transmission and other costs so that those costs are not shifted to Nebraska's ratepayers. The costs for, could be, finance, construction, all the way through the process, plus any integration costs that might accrue due to the additional wind will be recovered and not have to be picked up by the ratepayers. The issue of...that was talked about by some of the other folks about the PPA allowing the continued surplus sales, just as an example, a 1,000-megawatt wind farm would over a year provide about 3.5 million megawatt hours, which is, I think Mr. Asche mentioned, that's about what their sales are in a year. So it's significant. It would have a significant impact on the surplus sales. Surplus energy sales, it may have been interpreted that they only are occurring because we have at this point some surplus generating capacity. That's true and that creates some of those

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sales, but there will always be sales because of our...the characteristic of our system. You know the loads change a lot day to night, they change a lot day to day, they change a lot season to season. And because we have low-cost resources, we'll be able to sell surpluses into those markets in spite of not having surplus capacity. There was a question raised or some points raised about what happens with the Ainsworth farm, for example, whether there are agreements. There are...I was reminded that there are agreements with the landowners to put those back to a green field. In other words, when that project is completed, it will put that land back to a green field. At Springfield, those turbines were actually taken down, sold, and there were surpluses enough there that they actually ended up a little bit, after it was put back like they wanted, there were some dollars left over, and I think you're aware of that, Senator Fischer. I, too, would like to echo what's been said before. I think, you know, this is a complicated issue. I think the process that was put together was a good one. Some of us may have wondered how it was going to head at times, but when it started with LR83, then went through the transmission forums and the briefings and now to the hearing, I think was a good process and I think the senator, Chairman should be congratulated for that and thanked for that, as well as his legal counsel and all of you that helped make that happen. I've got a couple handouts that I'll just let you read at your leisure that are just white papers on a couple issues I've talked about. And with that, I'll quit and try to answer questions. [LB1048]

SENATOR FISCHER: Thank you very much. Are there questions? I see none. Thank you very much for being here today. [LB1048]

SENATOR CARLSON: I do have a question. [LB1048]

SENATOR FISCHER: Oh, I'm sorry. [LB1048]

SENATOR CARLSON: I'm sorry. I'm sorry. [LB1048]

SENATOR FISCHER: Senator Carlson has a question for you. [LB1048]

SENATOR CARLSON: With currently NPPD and some others, the other power companies, some of them have excess power and they sell that today. [LB1048]

CLINT JOHANNES: Yes. [LB1048]

SENATOR CARLSON: And then with all of this development of additional power, do you see in the near future the possibility that we have a lot of power generated and no market? [LB1048]

CLINT JOHANNES: Well, if...the way the bill is set up, the generation, wind generation that would be developed would have a PPA with it, so it would be sold. It would not

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compete with these surplus sales, and that's important to keep the rates down, because those surplus sales bring dollars back and keep the rates down. But they, if I'm understanding your question right, the way it's structured, those new developments would be sold and not compete with those surplus sales. [LB1048]

SENATOR CARLSON: Okay. And I'm maybe not tracking quite the way I want to but... [LB1048]

CLINT JOHANNES: Maybe I'm not...okay, I'm sorry. [LB1048]

SENATOR CARLSON: ...currently NPPD sells excess power. [LB1048]

CLINT JOHANNES: Yes. [LB1048]

SENATOR CARLSON: They have to have a market for that excess power. [LB1048]

CLINT JOHANNES: Yes. [LB1048]

SENATOR CARLSON: Now these wind projects come in and generate a lot of power. Are you comfortable that there's enough market out there to take care of everybody? [LB1048]

CLINT JOHANNES: Yes. [LB1048]

SENATOR CARLSON: Okay. [LB1048]

CLINT JOHANNES: That as more energy is put... [LB1048]

SENATOR CARLSON: I mean I hope so. [LB1048]

CLINT JOHANNES: Yes. Yes, as more energy is put into the market, it will change the market some, but the market that these surpluses are being sold in for the most part will still be there. Wind is a competitor, but there are times, you know, the wind is not the same as a resource you can start and stop, and so it has different attributes and different values. But there still...those markets will be there. [LB1048]

SENATOR CARLSON: Okay. Thank you. [LB1048]

CLINT JOHANNES: Yes, you're welcome. [LB1048]

SENATOR FISCHER: Thank you, Senator Carlson. Other questions? I see none. Thank you, Mr. Johannes. [LB1048]

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CLINT JOHANNES: Yes, thank you. [LB1048]

SENATOR FISCHER: Next proponent, please. Good afternoon. [LB1048]

TIMOTHY McCOY: Thank you, Senator Fischer and members of the committee. My name is Timothy McCoy, T-i-m-o-t-h-y M-c-C-o-y. I'm here today on behalf of the Nebraska Game and Parks Commission. We're in favor of this bill as it's been drafted and put together. We see this bill actually as a nice fit from the standpoint of our concerns of the fish and wildlife resources of the state. This follows the same process that's been used in the state for developing the existing wind power utilities through public power. We believe it provides that same level of protection in checks and balances, and we've been very happy with the work of this committee and would like to thank all of you for your efforts on this. [LB1048]

SENATOR FISCHER: Thank you, Mr. McCoy. Are there questions? So the process has worked well in the past and you anticipate it will continue to do so? [LB1048]

TIMOTHY McCOY: Yes. [LB1048]

SENATOR FISCHER: Okay. Thank you. Senator Haar. [LB1048]

SENATOR HAAR: Thank you. Describe for me a little bit how you determine whether or not some...I mean a criteria has been met, and if it isn't, what do you do and so on, the good actors and the bad actors. [LB1048]

TIMOTHY McCOY: Basically, the review we use is a review under the Nebraska Nongame and Endangered Species Act and that basically we review the project. Usually we get actually advocates for the projects. As soon as they're getting ready, they will usually provide us information before they start looking at the other resource concerns. And we do those reviews. We provide them that information back. The other part of this process that's been going on so far on every development is our biologists go to the site and actually look at the site with the developer, their consultant, and talk about ways that we can avoid and minimize any undesirable impacts. Because that's really what it's...that's really the best way to deal with this, is to try and deal with this very up front, and that has been a process that seems to have worked very well for all the players involved. Our review ends up, you know, we don't have, I would guess, what we consider a, you know, a regulatory role in this. Our review is required. It goes to the environmental or it goes to the Power Review Board before they make their decision and it's part of the information they consider, just like the information required on the interconnects, the PPAs. It's a part of the information that they use in making that final decision. [LB1048]

SENATOR HAAR: Well, in a situation if somebody didn't follow through or whatever, do

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you, like you say, you're not regulatory. I mean you can't send your... [LB1048]

TIMOTHY McCOY: Not in terms of... [LB1048]

SENATOR HAAR: ...officers up there. [LB1048]

TIMOTHY McCOY: Not in terms of facility. Our, you know, our...the only regulatory things that we deal with are if it's an unauthorized take of fish and wildlife. That's really the only thing we...that's our role. That's what we do. [LB1048]

SENATOR HAAR: Uh-huh. [LB1048]

TIMOTHY McCOY: And so it's...and that's why we like the current process because we work with the developers before, too, as much as we can ensure it doesn't happen. And we know there's going to be some issues that, you know, there are always going to be some things that happen and the key is to minimize and avoid those as much as possible. [LB1048]

SENATOR HAAR: Okay. [LB1048]

SENATOR FISCHER: Thank you, Senator Haar. Other questions? I see none. Thank you, Mr. McCoy. Senator Langemeier. [LB1048]

SENATOR LANGEMEIER: Thank you, Senator Fischer. Further testimony in support of LB1048? Welcome. [LB1048]

RUSSELL ZEECK: (Exhibit 14) Thank you. Good afternoon, Senators, and thank you for the patience, taking the time to listen to us. You will see in my statement I reference AM1705. We did not have AM2010. I have had the opportunity to review AM2010 and the methodology of my statement follows precisely with that, so I apologize with that. First of all, I'd like to state my name. It's Russell Zeck, that is spelled R-u-s-s-e-l-l, last name Zeck, Z-e-e-c-k, and I represent Next Step Biofuels. Thank you for the opportunity to speak before the panel. My name is Russ Zeck and I am the chief operating officer and cofounder of Next Step Biofuels, a Gretna, Nebraska, based company that supplies biomass to power generation and industrial customers. We support the February 19 version of AM1705 to LB1048 because we feel it will incentivize the development of a broad range of environmental friendly power generation alternatives. We feel that the amended version is too wind-centric, but we can support it. There is no doubt that wind can and should be an important part of Nebraska's renewable energy portfolio, but to gear an entire renewable energy strategy around wind, particularly in a state where we annually produce hundreds of millions of tons of biomass and whose core and heart is agricultural, unwittingly leaves out a useful, homegrown resource that can produce reliable, base load power while

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employing many Nebraskans. The proposed changes to AM1705, as written in the February 19 version, gives opportunity to a variety of renewable sources and resolves, as I understand, the issue that Nebraska law, as written, without this bill, would affect developers and their funding and development efforts in Nebraska. Being a developer myself and part of a development team who has raised over \$225 million in private and venture capital, as well as over \$250 million in debt over the course of my career, understand how critical language in this bill is for the developer, and understand the communities and how they will benefit from the development of the proposed wind farms, and strongly support development in western Nebraska, both as a developer and, more important, as a resident of Nebraska. However, if intermittent power, like wind, is allowed to be dumped on the transmission system whenever the wind is blowing, this could force massive investment in a power grid to accommodate extraordinary peaks of wind that may exceed the benefit of the incremental energy. I fear that the grid investments will come at an expense of developing other "less-intermittable" forms of clean energy that can, in fact, supply a reliable base load, renewable power to Nebraska systems, while employing and adding to the livelihood of many Nebraskans. Some proposed changes to AM2010 could potentially result in two facilities that my company is currently developing in Nebraska not moving forward. Each of these projects would directly employ 23 full-time employees with family-wage jobs, and they would add to the farm income and sources of farming families in Nebraska. My company, Next Step Biofuels, converts Nebraska corn stover into energy-dense PowerPellets that can be immediately cobbled with coal to convert a portion of the output to a renewable energy. In essence, by substituting, say, 10 percent of a plant's coal for stover pellets, 10 percent of the electricity produced by such a coal plant is now renewable, as well as generating electric power from a Nebraska source for Nebraska customers. Better yet, burning stover pellets is approximately a one-to-one offset for CO₂, meaning of course that the volume of CO₂ released by burning the stover is fixed by next year's corn crop. And unlike the painful food for fuel issue that haunts ethanol industry, corn stover is a waste product as a result of Nebraska's miraculous ever-increasing corn yields. This means that there's plenty of stover to maintain our wonderful, rich soil and support this cost-effective, instant, and decidedly homegrown source of renewable energy. The February 19 version of the amendment appreciates that Nebraska is blessed with many renewable energy options. It smartly encourages the development of a diversified portfolio of renewable power sources, including our wind resources, as well as other forms of clean energy that not only take advantage of, but also expand our core agricultural economy. Essentially, what I would like to state in this statement is I'm directly focusing on the power that could be essentially dumped into the open market. And what I'm referring to is how that affects the income to Nebraska public power, as a lot of our main customers would be Nebraska public power. And as those funds are reduced and/or eliminated, as with any business, whether it's a public power or a private business, the first thing you do is you begin cutting your budget and you begin cutting projects and other items that were on that. I see my time is up, but I just would also like to state one resource that people don't

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understand is the reliability of Nebraska's grid. I have personally flushed a project as a result of the state's power grid. If everybody was rating from one to ten, ten being the best, I would rate the reliability of power and the grid in Nebraska as a ten and, therefore, it greatly affects development in the state. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? I'm going to...seeing no others, I'm going to ask one. Can you tell me, to make a ton of your pellets,... [LB1048]

RUSSELL ZEECK: Uh-huh. [LB1048]

SENATOR LANGEMEIER: ...how many BTUs of energy do you use? And incorporating a ton of pellets into a coal facility, how many BTUs come out? [LB1048]

RUSSELL ZEECK: Yes. Essentially, for every pound of BTU pellets or one pound of BTU to the power plant is an 80 percent net gain. [LB1048]

SENATOR LANGEMEIER: Okay. That's...that was my question. Seeing no other questions, thank you very much for your testimony. [LB1048]

RUSSELL ZEECK: Thank you. [LB1048]

SENATOR LANGEMEIER: Further testimony in support of LB1048? Just out of curiosity, not that it matters because we're going to stay here til we're done, but how many people are yet to testify in some fashion, pros, cons, neutral? Okay. Welcome. [LB1048]

RON STEINBACH: Senator Langemeier, Senators, my name is Ron Steinbach, R-o-n S-t-e-i-n-b-a-c-h, and I'm here representing Tri-State Generation and Transmission Cooperative. We are a nonprofit generation and transmission cooperative owned by our 44-member systems across four states. We have approximately ten...we have ten member systems that serve retail customers in Nebraska, six of them are located in the state and then four are located...they're headquartered in Colorado and Wyoming, with overlapping service territory into the state, and we serve about 22 counties. We've been a longtime member of the Nebraska Power Association and we have a long history of collaboration with the Nebraska Public Power District in managing transmission assets in the western part of the state. Just wanted to thank the drafting committee. This has been a real interesting balance that you're trying to accomplish here, allowing protecting the rights and obligations of public power and also promoting wind development. We're really appreciative that over the time that all of our questions that we've asked, since we are not the biggest players, but our concerns have been heard and been incorporated in the bill, and we appreciate that. And we actually think that this is probably the most significant legislation relating to electricity in this state probably since the 1930s. This is

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a really big step for the state. One of the things I wanted to talk about was the fact that we are primarily in the western interconnection. We are not part of the Southwest Power Pool. Some of our loads are in the Southwest Power Pool but we operate in the western interconnection, and so we evaluated this bill from a little bit different perspective. Because we don't have the market there, we tended to look more, okay, is this going to work in a place where there's not a regional transmission organization like Southwest Power Pool? And we feel comfortable that it will work for us. In fact, there's two key benefits that we see with the drafting language. The section that allows the 10 percent purchase for public power part of each project, that gives us another option for acquiring resources. Rather than having to commit to buy, you know, buying into a huge project, we have the opportunity to incrementally add renewable resources to our portfolio and we see that option as a potential benefit for the company. The other benefit that we see is the opportunity to participate in the transmission ownership of the lines that may be built with these projects. It's very important that that's one of the concerns we had with some of the big projects that are built in the west is, and you guys all know what it's like to get a transmission line sited and if you're not allowed on a line and then you want to build yours, the local governments typically aren't too friendly to deal with another transmission line going through their area. So we see that...those two components are, you know, give Tri-State options for going forward for building transmission and for meeting our load, and we support that. So I guess in conclusion, we think this bill works for Tri-State. We think it's good for Nebraska and Tri-State supports it. Thank you. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? Senator Schilz. [LB1048]

SENATOR SCHILZ: Thank you, Senator Langemeier. Sir, thanks for coming in today. My question for you is, and I know that you deal in the western part of the state there, can you give me some sort of comparison to what your electric rates run compared to like NPPD as far as price? [LB1048]

RON STEINBACH: No, I don't know NPPD's rates that well. No, I can't. Our wholesale rate I think is about 6 cents a kilowatt hour, right in that range, and so I can't...I don't know what NPPD's rate is. [LB1048]

SENATOR SCHILZ: Sure. And that's fine. I appreciate that. It has been my experience that out west in those areas that are served by some of the other generation organizations and transmission organizations, that we see some higher rates out there... [LB1048]

RON STEINBACH: Uh-huh. [LB1048]

SENATOR SCHILZ: ...than what...than what the rest of the state may see. [LB1048]

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RON STEINBACH: Yeah. Well, I can comment on our transmission rates. Our transmission rates are probably the highest in the region, but one of the things that we discovered, we have 5,000 miles of line across our system and 2,500 megawatts a load, so it's 1 megawatt for every 2 miles of transmission line that we have, and that doesn't include the members' systems where they may have one or two meters per mile. So covering those rural areas gets expensive. [LB1048]

SENATOR SCHILZ: Yeah. Absolutely. Okay. Thank you. [LB1048]

SENATOR LANGEMEIER: Are there any other questions? Seeing none, thank you very much for your time. [LB1048]

RON STEINBACH: Thank you. [LB1048]

SENATOR LANGEMEIER: And thanks for coming in. [LB1048]

RON STEINBACH: Yeah, you bet. [LB1048]

SENATOR LANGEMEIER: Further testimony in support of LB1048? [LB1048]

CORY WORRELL: Hello. My name is Cory Worrell, C-o-r-y W-o-r-r-e-l-l, and I want to thank Senator Langemeier and this committee for allowing me to speak today. I'm the superintendent of the Boone Central Public Schools, and Boone Central is made up of the communities of Albion and Petersburg, and I've traveled here today with also Shannon Landauer, who is our executive director of the Boone County Economic Development Agency, she's seated behind me; and Hank Thieman, who is our Boone County commissioner as well. We're here to show support for LB1048. And as a county and school district, we're very excited about what is going to take place outside of Petersburg in the near future. As a school district, the additional tax revenue and educational opportunities for our students will be great. One way that we can make these opportunities even better will be if we can spread out that additional tax revenue over a longer period of time. If we could spread the additional revenue over a 15- to 20-year length of time rather than a five-year plan, it would benefit our students that much more. If this revenue is spread out, we could use this money to pay for additional teacher and staff salaries. Studies show that the most effective way to improve student achievement is through having effective teachers, and this would allow us to do this and to hire additional staff to work with our students. If the tax revenue continues to be spread out over the shorter five-year period, we would not be able to hire any staff members for that extended period of time and because of that, we would not be able to make up for it if we were to hire somebody once that five-year period runs out. Another point I'd like to discuss is the ability of putting together a budget for each school year. And as a superintendent, this is probably one of my most challenging aspects of my job,

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is to try to put together a budget that will work for our school district. And by being able to have a consistent amount of money, revenue that you can count on each year, that budget process is made that much more easier. And when you can count on that consistent amount of revenue coming each year, I believe the ability to have this consistent revenue helps to bring about improved instruction and even greater student achievement. Finally, by spreading out the tax revenue for our school district, we should not lose any state aid that we are now receiving because of this additional revenue. If we receive all of our revenue over a shorter amount of time, this could wipe out any state aid that we are receiving and, in essence, become a wash for our district, and that is something that we would not like. I thank all of you for your time and consideration for what I've shared and I'd take any questions if you'd have any. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? Senator Haar. [LB1048]

SENATOR HAAR: Yes. I'm also on the Education Committee, so how would you adjust TEEOSA to...because your school system would have quite a bit more money over a long period of time? [LB1048]

CORY WORRELL: Yeah. I don't know how you would adjust the TEEOSA or the state aid formula, but the one thing I do know is if we were to receive a lot of this revenue in that short amount of time, my guess would be how it would affect the state aid formula is it would be a negative for us. I don't know how specifically you would adjust that. I just know that if you spread that out over time it would benefit us because it is not going to necessarily play into the formula as much as it would if it was in a shorter period of time. [LB1048]

SENATOR HAAR: Yeah. Well, I hope you'll stop in and see Senator Adams. (Laugh) [LB1048]

CORY WORRELL: Yeah. [LB1048]

SENATOR HAAR: Because I mean this may not only be a problem in your district, but others as well. [LB1048]

CORY WORRELL: Absolutely. Right. Very good. [LB1048]

SENATOR HAAR: Appreciate it. [LB1048]

SENATOR LANGEMEIER: Senator Fischer. [LB1048]

SENATOR FISCHER: Thank you, Chairman. Mr. Worrell, in your school district now, what is your levy currently? [LB1048]

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CORY WORRELL: Well, between our general levy and our special building fund, we're about \$1.03. [LB1048]

SENATOR FISCHER: And what percentage of your general fund budget, or your general operating budget there comes from state aid now? [LB1048]

CORY WORRELL: We are not very much. We only receive a very small percentage of our revenue in state aid. [LB1048]

SENATOR FISCHER: How big is your district square mile-wise? [LB1048]

CORY WORRELL: Oh boy, good question. I don't know if I could answer that, to tell you the truth. [LB1048]

SENATOR FISCHER: Okay. Wouldn't you imagine that under the current state aid formula, the income you would be receiving from any wind farms would make you an even richer district than you are considered now by your property and, therefore, you'd lose any state aid that you're currently getting? [LB1048]

CORY WORRELL: Possibly, yes. [LB1048]

SENATOR FISCHER: Your resources would out... [LB1048]

CORY WORRELL: Right. [LB1048]

SENATOR FISCHER: ...outpace your needs by a great amount, wouldn't they? [LB1048]

CORY WORRELL: Possibly, yeah. [LB1048]

SENATOR FISCHER: I think some problems you might face with that, too, is your budgeting authority and what you'd be able to do. You'd want to make sure you don't get behind in that for when the windfall ends. [LB1048]

SENATOR HAAR: (Laugh) Very good. [LB1048]

CORY WORRELL: Yeah, exactly. And, you know, one of the thoughts I think we have also had is if we are able to generate some of that additional revenue, would we be able to lower our levy and give a little break to, you know, the taxpaying citizens of our communities as well. So that's part of our thought. [LB1048]

SENATOR FISCHER: I would assume you would. But the odd way that we handle state

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aid to schools here in Nebraska, if you are efficient and lower your levy too much, then you penalize your property taxpayers in future years. [LB1048]

CORY WORRELL: Uh-huh. [LB1048]

SENATOR FISCHER: So I would keep that in mind also. [LB1048]

CORY WORRELL: You bet. [LB1048]

SENATOR FISCHER: So thank you. [LB1048]

CORY WORRELL: Okay. [LB1048]

SENATOR LANGEMEIER: Very good. [LB1048]

CORY WORRELL: Okay. [LB1048]

SENATOR LANGEMEIER: Thank you for coming down. [LB1048]

CORY WORRELL: Okay. Thank you very much. [LB1048]

SENATOR LANGEMEIER: Further testimony in support? [LB1048]

SENATOR HAAR: I like the windfall. [LB1048]

SENATOR LANGEMEIER: She had to do it. [LB1048]

SENATOR FISCHER: I had to see if everyone is still awake. [LB1048]

SENATOR LANGEMEIER: It's late in the day. Welcome. [LB1048]

NANCY PACKARD: Thank you. I'm Nancy Packard, N-a-n-c-y P-a-c-k-a-r-d. I am natural resources director of League of Women Voters of Nebraska. I have a compliment and three quick comments. Compliment: I recognize that this is a comprehensive thing you are doing and I applaud it. I know that about seven years ago people were only skeptical of the power of wind and of doing anything with wind. I wanted to follow up on what Mr. Hassebrook said when he spoke of creating or, as I heard him say it, a long-term structure for the use of this money. It reminded me of what I heard about little Wyoming towns that boomed and busted with the resources there. You know, they flourished and built infrastructure that a few years later was not needed. So however we can use this windfall for permanent good, I applaud any effort you can put to that effort. Thomas Edison said there is a better way; find it. And that has been a useful line for me throughout life. We are putting a great deal of hope into wind and I

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want to remind you that our energy ultimately comes from the sun so, right behind wind, let's be thinking of what we'll do next to reap energy more directly from the sun. I think that's all I want to say. Thank you for the opportunity. [LB1048]

SENATOR LANGEMEIER: Oh, I think we have a question. Senator Haar. [LB1048]

SENATOR HAAR: Yes, I think the provisions of this, whatever they become, will also apply to solar, my understanding. [LB1048]

NANCY PACKARD: But I would like to hear the word more often, just...I think we need to get it in our mind. Just as we started getting wind in our heads...in our ears years ago, I think we need to hear "sun" more. [LB1048]

SENATOR HAAR: You bet. [LB1048]

NANCY PACKARD: But thank you for saying that. [LB1048]

SENATOR HAAR: Like to see more solar here. (Laugh) [LB1048]

SENATOR LANGEMEIER: Very good. Are there any other questions? Thank you very much for your testimony. Further testimony in support of LB1048? Should a drew numbers before we started? Welcome. [LB1048]

STEVE BOYER: Thank you. Mr. Chairman, committee members, my name is Steve Boyer, spelled S-t-e-v-e B-o-y-e-r, and I work for a wind development company called Third Planet Windpower, and we have three active projects in the state in various stages of development. I'm also a resident of the state and live in Kearney. I'm here to testify in favor of LB1048, as Third Planet Windpower supports the bill in its current amended format. We're pleased with how all parties, including public power, have shown cooperation with the Legislature, developers, and other stakeholders in helping draft this bill. We believe it will stimulate additional wind development in the state, which will bring with it the economic development benefits. We also strongly believe the bill should maintain its requirement that all certified export facilities are required to have a PPA during their operation. Third Planet is one of many development companies that rely heavily on having the security of a PPA to enable suitable financing opportunities. Many development companies cannot build a project on a speculative merchant market and afford to wait several years for it to mature and provide a satisfactory return on investment. Removing the PPA requirement and allowing merchant facilities may eventually tilt the playing field towards only the very large wind development companies. We support a free-market strategy and think all developers should be welcomed to the state--big, small, and in-between. We hope this legislation will support the long-term success for everyone, including public power. Now speaking as a resident, I can tell you I'm very excited about the prospect of additional wind development in our state and all

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the benefits it's going to bring to our rural communities. I also believe that we need to be responsible as to how we invite this development and ensure the integrity of public power is not disrupted. Thank you. [LB1048]

SENATOR LANGEMEIER: Very good. Are there questions? Senator Haar. [LB1048]

SENATOR HAAR: Yes. And I don't mean to be disrespectful for this question, but why would Nebraska care whether the development is by big wind or small wind or medium wind if we get the economic benefits? It would seem to me that big wind actually might have some economies of scale that would make it more reliable and more stable. [LB1048]

STEVE BOYER: That could be true. I obviously have some selfish motives here, working for Third Planet. [LB1048]

SENATOR HAAR: Yeah. Yeah. [LB1048]

STEVE BOYER: That doesn't happen to be one of the top five companies. [LB1048]

SENATOR HAAR: Uh-huh. [LB1048]

STEVE BOYER: And there are some economies of scale with larger companies. But I think that with a broader participation with different companies, there might be the chance for different sizes of project. There's not going to be just the mega projects developed in the state. I think you're going to see small C-BED projects, you're going to see medium projects, and you're going to see large projects. [LB1048]

SENATOR HAAR: Uh-huh. [LB1048]

STEVE BOYER: And I wouldn't want to see the legislation shape how that develops. [LB1048]

SENATOR HAAR: Yeah, and I guess I would agree with that. I wouldn't like to see it shape that development, but I don't want to see in what we do that would sort of parcel this out to, you know, to large, medium, and small. I think the market is going to have to decide that,... [LB1048]

STEVE BOYER: Sure. [LB1048]

SENATOR HAAR: ...which works best. [LB1048]

STEVE BOYER: Sure. [LB1048]

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SENATOR HAAR: Okay. Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Fischer. [LB1048]

SENATOR FISCHER: Thank you, Chairman Langemeier. Mr. Boyer, you mentioned the big five or the top five companies in wind development. I assume that's what you're talking about with those top five. [LB1048]

STEVE BOYER: Sure. [LB1048]

SENATOR FISCHER: How many of those companies are headquartered in Nebraska? [LB1048]

STEVE BOYER: I'm not aware of any of them headquartered in Nebraska. [LB1048]

SENATOR FISCHER: Okay. Thank you. [LB1048]

STEVE BOYER: Uh-huh. [LB1048]

SENATOR LANGEMEIER: Are there any other questions? Seeing none, thank you very much for your testimony. [LB1048]

STEVE BOYER: Okay. Thank you. [LB1048]

SENATOR LANGEMEIER: Further testimony in support of LB1048? [LB1048]

TONY RAIMONDO JR.: My name is Tony Raimondo, Jr., T-o-n-y R-a-i-m-o-n-d-o, and I'm vice chair and president of Behlen Manufacturing in Columbus, Nebraska; have the good fortune of just being a few miles down the road from Senator Langemeier. I just wanted to comment. I don't think I'll need my five minutes, but I just wanted to make a couple I guess things...just let you know a couple things that Behlen is doing as an example of what's possible with just basically a mid-sized manufacturing company in Nebraska. Just about two weeks ago we were awarded, we're very fortunate, we were awarded 112 parts for...to supply one of the Vestas plants in Colorado that will be starting operations or starting assembly and manufacturing in a couple months, probably in April sometime, and also yesterday we were just awarded about ten more parts that are going to be rotomolded poly items and they will be made in Columbus. The other parts will be made in Omaha at our Distefano Tool Manufacturing Plant in north Omaha. We're also, and somebody else had mentioned that we should hear a little bit more about solar, so, Senator Haar, I'm here to help with that a little bit. But Senator Haar and I went to Germany last spring and we are going to be manufacturing the SunCarrier solar tracking units, which is a tracker that will be used in utility-scale solar power plants, photovoltaic power plants, and we hope to supply the unit that

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NPPD is going to put in their Norfolk operations center as a test unit. There's several other things that Behlen is working on. We have a geothermal license technology that we have several installations, including one at Hershey, Nebraska, and several other projects. Just two weeks ago, Department of Economic Development sponsored a workshop at UNL's Union building and there was over 100 companies that came there just to learn how they could participate in the supply chain for large-scale wind turbines. There was a lot of interest and, in fact, our manager, general manager, Brian Turner at Distefano in Omaha was one of the featured speakers just because of the work we had done to become awarded as one of the key suppliers to Vestas. And we kind of fell into that. We had done a lot of work, but it actually kind of landed in our lap a little bit from the hard work that the Economic Development Department has done. So basically, that's...those are the main things, but my point was just as a mid-sized manufacturer in Nebraska, headquartered in Columbus, there are lots and lots of opportunities for us. And now that we're a key supplier to Vestas, most people in the industry have told us that we've really got an in to supply GE, Siemens, and the other companies that need parts that we can make, that we could manufacture. I'd also like to just add that I think, as was mentioned time before, you know definitely I think the time is now. If we wait much longer some of these contracts and opportunities for Nebraska companies probably won't be there. It actually is almost...I wonder if we could have done this a couple years ago. Nebraska might have been awarded one of those plants, those three or four plants that Vestas has built in Colorado, the Siemens plant in Hutchinson, Kansas, that's also going to open this spring. So there's some opportunities that I think we've missed, but if we pursue this bill, which we're greatly in support of, there should be great things for Nebraska, especially manufacturing companies, so. [LB1048]

SENATOR LANGEMEIER: Very good. Are there questions? Senator Schilz. [LB1048]

SENATOR SCHILZ: Thank you. Mr. Raimondo, thank you very much for coming in today... [LB1048]

TONY RAIMONDO JR.: Thank you. [LB1048]

SENATOR SCHILZ: ...and congratulations on everything you've been able to accomplish. And I'd just like to, as somebody that represents the community of Sidney and stuff,... [LB1048]

TONY RAIMONDO JR.: Uh-huh. [LB1048]

SENATOR SCHILZ: ...they had an opportunity at one of those plants and... [LB1048]

TONY RAIMONDO JR.: Really? Okay. [LB1048]

SENATOR SCHILZ: ...they did, and unfortunately it was moved to Windsor and...

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[LB1048]

TONY RAIMONDO JR.: Uh-huh. [LB1048]

SENATOR SCHILZ: ...the quote that they got was, well, it was moved to Windsor, Colorado, because Colorado is developing wind... [LB1048]

TONY RAIMONDO JR.: Uh-huh. [LB1048]

SENATOR SCHILZ: ...and Nebraska is not. Have you heard that yourself? [LB1048]

TONY RAIMONDO JR.: Yes, I've heard that. [LB1048]

SENATOR SCHILZ: Okay. [LB1048]

TONY RAIMONDO JR.: I've also heard from some of the people in Economic Development and also up through Governor Heineman that we talk a lot about rates and rates are very important, but when companies come to Nebraska to visit and look at expanding and building, building expansions in Nebraska, more and more companies are asking about renewable energy and what percent and do we have an RES in what we're doing for wind and other types of renewable energy. So that's very important also. [LB1048]

SENATOR SCHILZ: Do you...I mean, do you know, are they asking that as to...as they want to be a part of...they want that to be part of their portfolio that they're getting? [LB1048]

TONY RAIMONDO JR.: Exactly, as part of their series of questions that they want to know about the state that they're moving into, if we're developing renewable energy or not, and especially high-tech companies. And I've heard specifically when Governor Heineman spoke I think to the Nebraska Chamber of Commerce, one of our meetings, that whether it was PayPal or eBay or Data Centers, mainly especially high-tech companies, especially from the coasts, they want to know what we're doing with renewable energy and it is on their list of things that do make a difference when they make their selection decision. [LB1048]

SENATOR SCHILZ: Thank you. [LB1048]

TONY RAIMONDO JR.: Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Haar. [LB1048]

SENATOR HAAR: Just real quickly, since you're here, why solar in Nebraska? [LB1048]

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TONY RAIMONDO JR.: Would you like to answer that? (Laughter) I think we're...you probably know this data better than I do. I think we're number ten as far as solar potential. I think we're ten, and we're number three as far as the new NREL listings as far as wind potential, so we're a very good solar state. And obviously Behlen, in partnering with our German friend, SunCarrier, we're going to manufacture the SunCarrier tracking unit basically for the North American market and primarily the United States in the southwest and the western parts where the best solar potential is. [LB1048]

SENATOR HAAR: Well, the thing that surprised me when we were in Germany and talking about solar and they looked at us as great potential, as solar panels themselves generate heat and start to lose efficiency so... [LB1048]

TONY RAIMONDO JR.: Yeah. [LB1048]

SENATOR HAAR: ...the best place for a solar panel would be in Nebraska on a cold, sunny day. [LB1048]

TONY RAIMONDO JR.: And in a valley right next to the wind turbines... [LB1048]

SENATOR HAAR: (Laugh) Right. [LB1048]

TONY RAIMONDO JR.: ...because the wind, like you said, the wind cools the solar panels and we have...we're blessed with a lot of clear sunny days in Nebraska. [LB1048]

SENATOR HAAR: Yes, we are. [LB1048]

TONY RAIMONDO JR.: So we're actually better in solar than what most people would think. [LB1048]

SENATOR HAAR: Thank you. [LB1048]

TONY RAIMONDO JR.: So thank you. [LB1048]

SENATOR LANGEMEIER: Mr. Raimondo, I just wanted to make one comment. [LB1048]

TONY RAIMONDO JR.: Yes, sir. [LB1048]

SENATOR LANGEMEIER: As you make livestock tanks in your facility in Columbus... [LB1048]

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TONY RAIMONDO JR.: Uh-huh. [LB1048]

SENATOR LANGEMEIER: ...that allow windmills to be used in the ranch country of Nebraska, now you're cycling around to make plastic parts for wind turbines to make electricity. [LB1048]

TONY RAIMONDO JR.: Yes. [LB1048]

SENATOR LANGEMEIER: So that's a unique circle of life there, so. [LB1048]

TONY RAIMONDO JR.: Yes, it is. And to add a little bit to that, we've been talking about big wind and solar for utility-scale solar, but I've been talking to another company about small wind turbines. In fact, we're testing a very small 200-watt turbine that can be a portable turbine for on pasture use, which we can power a well pump and use that in conjunction with basically a sand point well in one of our poly...our big stock tanks to use in that application. So there's a lot more things we can do too. [LB1048]

SENATOR LANGEMEIER: Yep. Very good. Seeing no other questions, thank you very much. [LB1048]

TONY RAIMONDO JR.: Thank you. Appreciate it. [LB1048]

SENATOR LANGEMEIER: Appreciate it. Further testimony in support of LB1048? Mr. Geisert, welcome back. [LB1048]

NATHAN GEISERT: Thank you, Senator Langemeier, the Natural Resources Committee. My name is Nathan Geisert, N-a-t-h-a-n G-e-i-s-e-r-t. I support the work of the Chairman and the committee on this bill. We're making progress. Our group believes in the free-market system, as I stated at our last meeting. We are wanting a bold piece of legislation that lays out the mechanism for substantial wind development because of the economic benefits for Nebraska and its landowners. We are not asking for incentives or subsidies. We are in favor of preserving public power but not protecting them to the point of leading to detrimental effects of lost economic activity. Development of the wind resource in this state will lead to positive economic development and new jobs, new manufacturing, new tax base, etcetera. You've heard a lot of testimony today about all the economic benefits. I see a couple of potential problems with this bill, however. First, the 90 percent rule. I believe that the free market should rule the development of these generating facilities. If the markets are present, whether domestic or out of state, this should dictate the development and the need for a wind farm--a willing buyer and a willing seller. The 90 percent rule to export will not be flexible enough for these generation facilities. This rule will be an obstacle for wind development and may also be an obstacle for public power if they need more renewable produced

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energy for one reason or another. Take, for instance, LES transporting electricity clear from Laramie, Wyoming. I'm sure the Banner County people would be more than enthusiastic to supply that electricity for them, but underneath this rule it may not be possible. On the purchase power agreement requirement, in most instances there will be contracts in place to deter risk of these projects whether we require it or not. Nevertheless, there will be situations that are unforeseeable that will cause them to lose their contracts and put them in jeopardy of losing their certification. Once again, the free and open market should dictate the marketing of this resource. Public power has served Nebraska well and we can preserve that heritage, but let us not isolate ourselves as a state from economic growth, new jobs, new manufacturing, new money, and an expanded tax base. We may have the lowest electrical rates, but will our public power system in the end cost landowners in lost revenues, the state in lost jobs, lost businesses, and lost tax receipts? I know public power has put a value of at the most \$80-some million, but with this economic activity it could be in the billions. And as a business owner, I can see that trading millions for billions, you could do that any day. If you have any questions... [LB1048]

SENATOR LANGEMEIER: Very good. We'll start over here. Senator Cook. [LB1048]

SENATOR COOK: Thank you, Mr. Chairman. Is this still testimony in support of the proposal? [LB1048]

NATHAN GEISERT: Yes, we do support the bill. [LB1048]

SENATOR COOK: Okay. Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Haar. [LB1048]

SENATOR HAAR: And, sir, who do you represent again? [LB1048]

NATHAN GEISERT: Nebraska Energy Export Association. I'm the vice president of that. [LB1048]

SENATOR HAAR: Right. And I... [LB1048]

NATHAN GEISERT: Sorry, I missed that. [LB1048]

SENATOR HAAR: I met you two or three times and I have to ask again. [LB1048]

NATHAN GEISERT: Sorry I left that out. [LB1048]

SENATOR LANGEMEIER: I get him and his brother confused. Are there any other questions? [LB1048]

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SENATOR HAAR: Yeah, to just follow up. [LB1048]

SENATOR LANGEMEIER: Okay, Senator Haar. [LB1048]

SENATOR HAAR: You'd probably agree that today the PPA is the main business model for export or for any generation facility. [LB1048]

NATHAN GEISERT: Right. [LB1048]

SENATOR HAAR: What do you see it's going to be in five years or ten years? [LB1048]

NATHAN GEISERT: That's a good question. That's why I'm leery of putting it in legislation. I think the free market should dictate who has contracts and for the most part I believe that contracts will rule at the end of the day whether we require them or not in this legislation. But why put it in legislation when the free market can dictate that? [LB1048]

SENATOR LANGEMEIER: Senator Schilz. [LB1048]

SENATOR SCHILZ: Thank you very much, Senator Langemeier. Nate, thanks for coming in today. Jeez, you're almost down here as much as I am now. As you talk about the 90 percent rule and the willing seller, willing buyer, are you...in that, obviously you're not wanting to go...you're not in favor of selling retail on that. You're looking at wholesale and willing seller, willing buyer, right? [LB1048]

NATHAN GEISERT: Once again, I'm leery to put something like that in legislation, where the market should dictate where that energy goes. That should be market driven. I'm not saying that it should be to a retail. I think the wholesale from G&Ts to other G&Ts. [LB1048]

SENATOR SCHILZ: Okay. Yeah, so you're not saying that you get a wind farm established and you're sitting there and all of a sudden you decide that you want to go out and sell to certain customers. You're not in favor of that. [LB1048]

NATHAN GEISERT: Well, most of the public power districts and cooperatives are under an all-requirements contract with their G&T, so that would more than likely be impossible for the most part. [LB1048]

SENATOR SCHILZ: Okay. You're not going to try to take over...it wouldn't be there to take over a public power area or anything like that. [LB1048]

NATHAN GEISERT: That's all done contractually. [LB1048]

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SENATOR SCHILZ: Thank you very much. [LB1048]

SENATOR LANGEMEIER: Are there any other questions for Mr. Geisert? Seeing none, thank you very much for your testimony. Further testimony in support of LB1048? [LB1048]

RICHARD ENDACOTT: Senator Langemeier, members of the committee, my name is Richard Endacott, E-n-d-a-c-o-t-t, first name spelled Richard, R-i-c-h-a-r-d. I am the executive secretary and general counsel for the Nebraska Board of Educational Lands and Funds and I am speaking from the fact that we...all of our net revenue from anything that comes in to us goes to public schools here in Nebraska. This Monday I was driving north on highway I-29 from Kansas City back home to Lincoln and as I was driving north, armadas of trucks with trucks ahead of them with flashing lights were carrying large blades along highway I-29. They were moving south. They were moving close to Nebraska. They weren't in Nebraska, and I would speculate they were moving toward Kansas or Arkansas or Missouri or Oklahoma. It would be my wish that those trucks were headed toward Nebraska, but they certainly weren't. And the question that we face is how do we accomplish that? How do we turn those trucks around to where we have development in Nebraska? I want to thank the members of this committee and the members of the Legislature for passing LB235 which, from the standpoint of the Board of Educational Lands and Funds, allowed us to enter into long-term wind leases, which without that legislation we would be able to enter into no wind leases to the benefit of public schools here in Nebraska. So I thank you for that. I think that's one step, coming from our standpoint, to accomplish the objective of turning those trucks around and heading toward Nebraska. Secondly, we've been contacted by many developers interested in putting turbines on our land. I would speculate probably 10 to 12 to 15 different developers have contacted us, interested in putting turbines on our land. But one of the obstacles that they all point out to me is the lack of transmission potential here in Nebraska. LB1048, in conjunction with LB235 from our standpoint, would overcome that objection and we strongly support this bill in order to do that. From the standpoint of the School Trust, we will be exporting wind but importing into Nebraska for the exclusive benefit of school children, millions of dollars. So it's export out, import in of millions of dollars, and that's very significant. So in closing, I would like to turn these blade-carrying trucks that were headed south, that I saw on I-29, around and I think LB1048 will do that and it will move them in our direction, and I strongly ask that you support this bill. Are there questions? [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions for Mr. Endacott? Seeing none, thank you very much for your testimony. Further testimony in support of LB1048. [LB1048]

DENNIS HOUSTON: (Exhibit 15) Good afternoon. Dennis Houston, D-e-n-n-i-s

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H-o-u-s-t-o-n. Good afternoon, Chairman Langemeier and all the senators on the committee today. I applaud your patience this afternoon for testimony after testimony, so I'll try to keep mine short. I am the president and CEO of the Norfolk Area Chamber of Commerce. On behalf of the Norfolk Area Chamber of Commerce and its more than 600 member firms, the 15,000 area residents our members employ, and the 125,000 people in the Norfolk trade area, we urge your support of LB1048 as a comprehensive wind energy bill that will move our state forward as a leader in renewable energy in the twenty-first century. This bill will encourage the development of new energy projects in Nebraska. I know you have been working hard over the last several months to bring the various stakeholders to the table to develop a solution. It is important that both public power and landowners work together as one to create an environment that will benefit all parties. We need to work together to allow the development of wind energy projects for export under our current state and federal regulatory system. Chairman Langemeier said it best when he said it is the Natural Resources Committee's intention to reach a consensus on and advance a bill that will promote wind energy development, while preserving the integrity of our public power system. Wind energy in Nebraska will create new jobs in our state. We always talk about the brain drain in Nebraska and the out-migration of our young people to other areas of the country. A strong wind energy industry in Nebraska will bring our young people back home or, better yet, help convince them that they don't have to leave in the first place. I, for one, as a father of two young boys, Ryan age ten and Jack age nine, will encourage them to strongly consider a career in renewable energy, as it will continue to be the new frontier in America for the creation of new jobs. Back in the 1800s, California had the Gold Rush. I see this as an opportunity for senators and the citizens of our state to create a wind rush for Nebraska. Wind energy in Nebraska will help set our state apart from many states in the Union. Many areas of the country would love the opportunity to take advantage of this growing industry but they don't have the right environment that provides the much needed wind. The tough part for us is already done. Now we just need to capitalize on it and take advantage of the opportunities before us. In the Norfolk area we established a Norfolk Green Council to help us do that very thing. Our green team is working hard to help attract new green-collar job opportunities in northeast Nebraska, and this bill would help us do just that. Wind energy in Nebraska will provide strong economic development opportunities for rural Nebraska communities. It will strengthen the economy of rural Nebraska. It will certainly create a new revenue stream for struggling Nebraska farmers who are the backbone of the Nebraska economy. Nebraska ranks 3rd in the United States for its potential for wind power output, but yet Nebraska ranks only 24th for its actual wind power output. This is not the Nebraska way. If our beloved Huskers were ranked 3rd in preseason rankings but yet only performed at the level of a 24th ranked team, we would not stand for it. As Nebraskans, we demand more of ourselves. The wind energy gods have blessed Nebraska and we need to take advantage of the gift that we have been given. People throughout rural Nebraska are a strong people who are always looking for ways to strengthen the economic lifeblood of our communities. A strong wind energy industry in Nebraska can

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be that lifeblood. wind farms throughout Nebraska will help develop local economies across the state. The issue at hand is not our ability to only sustain, but to also grow rural Nebraska for the next generation. We need your help today to lead the charge in support of a strong wind energy industry in Nebraska. Thank you for your time. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions for...? Senator Carlson. [LB1048]

SENATOR CARLSON: Senator Langemeier, thank you. You get along pretty well with your state senator? [LB1048]

DENNIS HOUSTON: We spent a good part of the day with him today actually. [LB1048]

SENATOR CARLSON: Well, we like some comments from people in Norfolk area just to keep him honest, so thank you. [LB1048]

DENNIS HOUSTON: He's doing a fantastic job. [LB1048]

SENATOR CARLSON: All right. Thank you. [LB1048]

DENNIS HOUSTON: I'd like to go on record as saying that. (Laughter) He also controls the airwaves in Norfolk, too, so. [LB1048]

SENATOR LANGEMEIER: We won't comment. [LB1048]

DENNIS HOUSTON: Okay. [LB1048]

SENATOR LANGEMEIER: No, I'm just kidding. Are there any other questions? Seeing none, thank you very much. [LB1048]

DENNIS HOUSTON: Thank you. [LB1048]

SENATOR LANGEMEIER: I like the excitement and willingness to come up there. Sometimes they kind of stand off and look at each other. Welcome. [LB1048]

DANIEL LOOMIS: My name is Daniel Loomis, D-a-n-i-e-l L-o-o-m-i-s. I'm from southwest Nebraska. I'm a farmer and rancher. I've had people propose to put a wind farm on some of my property. I'm here to ask or to endorse this bill because I think we need it. I'm from southwest Nebraska where, if you know anything about our Republican River Basin problems, that will be significant. The proposal that we've been given is for 30-tower system. It would generate around...I think the initial was \$16 million worth of industry in installation. Annual receipts from that for tax purposes, about \$140,000 a

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year, and that would be huge in an area where we're lacking jobs, economy. And I guess that's mostly what I want to convey to you today. [LB1048]

SENATOR LANGEMEIER: Very... [LB1048]

DANIEL LOOMIS: It's big. [LB1048]

SENATOR LANGEMEIER: Didn't mean to stop you. [LB1048]

DANIEL LOOMIS: Okay. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions for Mr. Loomis? This committee is very well aware of the Republican River Basin. (Laughter) [LB1048]

DANIEL LOOMIS: Well, our concern is, as you know, you take that out of our area, it's really big. [LB1048]

SENATOR LANGEMEIER: You bet. Seeing no questions, thank you very much for your testimony. We appreciate it. [LB1048]

DANIEL LOOMIS: Thank you. [LB1048]

SENATOR LANGEMEIER: Further testimony in support of LB1048? Welcome back. [LB1048]

DAVID VAVRA: (Exhibit 16) Well, good afternoon or should I say good evening, Senators. Thank you, Chairman Langemeier, Senator Vice Chair Dubas, who represents my district, and to all the Natural Resources Committee members. My name is Dave Vavra, David Vavra, D-a-v-i-d V-a-v-r-a. I'd never think I'd have to read it off to make sure I spelled it correctly, so...I represent a very unique position. I'm the chairman of the Saline County Wind Association. That isn't what makes me unique. What makes me unique is I am working and I have worked with a crew of landowners that have come together and sat down across the table, nose to nose, eye to eye and have developed and put together a wind contract with a major...a large international wind company. And that's something I don't think there's a lot of people that have spoken here today can make that claim. So I'm going to be speaking from a standpoint of what we went through, to a certain extent. A lot of the stuff that we had written down was based on yesterday's stuff and a lot of other people have covered it, so I want to make sure that I hit some high points that are important to us. Of the 365 members, a majority of us have asked us to speak in favor of this bill because we started out looking strictly as an energy export type of operation. And this was not to be against public power; I think public power has done a very good deal for Nebraska. In fact, as we went through our discussions in trying to negotiate, one of the comments one of our members made was,

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you know, we need to raise the price of electricity so wind would be more affordable. You know and you get so wrapped up in the idea of what you're trying to accomplish, you forget the overall goal is to make sure that we maintain an equitable, fair rate for the ratepayers of the state of Nebraska and still continue on. So that's...we went through the gamut of it. So while wind energy in Nebraska, you know, has got a lot of positive attributes, and I kind of like to equate it...I come from Milligan originally where we've got a lot of dances in the summertime and everybody is always excited about the dance before it starts and, boy, how the party is going to be and how everything is going to be so wonderful, but then when the party is over, what's left? And that's what I want to talk about. I'm going to mention a little bit on the decommissioning. I have the supervisor for the planning and zoning commission from Saline County here to go an extent on that. And I appreciate Senator Carlson's and Senator Fischer's questions, as well as Senator Dubas', on that decommissioning, and you're asking the right questions but to the wrong people. To the developers, it's not a problem; they left. For the landowners, it can be a problem. You know, California was the poster child for wind development. But one of the biggest stains they have on their record now is abandoned lattice towers because it wasn't feasible to take them out...down and so now they sit there idle. Back in 1986, Burlington Northern featured, featured now, in their calendar the wind farm at Livingston, Montana. I mean it was featured. Now it's an abandoned derelict site. The city manager of Livingston is having trouble figuring out what to do with it. It's an eyesore, because there was nothing left, nothing put aside. And we talk about the situation of having money put aside and waiting ten years. Look, I understand that up-front cost, but there are other ways than just putting money down. There could be an insurance policy bought that has a decreasing value as the money reserves are built up so that there isn't that waste or that up-front cost. Second thing that could happen is that you could end up with an economic downturn where the price of electricity goes down and the company cannot continue to operate. Liability, you know, the issue with liability comes to the point that you say, well, everything is protected, but if somebody steps off of a graded road in a field that is not a landowner but is a worker and gets injured, they very well could sue not only the landowner as well as the developer. So there needs to be some identification so that the landowner isn't responsible for those facilities. Also, the ability to have a gross negligence standard so if the landowner is grossly negligent, then they have a liability responsibility. I'm not saying to remove all of the liabilities from the landowner, but when the landowners are receiving less than 5 percent of the total royalties, yet they could stand to lose their farm in a lawsuit or something like that. You know, my time is up but I want you to think about that dance. When that dance is all over, it becomes time somebody has to clean up the mess and I don't want it to be the landowner and the state of Nebraska. [LB1048]

SENATOR LANGEMEIER: Very good. I'm going to...I don't normally start with questions but I'm going to start this time. [LB1048]

DAVID VAVRA: Yes. [LB1048]

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SENATOR LANGEMEIER: You talked about California being the leader in what you just said, you said that California was the leader in wind development... [LB1048]

DAVID VAVRA: Generation, yeah. [LB1048]

SENATOR LANGEMEIER: ...but they left the lattice work. But your testimony here talks about solar. [LB1048]

DAVID VAVRA: Well, we... [LB1048]

SENATOR LANGEMEIER: I want to get you on one track or the other. [LB1048]

DAVID VAVRA: Okay. All right. Solar...they were a leader in wind and solar. I'm sorry, I was trying to consolidate my time. [LB1048]

SENATOR LANGEMEIER: Okay. No... [LB1048]

DAVID VAVRA: And but there's a lot of solar panel...abandoned solar panels as well as the wind farms left in the state. And, you know, we've got a pristine state here and we're going to change that. We're going to change the skyline tremendously and I hope that we don't change it with the idea that everything is going to be wonderful and ten years from now we have turbines sitting there spinning idly and growing...drawing dust or whatever, moss or whatever, so. [LB1048]

SENATOR LANGEMEIER: Very good. Senator Schilz. [LB1048]

SENATOR SCHILZ: Thank you. Sir, thanks for coming in today. As you've said, and I agree that decommissioning is a major issue that needs to be taken care of. And you said that you've negotiated some of these contracts out. Do you have that in your contracts? [LB1048]

DAVID VAVRA: We tried to negotiate that. It's kind of interesting, Senator. A lot of the things that we were trying to negotiate and we were not able to accomplish are now being accomplished in the contracts that are being negotiated after us. And so it becomes kind of a Catch-22. If we put it in, well, it's not going to be viable. And in reference to Senator Carlson, I don't believe in large government. I don't want government in my life, but if everybody followed the golden rule I wouldn't have to worry about decommissioning. I mean the reason we have housing covenants is because people don't follow the rules and don't care about the other person. These contracts are 40-page documents and they are some of the most twisted, convoluted things that you could go through, not as bad as the legislative bill that we've had to deal with, read the last few days, but...and I want to compliment everybody on the work that they've done

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because it's a bowlful of spaghetti to try to figure this out. But to say, well, the landowner beware, well, we've got lemon laws for cars now. We've got all sorts of laws protecting the consumer. And everybody looks at the up-front dollars; that's what the developers talk about. Nobody talks about the downside. What happens if you hit a structure that destroys a substation, destroys a power pole and now we no longer have generation? That farmer is not only liable for replacing that structure, but could be liable for the downside or the downturn of revenue because that wind farm is no longer generating. So when we say, oh, well, there's no liability, most of the time it's not thought through what the liability could be. Fortunately, with the grid that we have in the state of Nebraska, we can run alternate routes and pretty much pick up the load for a short period of time, but if you've got a 200- or 300-megawatt wind facility with one feed and it goes down for a month, can you imagine what the loss of revenue is? And you're receiving 3 percent of the total deal. You can't afford enough insurance to cover that. [LB1048]

SENATOR SCHILZ: So, in your opinion, this needs to be laid out in statute. [LB1048]

DAVID VAVRA: It needs to be, someway of gross negligence defined so that, you know, unless somebody is specifically doing something, they're grossly negligent to cause damage to the property, they shouldn't be held to that high of a standard as what the landowner or the developer would be. [LB1048]

SENATOR SCHILZ: Right. And you don't believe that that can be done contractually. [LB1048]

DAVID VAVRA: It's awfully hard to. We...it's getting closer, but if there's...there's a lot of contracts that are out there now that have nothing in them, in any way, shape or form, and so some landowners don't realize that they have got their...their farm is literally exposed. [LB1048]

SENATOR SCHILZ: And I can't disagree that that happens at times. I guess my real thing is that I've always looked at it, I really have a tough time putting a lot of this stuff into statute because there might be things that work for one person... [LB1048]

DAVID VAVRA: Uh-huh. [LB1048]

SENATOR SCHILZ: ...or one entity or a group of entities, say a wind association, that may not work for others. And I don't want to tighten it up so much that it causes that on the other side as well, as being unworkable on that side too. [LB1048]

DAVID VAVRA: I understand. I really appreciate that, Senator, but I think if we have a bit of a base or a guideline to, you know, I'm not looking for protect me from myself. I'm looking at, you know, unscrupulous acts and, you know,... [LB1048]

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SENATOR SCHILZ: Make sure that every... [LB1048]

DAVID VAVRA: ...let people be...hang out to the wind. You know, one of the things that we talked...that's been talked about a lot is the 90 percent rule. You know, that could be hamstringing. You talked about encoding that. Now we're tying the hands of the developer that we can't sell that power back into the state of Nebraska. If the laws or the pricing changes that our conventional electricity shoots up in price, I'd like to be selling power to the state of Nebraska and not exporting it. [LB1048]

SENATOR SCHILZ: I think you're starting to figure out where I'm coming from. Thank you. [LB1048]

DAVID VAVRA: Right. You bet. [LB1048]

SENATOR CARLSON: Thank you, Senator Langemeier. Dave, you mentioned...did you mention Montana? Where was the... [LB1048]

DAVID VAVRA: Livingston, Montana, Senator. [LB1048]

SENATOR CARLSON: Yeah. And that was...that was built in the '80s? [LB1048]

DAVID VAVRA: It was built in the '80s, yes. [LB1048]

SENATOR CARLSON: And it's abandoned or what? [LB1048]

DAVID VAVRA: It's abandoned. [LB1048]

SENATOR CARLSON: Why? [LB1048]

DAVID VAVRA: It didn't work. What...from what I understand and by research, was that the farm was set in a location that the wind was too strong and it caused damage to the rotors and they...so they abandoned it. [LB1048]

SENATOR CARLSON: Now do you know which area in California? [LB1048]

DAVID VAVRA: I can tell you specifically in Palm Springs area, that there they've got a lattice...a lot of lattice going up to San Bernardino Valley and up on the hills. Nearly 50 to 60 percent of those are not operational. [LB1048]

SENATOR CARLSON: For too much wind or...? [LB1048]

DAVID VAVRA: No, just too costly to repair. [LB1048]

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SENATOR CARLSON: Okay. [LB1048]

DAVID VAVRA: So they've been left abandoned. [LB1048]

SENATOR CARLSON: Okay. Thank you. [LB1048]

DAVID VAVRA: You're welcome. [LB1048]

SENATOR LANGEMEIER: Further questions? [LB1048]

DAVID VAVRA: I'd like to...two more things here. One, our county commissioner or the zoning planning chairman would like to speak about the decommissioning, and I would put it on the record that last week I had mentioned the Farm Bureau. Even though they're a great bunch of people, it was the Farmers Union that has come out a lot of times to help us get our wind meetings going. So, John, I thank you for that. [LB1048]

SENATOR LANGEMEIER: Thank you. Further testimony in support of LB1048. [LB1048]

RON LORENZ: (Exhibit 17) Ron Lorenz from Saline County and I was going to speak on the decommissioning part of it. Dave did a pretty good job already. Excuse me. [LB1048]

SENATOR LANGEMEIER: Oh, I need you to spell your name for us. [LB1048]

RON LORENZ: Full name, Ron, R-o-n-a-l-d, middle initial J., last name is L-o-r-e-n-z. [LB1048]

SENATOR LANGEMEIER: Thank you. [LB1048]

RON LORENZ: I'm also the...been involved with zoning for about 35 years now, been the chairman now for the last five or six years. It's one of those lifetime jobs. I don't know when I'll get off of it. But anyhow, the idea of decommissioning has come up in zoning but we've never dealt with that, whether it be in other facilities or whatever. But without something built into the...some minimum somewhere for decommissioning, the county commissioners are about the only ones that can deal with it at that point, other than the individuals who sign contracts for wind generation, and so that is what the area I was going to talk about, and that's about...oh, and to give you an idea, I passed out some pictures. Okay, to give you...so you know what we're talking about and what's going on. On some of these decommissioning, you see the flat one here, that is what is on the base and then what they do is they build a cone. It's like a reverse ice cream cone and it comes up. And what you see on the right on this picture is the very base of

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it, probably 20-foot across sticking up from the base of this cone about three, four foot. And when they talk about decommissioning, they only go down about three foot. They take off the top and put dirt over it after that so all the concrete and the 42 tons of rebar and everything, I've seen pictures of it down in Kansas, so that's what they're talking about in that area. Now some people may want to keep them and use them or some people may want to get rid of them, but that's part of what the decommissioning is along with the tower itself, which has more value. The cost is getting this here chunk of concrete out; that's got to offset the tower. Any questions? [LB1048]

SENATOR LANGEMEIER: Are there any questions of Mr. Lorenz? I'm going to ask one. [LB1048]

RON LORENZ: Yes. [LB1048]

SENATOR LANGEMEIER: Within the bill, it specifically states that a county can do more for decommissioning, yet you said you're your last defense. Do you not want that local control? [LB1048]

RON LORENZ: Oh yes. Yes. I'm saying that, like Dave said too, that there's a lot of contracts out there that doesn't cover the detail that I've seen, which I'm part of the wind association too, and there's over 260-some members in that one that put money up for this association to get it started. So we know that...and just feeling around, that there are some out there that don't have anything like what we may have. [LB1048]

SENATOR LANGEMEIER: Sure. But if you put the contract aside,... [LB1048]

RON LORENZ: Yeah. [LB1048]

SENATOR LANGEMEIER: ...let's don't think about the contract, you are the planning... [LB1048]

RON LORENZ: Planning commission. [LB1048]

SENATOR LANGEMEIER: ...planning and zoning... [LB1048]

RON LORENZ: Right. [LB1048]

SENATOR LANGEMEIER: ...for your county, right? [LB1048]

RON LORENZ: Right. Right. [LB1048]

SENATOR LANGEMEIER: You could make as stiff of rules as you want as a county within this legislation and it doesn't matter what's in the contract. [LB1048]

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RON LORENZ: Right. [LB1048]

SENATOR LANGEMEIER: If your county makes it where... [LB1048]

RON LORENZ: Yeah. [LB1048]

SENATOR LANGEMEIER: ...I mean as strict as you want. [LB1048]

RON LORENZ: We haven't done that. That hasn't been a criteria anywhere in our zoning. Now maybe there is in some zoning, but we would probably...and there's been no interest in the planning commission to propose that, but most likely the county commissioners would probably want something if they were to...same way like roads and stuff like that. When they were working on roads, finishing up, they were wanting to know how that's going to be decommissioned and what's going to be left. So... [LB1048]

SENATOR LANGEMEIER: My concern is you're telling us it's a concern at this level, but it's not a concern for your planning and zoning committee? [LB1048]

RON LORENZ: We've not dealt with that in any. In other words, whether we...when we approve a building or an industry in an area, there's no cleanup clause in that. There never was. So I don't know if that's something that some zoning get involved with. But there doesn't seem to...hasn't been any motion to show that kind of interest other than the individuals themselves when they set up the contracts or the county commissioners, and I don't know if there's any county commissioners here today at all. But anyhow, they will have to look at that. They'll have a portion of...quite a bit of responsibility on what happens on roads construction and culverts and fences and stuff like that, and then a lot of times they'll build a corner to get these blades in there. When they get done, they have to dig that corner back out, you know, for the road so they can make the turn, things like that so they...and how they leave the roads. So I think there should be a minimum somewhere in there but then that's the negotiation part. [LB1048]

SENATOR LANGEMEIER: Okay. Okay. Thank you. Are there any other questions? Seeing none, thank you very much for your testimony. [LB1048]

RON LORENZ: Yeah. Okay. Thank you. [LB1048]

SENATOR LANGEMEIER: Thanks for coming in. Further testimony in support of LB1048? Mr. Hansen. [LB1048]

JOHN K. HANSEN: Chairman Langemeier, members of the committee, good afternoon. For the record, my name is John K. Hansen, J-o-h-n, Hansen, H-a-n-s-e-n, and I appear before you today as the president of Nebraska Farmers Union, as our lobbyist. When

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we started this wind process over 15 years ago, about the only folks that were...actually showed up to these kinds of hearings would be the Sierra Club and Farmers Union, and then the utilities would come in and be against whatever it is we were doing. So based on that record, we have really come a long ways. I want to congratulate the committee for all of your efforts and...but I would point out that as far as we come, every time you get to one level of accomplishment, then that begets another round of considerations and needs. And so while the focus of this bill is to help develop and clarify a badly needed road map and process so that we can make sure that we have the necessary process in place in order to be able to allow merchant wind in Nebraska so that we can use those private sector incentives that are available at the federal level to be able to help develop our wind resources so that we can export the wind out, and we're going to need to, regardless of how much of what we get done or don't get done in this, there will be continued details to work on. There still is the absence of a clear, understandable road map for domestic wind development. And as we look at the three primary markets for wind energy development, the domestic market and utilization in Nebraska, the regional market, and the national market, the market that is still the most accessible and is still the easiest to access, the most reliable and the most profitable is the domestic market in Nebraska. And we go from RFP to RFP and if you think you kind of understand the process for one set of request for proposals from one utility, by the time you think you figured that out it's changed by the time you get to the next. And so the internal process is also in need of some clarification and I'm not sure that's a legislative fix or whether that's just trying to work with everyone to try to develop a more clear and understandable system. But two years ago we did 65 wind information meetings across the state of Nebraska as a part of the Nebraska wind working group in our responsibilities to do that program through the Department of Energy, which we have a contract to do. Last year we did 110. It's on a request basis. And the bulk of those requests, in addition to educational business, rural development entities, are landowners. And so I look across the room today, there's an awful lot of landowners in the room that look very familiar. And this is an encouraging process that we have this much constructive engagement. There's no question there's pent-up demand. Let me hit a few of the issues that repeatedly come up as we do these meetings across the state. The issue of landowners and eminent domain; I would say that the majority of the folks that we talk to would prefer public power to control that process over any kind of turning over to private sector wind developers to empower a company or an association controlled or an entity controlled by private sector wind developers. So to that extent, landowners that we talked to are more comfortable with public power. But the things that they are concerned about, after having said that, is that they want to make sure that if public power is doing the siting, that they're doing the same kind of siting consideration that they would do if they were doing their own project, to make sure that things are being done in a landowner friendly fashion from siting to the entire process. Secondly, there's growing interest and there's also other models available in other states where we're doing more than just compensating landowners a one-time fee for easement. We're looking at also the possibility of including them in an ongoing lease

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payment so that, you know, the power pole is there for a very long time, and as long as it's there and as long as it's causing you development issues and use issues, the landowner should be cut in on a piece of the pie. I would submit that that particular approach would put more earned income in rural Nebraska than most of the rest of the stuff that have been talked about as ways to keep money in rural communities. That's if you look at the total number of power poles and you look at the total number of turbines, I'll tell you there's a lot more power poles than turbines, and so that's a very big piece of the pie from a landowner's perspective. And then I see I'm out of time, but I was going to comment specifically on the particulars of the tax treatment with the research that I've done on that, but my time has expired. [LB1048]

SENATOR LANGEMEIER: Give it to us really quick. [LB1048]

JOHN K. HANSEN: When I look at Minnesota, and we ran it through our folks in Minnesota, apples to apples with what's been proposed to what they do there with a similar kind of structure, is 100 megawatts of wind would, on an annualized basis, pay \$350,000. This proposal would be \$351,800, so it's almost a wash. But when you look at ten megawatts, in Minnesota they would pay \$15,000 where in Nebraska they pay \$35,180, because they have obviously given more incentives at the bottom for smaller. And in my view, from a development standpoint, there's an enormous opportunity for lots of smaller kinds of projects that use unused capacity in the transmission system, and I think that we need to look at that as a state, in terms of incentives. I think that would give us an additional tool in the toolbox to help spread the development around and also put the projects in a very cost-effective fashion, where they ought to go. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions for Mr. Hansen?
Senator Dubas. [LB1048]

SENATOR DUBAS: Thank you, Senator Langemeier. Thank you, John. You referenced the domestic market. With all of the work that you've done on wind energy, do you think that the market is there and that the market is growing for export? Or do you think that there's more of a market for domestic use right now...or state use, I should say? [LB1048]

JOHN K. HANSEN: Well, thank you for the question. It's...it is a very changing landscape and if you look at the last two years, the amount of volatility in the system, you know, the value of the wind or the value of any kind of excess capacity that was sold into the spot market this last year was worth about half of what it was the year before. So that's why we support the PPA and the 90 percent/10 rule, because you can have a lot of stranded income. The spot market is just way too dicey for anybody to play in. But, you know, the regional market is becoming increasingly saturated. So if you look at who's developing wind in the neighborhood, Nebraska has become the state with the

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most capacity that is the least developed. So if you're looking at Kansas, certainly not Iowa, South Dakota, Wyoming, Colorado, where do you go with regional wind? I mean there's more opportunity going into the Denver market from the west end of the state than there is for the rest of the state going into markets surrounding Nebraska, because they're already ahead of us in terms of wind capacity and/or they already can get more wind closer to the load and get it themselves. So it's...the Southwest Power Pool, which is a kind of regional market, is yet unknown. But the folks that I talked to there, based on the conversations that I had with them as a member of the Nebraska Power Association National Renewable Energy Lab Wind Integration Task Force, I plumbed that question about moving excess capacity from the most northwest state into the southeast part of that configuration where they're long on load, short on wind, and they just told me very...in a very straightforward manner, which was hard to miss the point. As I asked the question about three different ways I got the same answer and it was, we can get all the wind we need a lot closer to home for less money so why would we bulk up the...and incur the additional line loss and transmission building costs to access the northwest end of the region? So I don't know what that yields but maybe, and really, the national backbone for transmission and the national consensus and the financial support that it's going to take to build a national backbone transmission type of system to really fully reach the goal that was talked about by President Bush, which is 20 percent by 2030, simply isn't here. And I don't know if you've been tracking what goes on in Washington lately but... [LB1048]

SENATOR LANGEMEIER: That wasn't the question though. We don't want to be here at 7:00 tonight so... [LB1048]

JOHN K. HANSEN: All right. But... [LB1048]

SENATOR LANGEMEIER: No offense, but... [LB1048]

JOHN K. HANSEN: But I would say that that commitment is not there. [LB1048]

SENATOR LANGEMEIER: Yeah. I would agree with you. [LB1048]

JOHN K. HANSEN: And so that market is very iffy I think until the backbone is here. [LB1048]

SENATOR LANGEMEIER: Right. [LB1048]

SENATOR DUBAS: Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Carlson. [LB1048]

SENATOR CARLSON: Thank you, Senator Langemeier. John, I've listened to you in

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various aspects of this for four years and unless I missed something, I haven't heard you talk too much about the problem of decommissioning and yet we're hearing it today. [LB1048]

JOHN K. HANSEN: Well, our position on decommissioning is that you have to have standards and if you don't have standards, based on all the contracts that we have read, if there's a shortcut, if a county hasn't covered it and there's a shortcut where one developer cannot cover that cost and one can, they have created a competitive advantage. And so there is a need to have decommissioning at the county level. Most counties, some counties have it; some don't. It's uneven in terms of that. So I think that having a minimum treatment of that is important because there are headless horsemen out there in wind development world and we ought to learn from the mistakes that other states have made. And so to not address it, I think, is foolish and I think it ought to be the cost of doing business in Nebraska regardless of what kind of project you have. In the case of the projects in Knox County, which I'm the most familiar with, the county was on the ball. And so you had to address it in the contract with landowners because of no other requirement than the county said you had to. [LB1048]

SENATOR CARLSON: Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Schilz. [LB1048]

SENATOR SCHILZ: Thank you. John, thanks for coming in today. I guess my question goes back to that and it talks about do you believe that what we're talking about here should be in statute or do you believe, as you do on many other things, that this is a local zoning issue and that's the way it should be handled? [LB1048]

JOHN K. HANSEN: Well, I...good question and it's...we are a strong supporter of local control. And yet it's such an important thing and it's a very technical thing, it's a very complicated thing, this is not the kind of development or issue that a lot of county commissioners would have expertise with or in. And so, you know, what you don't want to do is create a bad development that's in an inappropriate site or, you know, on down the road have abandoned sites that are eyesores and problems for the community. So, you know, we're kind of torn over what's the best way to do that. And we have worked with NACO to encourage them to have planning and zoning commissioners deal with this issue. But you get into a very different thing from Senator Fischer's area and how you build a turbine there and what's required underneath the surface in the sandier soils than what you do in the heavier soils. But... [LB1048]

SENATOR SCHILZ: Sure. [LB1048]

JOHN K. HANSEN: ...yes. [LB1048]

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SENATOR SCHILZ: And in a perfect world then. [LB1048]

JOHN K. HANSEN: And in a perfect world, I think it's a big enough deal that we probably ought to require that it be addressed. [LB1048]

SENATOR SCHILZ: Okay. [LB1048]

JOHN K. HANSEN: Because I have personally read contracts that do not address it. [LB1048]

SENATOR SCHILZ: Sure. Okay. Thank you. [LB1048]

SENATOR LANGEMEIER: Senator Haar. [LB1048]

SENATOR HAAR: Like your tie, John. (Laugh) You start out by talking about eminent domain. We're not talking about...I don't think the bill talks about giving the right of eminent domain to the generation facilities. [LB1048]

JOHN K. HANSEN: No. [LB1048]

SENATOR HAAR: Okay. Okay. [LB1048]

JOHN K. HANSEN: And it's, as we have talked about this, what is it going to take to gear up to be able to move forward with wind in all these different settings we've had, that causes the most heartburn. [LB1048]

SENATOR HAAR: Right. Okay. Gotcha. [LB1048]

SENATOR LANGEMEIER: Okay. Senator Fischer. [LB1048]

SENATOR FISCHER: Thank you, Chairman Langemeier. Mr. Hansen, with regards to eminent domain, do you think there is concern that landowners should have about the possibility of these huge transmission lines crossing their land and their fear of eminent domain, that they won't be able to work with power companies to reach agreement on those easements? Do you think there's...that that's a legitimate concern? I'm hearing that from a couple of my folks and I just would like to give them other people's responses besides mine, I guess. They're not happy with mine, so. [LB1048]

JOHN K. HANSEN: The landowners that we work with that want turbines are all for eminent domain for power companies to build transmission to get their power out of their site so they can make the money. The landowners who are in the area who probably are not going to get the wind turbine, they look at things very differently and, you know, eminent...you don't have to plant concerns with landowners relative to

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eminent domain and power lines. It's just there. I don't know how many meetings I've gone to where old guys in overalls come up to me and tell me how much money was paid to them one time for an easement and how it is they couldn't put a pivot on their ground because of it and how much it cost them and how unhappy they were. But they remember to the penny how much was paid to them one time for that one easement because they didn't see the potential for a center pivot on down the road at that time. And so eminent domain is, from a landowner's perspective, is, you know, you're knocking on somebody's door and you're asking for part of their land and, you know, it's kind of like packing a .38... [LB1048]

SENATOR FISCHER: But do you... [LB1048]

JOHN K. HANSEN: ...because that's a big...it's a big power and whether you sell willingly or not, they know that you have that power. So it skews the negotiation right up front. [LB1048]

SENATOR FISCHER: But have you heard that specifically with regards to wind, that...or have you seen in the past that people have been taken, I guess you could say, they've been taken advantage of with it or it's been used against them? I mean we heard from Mr. Asche that it was used four times with over 300 landowners in one case. Is it used a lot? [LB1048]

JOHN K. HANSEN: Well, it's...as someone who has used eminent domain myself in the past as a public official, the fact that you have the authority gives you a huge negotiating advantage with a landowner because it's kind of, you going to do this the easy way or the hard way? So they know you have the eminent domain. I think that the reason that the landowners that we talked to are so comfortable with public power having the eminent domain authority is because I think that public power in Nebraska overall has done a very good job and I think Ron Asche's numbers signify how...why it's necessary to have it. Because those four folks could have screwed up the whole delivery system, yet, you know, it's... [LB1048]

SENATOR FISCHER: And you can support the bill for that reason. [LB1048]

JOHN K. HANSEN: Yes. This is, of all of the choices of going forward, this is the most acceptable I would say, yes. [LB1048]

SENATOR FISCHER: And I can assure some of my constituents that they can be comfortable with this bill and with how eminent domain is written up in this bill then. [LB1048]

JOHN K. HANSEN: I think that you could assure them that they could be as comfortable as the status quo is today and that still, as you know, causes some landowners more

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than a little heartburn. [LB1048]

SENATOR FISCHER: Well, as you know, I've taken on eminent domain in legislation before. So thank you. [LB1048]

JOHN K. HANSEN: Thank you. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any other questions? Seeing none, thank you very much. Did a great job. [LB1048]

JOHN K. HANSEN: Thank you very much and I wish the committee well. [LB1048]

SENATOR LANGEMEIER: Further testimony in support of LB1048 and the amendment too? [LB1048]

ANDY POLLOCK: Yes, thank you. [LB1048]

SENATOR LANGEMEIER: Andy, welcome. [LB1048]

ANDY POLLOCK: (Exhibit 18, Exhibit 19) Chairman Langemeier and members of the Natural Resources Committee, my name is Andy Pollock. I'm here as a registered lobbyist for the Nebraska Energy Export Association, of which Nathan Geisert appeared as vice president. I will not repeat his testimony. I would like to clarify one thing, if I may, just in response to...actually a couple things in response to questions that were asked, and then I thought I would go over some of the tax provisions in the bill. Your legal counsel, Ms. Lage, Laurie Lage, asked me to kind of cover that, and also make myself available for questions on those provisions. Behind me is a gentleman by the name of Jeff Pursley, who's done kind of the economic analysis of this bill, and I do have a handout that I pass out that is kind of the summary of his economic analysis. And I pass that out now but I'd wait to talk about it. First of all, Senator Schilz had asked Mr. Geisert a question about the...our organization's position on retail. And I can say categorically, in response to your question, Senator Schilz, that we are opposed to retail competition, we're opposed to wholesale competition in Nebraska. While we may have opinions about the PPA provision that he expressed, our mission from day one, and I'll read to you real briefly a position that we tendered to the committee back on August 31 and that was we support privately owned developers developing wind for commercial purposes for sale to two arenas. One was export, which is the part of the bill we certainly support now; the other was for domestic use by public power. And if you want to qualify that to say wholesale public power districts, we would completely agree with that point of view, meaning perhaps NPPD, OPPD, LES, maybe MEAN. Yeah, there may be others, I'm not sure. But just to be clear on that, we're not in favor of retail competition. We're not in favor of a wind farm being built for sale to a retail user. Yes, sir. [LB1048]

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SENATOR LANGEMEIER: On that note, before you get to the tax,... [LB1048]

ANDY POLLOCK: You bet. [LB1048]

SENATOR LANGEMEIER: ...I want to ask you a question. In this piece of legislation, as we talk about it for export, the 90 percent is only relevant to losing your exemption from eminent domain. [LB1048]

ANDY POLLOCK: Correct. [LB1048]

SENATOR LANGEMEIER: If you build a 100-megawatt facility for export and you turn around and Nebraska Public Power or any public power agency decides we would like to buy it, buy the power from it, and in theory you lose your eminent domain, we passed last year in LB561 that when you make that contract with public power, they can then write...they can then contractually get rid of the eminent domain immediately. [LB1048]

ANDY POLLOCK: Right. That's correct. [LB1048]

SENATOR LANGEMEIER: So if you wanted to take this to a wholesale within the state of Nebraska, that's very possible under our current law. [LB1048]

ANDY POLLOCK: That would...that would be correct. I guess I'd have questions about do you maintain that certification? Because that certification was granted for different reasons under this bill than it would have been under LB561 for last year. A good point but I think there may be a dichotomy there that would have to be...would have to be bridged. [LB1048]

SENATOR LANGEMEIER: Sure. Now on to taxes. [LB1048]

ANDY POLLOCK: Can I say one more thing before taxes, please? [LB1048]

SENATOR LANGEMEIER: Yep. [LB1048]

ANDY POLLOCK: The bill also...I heard testimony earlier, I think it came from OPPD, if I'm mistaken, I apologize, that the bill says that you cannot sell on the spot market or you'll lose your...even if you lose your PPA. Let me say that again, that the bill says that you may sell on the spot market, I think that's what the testimony was, if you lose your PPA. If that's the intent, we certainly support that intent. I don't know that I read the bill the same way, and if there's a clarification we certainly would be glad to be a part of that discussion. And now, unless there's other questions on that, on to the tax provisions. We had a hand in drafting this and I thank Senator Langemeier for the opportunity to be a part of that process. I'm not going to go through this line by line, but hopefully I'll kind of capture the essence of it, much like Mr. Texel did when he went through the bill. And

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I would just...if you want to follow along, I'd refer your attention to page 20. And again, I won't go through this line by line. There's a section (9) that starts on line 14 of page 20, and that is an outright property...personal property tax-exemption for wind generation infrastructure with the exception of the foundations, the bases that these sit on, which are currently classified and treated as real property. So basically, everything that you see in the wind farm would be now exempt if this law passes from personal property taxes. The reason for this, just to give a little bit of background, is right now it's treated as a personal property, it's taxed as personal property, it's depreciated. Nothing wrong with the way Department of Revenue is doing this. They're depreciating it over five years so all the money has to be paid up front. Bad for the counties, bad for the schools, bad for the developers. It's really not a good situation for anybody. I think everybody agrees on that. So this would exempt it from personal property tax but we need to replace that personal property tax with something else. So at Senator Langemeier's urging, we put together a proposal that replaces that personal property tax with what's called a nameplate capacity tax, and I've been kind of given a bad time for a funny name for a tax but I'll get to the explanation of what that means. There are some statements of purpose that begin on page 20 and I would say that...I'll not go through them all, but the important one is number...or is (a) and that is to replace the personal property tax. [LB1048]

SENATOR LANGEMEIER: And I am going to give you a little more time because this is important and I asked you a question in the middle. So go ahead. [LB1048]

ANDY POLLOCK: Okay. All right. Thank you, Senator. And it shouldn't really take too much time. Moving to page 22 and, for your reference, line 18, there's some definitions here. Line 18 is...or line 8 is something that was requested by the Banner County Wind Association. I won't dwell on it long but I do have an amendment on that. They talked about it earlier today. And basically, what it does is it removes this nameplate capacity tax from not the levy lid, but the spending lid that the counties have for a short period of time. And initially, we talked about two or three years for that. The concern with that is, like they mentioned, that this construction on this project probably won't start for another, you know, may not be operational, commercially operational, until, you know, eight years from now, so obviously a 2013 sunset clause wouldn't do them any good. What I've done is drafted language that simply says that no tax levied pursuant to this section shall be construed to be a restricted fund, meaning subject to the budget spending lid for the first five years after the wind generation facility has been commissioned, and commissioned is basically put into commercial operation. That's a provision that's already in the statute already as it now reads. So it gives them five years to use some of the surplus from this fund to build roads, their...you know, some of their community center/school ideas, but limits it after that. And I think it was Senator Langemeier's idea to now allow a spending spree for an extended period of time. Hopefully that accomplishes it. If there's better language, we're open to that too. And I jumped ahead and I apologize for that. I missed the meat of the bill, which is on page

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21. There are some definitions there. And then if you look down at line 21, this is really the tax itself. It's the nameplate capacity tax. Mr. Pursley will talk about how we came up with the number briefly. The number here is a \$3,518-a-year capacity tax which would apply to the nameplate capacity of the total turbines on the farm. So you've got all the turbines, you add up their nameplate capacity, you apply this amount to the megawatts of capacity that would be in that farm on an annual basis. We've had developers who say, you know, they don't want this to be too high. I can't speak for them but there didn't seem to be discomfort with this number. We don't want to discourage investment in Nebraska. Again, I can't emphasize enough, this number is intended to replace what would be the lost personal property revenues. And Mr. Pursley can explain how he came up with those calculations with guidance from the Chairman of the committee. [LB1048]

SENATOR LANGEMEIER: And it would be safe to say that number that was generated was trying to replace the current property taxing mechanism we have now over 20 years. [LB1048]

ANDY POLLOCK: Right. [LB1048]

SENATOR LANGEMEIER: There's no difference. We're just trying to get it even. So we're not trying to get more tax; we're not trying to get less tax. [LB1048]

ANDY POLLOCK: Right. Replace it. [LB1048]

SENATOR LANGEMEIER: We're just trying, for the record, we're trying to get an even...just trying to make it more even. [LB1048]

ANDY POLLOCK: That's exactly right; stable source of revenue over a long period of time. It takes what would have been received during that five-year period of time of depreciation and, like Senator Langemeier said, extends that amount over a 20-years period of time and recovers that same amount by this amount that's in the bill. Now after that 20 years, the counties would, granted, have a windfall that they wouldn't have received during that five-year period of time, and we've not heard objections from anybody about that. Moving on, section (b) there after section (a), starting on line 26, this is an exemption for the nameplate capacity tax and there are simply two. One would be to exempt public power and all the related public power entities, electrical co-ops, electrical membership associations. We aped language that's used in current law and it's used elsewhere in the bill too. And then finally, it would also exempt net metering. It's our understanding that because it's not considered to be used in a trader business, net metering customers aren't subject to the personal property tax and so there wouldn't be a need to replace anything lost there. That pretty much wraps it up. The Department of Revenue, you'll see in Section (4), which starts on page 22 and moves into Section (5), (6), (7), would collect and enforce and penalize based on similar procedures they

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use under other areas of law in the state. Section (8) of that, which is the first paragraph on page 24, requires that the Department of Revenue remit all of this money back to the counties where the wind farm is located, and that's an important provision, too, I think from the counties' perspective. And then finally Section 10, which is fairly long, can be summarized as saying the county treasurer is to distribute this money that they receive back from the state the same way they distribute the personal property taxes now. We've worked with NACO on these provisions. They have asked that we make it clear that this apply to...so that they have to return that money to all political subdivisions in that county. I talked to Larry Dix today. There may be some tweaking of the language that we need to do. But in essence, the money goes to the state, comes back to the same county and is distributed in the same way that the personal property tax would have been distributed. That's it in a nutshell. Happy to try to answer questions. I know I went through that quickly. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? Seeing none, thank you very much. [LB1048]

ANDY POLLOCK: Thank you very much. [LB1048]

SENATOR LANGEMEIER: Welcome. [LB1048]

JEFF PURSLEY: Welcome. Good evening, Mr. Chairman, committee members. My name is Jeff Pursley. I'm here representing the Nebraska Energy Export Association, spelled J-e-f-f, last name P-u-r-s-l-e-y. I'll try to be very brief, given the lateness of the hour. Of the handout that Mr. Pollack gave you, I would direct you to the second column. That would be the column listed as "2009 Simple Average" under the "State Average--5 Year Tax Life." Go down about one-third to the first boxed number in that column. You'll see the \$3,518 annual nameplate capacity rate. That was developed based upon a simple average of county tax rates. By simple average I mean that the same weight was given to the tax rate in Sioux County as it was in Sarpy County. It was based on an average installed cost of \$1.5 million per megawatt. The ranges that I've seen are between \$1.3 million and \$1.7 million, so I picked the average of that number. It was based upon, as Andy mentioned, the current five-year taxable depreciation life, and then it was designed to repay that money back over an average useful life of the turbine, which is calculated to be about 28.95 years. The reason for that is that we do make some assumptions consistent with the debate about decommissioning, that the average life of these are about 30 years but that some of them may not last the entire 30 years. And so we've made some assumptions about that and results in about an average life, again, of about 29 years. That is, in a nutshell, how we developed that number and I'd be happy to answer any questions. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? [LB1048]

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SENATOR HAAR: Not yet. [LB1048]

SENATOR LANGEMEIER: Okay. Seeing no questions, thank you very much. We appreciate that. [LB1048]

JEFF PURSLEY: Thank you. [LB1048]

SENATOR LANGEMEIER: Further testimony in support of LB1048? [LB1048]

LYLE KATHOL: (Exhibits 20 and 21) Good evening. Thank you, Chair Langemeier, Senators. I'm Lyle Kathol, L-y-l-e K-a-t-h-o-l. I am the dean of applied technology at Northeast Community College. I'd like to answer some of your wind questions you had earlier on training. I supervise 13 different programs at Northeast Community College and one of those is the new wind energy program. A number of years ago, the Ainsworth farm came on board. About three years ago, the Elkhorn Ridge in Bloomfield came on board. Those are in our 20-county service area for our community college. I also want to clear the air that you don't have to go to Kansas for training as a "windsmith." We have that program right here in Nebraska, and there will be more, I'm sure. We started to develop wind, the "windsmith" program several years ago, an electrician's program, a supervise utility line programs. They are all programs that deal with electricity, you know, high voltage, low voltage of all sorts. It was a natural fit for us. So we started incorporating some small projects in the curriculum that we have on campus. We received a Walmart Foundation grant a year and a half ago and that was the impetus to get a wind energy program on campus. Our projections show much more wind growth in Nebraska. You have a handout in front of you that's just for numbers, to keep track of the numbers. I'm talking numbers of turbines, not megawatts, because we're going to relate that to number of employees that will be needed. Nebraska is number six in wind energy resource in the U.S., and that corridor goes right down, you might say, almost the center of Nebraska from the South Dakota border to Kansas, about Ainsworth, Valentine, and east. I'm not saying there's not wind in western Nebraska, but that is the wind area that's called superb wind. That means the mean wind speed is that ideal 20 to 21 miles per hour. Last week, Edison Mission entered into agreement with NPPD and you see some listed there. NPPD agreed to buy that power from those folks. That will be 54 turbines put up in Petersburg, very near future. OPPD is planning 27 in the Petersburg area. There's 54 possibly going into Broken Bow in the very near future. The Crofton Hills addition, right up by Bloomfield, will be another 32 wind turbines projected by 2012. If you add Ainsworth and Bloomfield to these numbers, we have over 230 turbines in our 20-county service area. Nearly 60 technicians will be needed to service those in the next couple of years. With these and other future wind farm developments, the worker needs will be great. NECC has the first wind turbine program. It is a one-year diploma program. I just happen to have brochures here if you're interested. We did kick it off this August, August 24. We started with a group of 24 students. The first week of class they do the ultimate test and that's climbing up a

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50-foot tower and then a 100-foot tower and...to test their stamina and see if they get weak in the knees. We end up with 17 of those folks making it through the second semester and they are still with us. They will be looking for summer intern jobs. This program is accompanied with a year of...with an internship after that year of curriculum. We do a lot of safety and take the technical training to service wind turbines. These are good-paying jobs and the numbers vary somewhat, I'll say \$17 to \$24. I know the program brochure is a little higher than that. Jobs will be in rural Nebraska. They'll provide some rural revitalization. They'll help keep small town Nebraska competitive and create some economic development. I think the goals we need to have is a collaborative effort. We have an advisory committee and many of the folks that testified today are on our advisory committee. So we're looking at what the needs are for the public power districts, the rural electrics, the high schools, the colleges, and the University of Nebraska, engineering, pre-engineering. We've looked at all levels and we're trying to arrange that seamless educational system and get more engineers even in that field to maximize our technology in those areas. We've made great progress already in ethanol and wind but, as they've mentioned earlier, PV solar, that's photovoltaic, geothermal, nuclear, and other forms of alternate energy are being looked at right now with...at Northeast as well as the other community colleges. We're partnering with four other community colleges on a grant through the Department of Energy right now to get some of these renewable energy curriculums on the books. How ever our future unfolds, education will have the ability to meet the work force needs as they arise. We are up to the challenge. I have never had so much excitement about a program as I have this wind energy program. And we have modeled it against some of the out-of-state programs, so we'd love for folks to stay in the state. Thank you. I'd answer any questions you might have. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? Senator Schilz. [LB1048]

SENATOR SCHILZ: Thank you. Thanks for coming in today. It's good to see some of this development going on. And you talked about your area of the state. Do you know, are you working with the other community colleges around the state... [LB1048]

LYLE KATHOL: Yes. [LB1048]

SENATOR SCHILZ: ...to help develop other programs that can go on in other places as well? [LB1048]

LYLE KATHOL: Yes. The most recent grant that we're working on, I'm involved with Western Community College actually in a wind program. I have the first year developed. We would collaborate on developing the second year program and then they would also, you know, benefit from my work in the first year program, so... [LB1048]

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SENATOR SCHILZ: Great. Thank you very much. [LB1048]

LYLE KATHOL: Very good. [LB1048]

SENATOR LANGEMEIER: Are there any other...? Senator Cook. [LB1048]

SENATOR COOK: I just had a question based on all the decommissioning questions. You're teaching the students to put them up and service them. Do you teach them to take them down and to remove? [LB1048]

LYLE KATHOL: No, that is not a... [LB1048]

SENATOR COOK: Okay. [LB1048]

LYLE KATHOL: ...that is not a component of our educational program. [LB1048]

SENATOR COOK: Okay. [LB1048]

LYLE KATHOL: No. [LB1048]

SENATOR COOK: Curious. It might be a skill. (Laugh) [LB1048]

LYLE KATHOL: It's a good question. [LB1048]

SENATOR LANGEMEIER: Yeah, that's a torch and a jackhammer, but... [LB1048]

LYLE KATHOL: Yeah. [LB1048]

SENATOR COOK: Oh, okay. You know I don't know. [LB1048]

LYLE KATHOL: We teach that. [LB1048]

SENATOR COOK: And that happens outside, right? (Laughter) [LB1048]

SENATOR LANGEMEIER: All right. And they do...and they do teach that. Yeah, so I brought it up. Are there any other questions? Seeing none, thank you very much. [LB1048]

LYLE KATHOL: Thank you. [LB1048]

SENATOR LANGEMEIER: Welcome. [LB1048]

RICH LOMBARDI: Yeah, it's 6:00. [LB1048]

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SENATOR LANGEMEIER: And we're still listening. [LB1048]

RICH LOMBARDI: I know. Good evening. My name is Rich Lombardi. I'm the registered lobbyist for the American Wind Energy Association and... [LB1048]

SENATOR LANGEMEIER: Oh, got to spell it. [LB1048]

RICH LOMBARDI: L-o-m-b-a-r-d-i. These are very tough acts to follow. I think you've had 30 testifiers that I think those of us who have had the opportunity to work on this issue realize that this is one of those great, unique political issues. In a country that seems to be divided all the time, here's an issue that really unites. And if there's any doubt about that, you can just go through the variety of the testifiers that you saw here today and just great testimony; impossible to follow. I think obviously, to be very frank, the American Wind Energy Association hired us 18 months ago because Nebraska is different from every other state, and that's good for my business, that's...and I think it's going to be ultimately good for the business of the state of Nebraska. Because I think that you are wrestling with issues at a real critical time in the development of this industry in this country. This last year new wind installations were at an all-time high during an economy that was at an all-time low. The amount of new wind that came into this country is the equivalent of two Nebraska total consumption of energy. And you all know that you've been elevated to number three in the country, which means you're probably pretty close to number three in the world, because this is an incredibly world-class resource. The previous testimony...the amount of things that you have to do right at the same time to get this off the ground, Nebraska is doing. Last year this committee dealt with a myriad of issues that having to do with domestic related wind development and did some tweaks to your statute. You're doing the same this year with regard to export. Obviously, there has not been heretofore a permanent procedure to deal with private sector investment for primarily serving a load that's going to be outside the state and that's what you've created here. And what was attempted, and I know Bruce Rew was here, or Southwest Power Pool was here, is to try to synchronize this state process with the traditional process that you have to go through to get interconnections and to develop transmission capability and to make those business type decisions. Obviously, a unique Nebraska response to a unique state anyhow. Our association is a very big tent. It has over 2,000 members; it's not only wind developers, but there's a lot of part manufacturing. I think one of the best news today that I heard was Tony Raimondo coming up here and saying that they got some of the parts manufacturing responsibilities. That is huge. I mean, that's really what the real mother lode of developing wind has as hope. We've got two tower manufacturing facilities, stimulus money, just...if we pull off building this plant in Grand Island, those are going to be the new blades for the new General Electric, I mean, the cutting edge blades of a new 2.3 megawatt, unbelievable, turbine that we're doing there. Our central location is something that is marketed constantly by the public power districts at all the American

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Wind Energy Association gatherings and as Tony was talking about, this supply chain conference was pretty critical to have here and we had a great turnout. There are...you've received some correspondence from, I'm sure, members of our association that have been invited to give comments and there are going to be some companies that are going to find Nebraska to be an inviting environment and some that aren't. That's just the way it goes. I think you've developed a unique proposal here that is...and I have to say that I think that Mike Donahue with Midwest Wind, I mean, I don't think...and they have any expectation that this is going to be a gold rush here. You have a very systematic system that you've developed. But it does seem to me that this...I get to sit on a lot of calls with national and state lobbyists and when I talk to other state lobbyists, they're dealing with the decommission problem, or they're dealing with a tax break that's not happening, or something like this. You have everything in this bill. This is a...this, truly, is an omnibus bill; you got taxation, you've got the regulatory process, you're dealing with the eminent domain issue. Anyhow, I just wanted to say that as you wrestle with the various policy issues you got to wrestle with, we're here for you and what incredible testimony, wow, today I thought. Okay. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions for Mr. Lombardi?
[LB1048]

RICH LOMBARDI: Great. [LB1048]

SENATOR LANGEMEIER: The guy that always goes last get the least questions; that's the way it works. [LB1048]

RICH LOMBARDI: That's the way we like it. Thank you very much. [LB1048]

SENATOR LANGEMEIER: Thank you for your testimony. Further testimony in support of LB1048. Mr. Hayek, welcome. [LB1048]

DARREL HAYEK: (Exhibit 22) Thank you, Senator Langemeier, members of the committee. My name is Darrel Hayek, D-a-r-r-e-l H-a-y-e-k. Let me start out by saying I am for wind energy, but there are a lot of problems on the landowners side of this bill, one of which is the decommissioning. There needs to be some way to protect the landowner up front. What if the underground line is put in one year and the turbines are never erected and then they come in and take out that line, who pays for the crop damage? The tax, the tax needs to just stay in the county. With the certification, if a power plant loses its certification and public power takes it over, it's going to hurt the counties because...especially the schools. It's going to lose its state aid because it had money coming in and then it lost it. The decommissioning too; if there's not a state mandate on how it's going to be decommissioned, you might have counties fighting over which one is ready to throw their landowners under the bus to take the chance that we're going to get a wind farm. The eminent domain on power lines; the way I've been

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hearing it is that everybody is assuming that the power plant and the lines are going to be in the same county and that it will receive some tax benefits. Those lines could be two counties away from the power plant. And those farmers are...have to farm around them and they won't receive any of the tax benefit for lowering their property tax. I guess I'll take questions. [LB1048]

SENATOR LANGEMEIER: Are there any questions for Mr. Hayek? Seeing none, thank you very much. I appreciate it. Further testimony in support of LB1048. Oh, there she is. [LB1048]

NICOLE ZALESKY: I'm going with that theory the last one gets no questions. [LB1048]

SENATOR LANGEMEIER: The very last one... [LB1048]

NICOLE ZALESKY: Oh. Okay. [LB1048]

SENATOR LANGEMEIER: ...always gets a lot, so. [LB1048]

NICOLE ZALESKY: Oh no. [LB1048]

SENATOR LANGEMEIER: Because it's your last opportunity. [LB1048]

NICOLE ZALESKY: There's got to be someone else up here then. [LB1048]

SENATOR LANGEMEIER: I think so. [LB1048]

NICOLE ZALESKY: Thank you, Senator Langemeier and all of the committee. My name is Nicole Zalesky, N-i-c-o-l-e and Zalesky is Z-a-l-e-s-k-y. I've never testified a day in my life, so kind of bear with me here. My husband and I are landowners in Saline and Jefferson counties and I'm also a board member of the Saline County Wind Association and we've come a long way with negotiating with a large international developer. I've sat here all day listening and finally got enough nerve to kind of get up here and tell you what my thoughts are. I do support this bill, but I am very concerned with some of the context in it. I think it's...you guys have done a lot of work and, obviously, everybody appreciates it and I'm sure there's been way more hours than the rest of us would have wanted to deal with, so. I am concerned with the section of 2(c) where a developer must have a power purchase agreement for the sale of 90 percent of the energy to be sold out of the state of Nebraska. I don't think that this is a reasonable request for a private developer. Selling on the open market would probably be more attractive for a developer. I understand that this is a give and take between the developer and the public power, but I feel that this...I feel the way that this is worded that it is basically telling a developer where and how long they would have to sell their product. It's kind of like telling me where I'm going to sell my cattle and for how long. I'm pretty sure that

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wouldn't set real well with me or my husband and I...and what would worry me the most is what would happen if that cattle buyer is no longer there and I wouldn't have the ability to sell my product on an open market. Others have talked about this 90 percent rule in previous testimony and I feel that this needs some work as well. What if wind does...I think we talked about this, but what if wind would become more efficient on the future of Nebraska and we wouldn't even be able to use our own wind. I mean, maybe I'm not understanding that right, but that's what it appears to me. I think this bill, you know, might attract some small developers but won't even come, you know, but might not come close to tap in to what Nebraska's real wind resources capabilities really are. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? You did a good job. [LB1048]

NICOLE ZALESKY: Oh, thanks. I talked them out of asking me anything. [LB1048]

SENATOR LANGEMEIER: And they're going to let you off without questions. Further testimony in support of LB1048? [LB1048]

SCOTT JAPP: Good evening. My name is Scott Japp, S-c-o-t-t J-a-p-p. I'm here to support the bill. As a company that we transport wind components and in the process of developing a wind farm in Minnesota, we brought up a lot of how good the quality of winds are in Nebraska and yes, they are very good. But in my year and a half of transporting and working with wind developers in wind construction companies, the quality of wind and the distance of power lines isn't as important as the government regulations. And the present year we've been hauling 75 percent of our blades and towers to Indiana and Illinois where they have class 2 winds at the best, where Nebraska's are class 4's. A...Senator Fischer's comment about decommissioning, as a landowner putting in a windmill farm on my place and knowing what the cost of decommissioning them, the revenue I could receive in ten years, I could lose that all in the cost of decommissioning, but that's not including salvage value. That's my comments. Thank you. [LB1048]

SENATOR LANGEMEIER: (Exhibit 23, Exhibit 24, Exhibit 25) Are there any questions for Mr. Japp? Seeing none. Thank you very much for your testimony. Further testimony in support of LB1048. Seeing no others. I have a number of letters. I have one from M.L. Martin who is the chairman of the Nebraska Rural Development Commission. I have one from John DiDonato from NEXtera ENERGY. I didn't say that right; but, Duane Gangwish, from the Nebraska Cattlemen. Those are letters in support. Now we move to the other side. Those that would like to testify in opposition to LB1048. Anyone? Seeing no opposition, is there anyone that would like to testify in the neutral capacity to LB1048? You came the farthest and you wait the longest. Welcome. [LB1048]

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BRUCE REW: Good evening, Chairman Langemeier and committee members. My name is Bruce Rew spelled B-r-u-c-e R-e-w. I'm vice president of engineering for Southwest Power Pool. Southwest Power Pool or SPP is a regional transmission organization that oversees a transmission grid in a 10-state area including the parts of Nebraska served by NPPD, OPPD and Lincoln Electric System. The purpose of my brief testimony this evening is to provide a neutral response to the bill while answering any questions regarding the impact to the proposed legislation on regional transmission operations and planning in Nebraska. SPP works with its members to provide independent administration of transmission functions which include generation interconnections, transmission service, liability coordination and energy market. Any new generation connected to the high voltage transmission system, whether it be fossil fuel or renewable, has to go through SPP's generation interconnection process to be added to the transmission grid. Generation interconnection studies identify what transmissions need to connect new resources to the grid. A transmission service study process determines what upgrades are needed to meet those new requests for firm long-term transmission service. Transmission service connection for wind generation with a purchase power agreement will require the transmission customer to obtain long-term transmission service whether that be point to point or network service. Network service would be primarily used for delivery of energy to customers within SPP regional transmission organization grid. Transmission upgrade costs would be allocated on a regional basis. Point-to-point transmission service would primarily be used for transmission deliveries outside of SPP area. And any upgrades funded by the customer to the extent the upgrade costs exceed the coverage of the standard tariff rates. The wind developed in Nebraska and exported out of the state would have the option of delivering to other states within the SPP footprint or exporting out of the SPP region. Transmission customers can opt to take transmission service on a non-firm or as available basis as well. This non-firm service is subject to being reduced or completely curtailed should transmission lines become heavily loaded or congested. Available transmission capacity supporting this non-firm service is also subject to preemption to higher priority transmission service. To connect large volumes of new wind to the energy, excuse me, to connect large volumes of new energy to the electric grid, more transmission must be constructed to carry the energy to where the ultimate customer is. SPP is studying how a transmission superhighway of extra-high voltage lines would enable us to connect thousands of megawatts of renewable power to the electric grid. This transmission grid would not only allow for generation in Nebraska to be exported out of the state, but would also allow for importing of power should the need arise under certain conditions. So what other reliability challenges with incorporating large amounts of wind to the electric grid? Wind energy is intermittent. The wind may blow at one wind plant and not at another, or may blow more at night when the load issue is lower than during the day, when the load demand is higher. To maintain electrical liability, wind energy needs to be supplemented with complementary energy resources that can count on the variations in wind energy production. A large energy marketplace, such as SPP's current market or planned future markets, is friendlier than a single utility system for

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integrated wind energy into the transmission grid because it can accommodate intermittent generation. Local reliability needs, such as areas in Nebraska, have to be studied to make sure that reliability is maintained as well. These needs include maintaining the proper system voltage and constant balance of load and generation. The expanded development of renewable generation in Nebraska would increase the transmission loading of the grid. While SPP would work with Nebraska utilities to maintain a reliable system at all times, we expect the transmission lines to be more heavily loaded and therefore experience more transmission congestion and loading relief or curtailments. SPP looks forward to working with the state of Nebraska and Nebraska utilities to provide a reliable and robust transmission system that delivers electricity at an economically competitive cost. Thank you, and I will answer any questions that you have. [LB1048]

SENATOR LANGEMEIER: Very good. Are there any questions? Senator Schilz. [LB1048]

SENATOR SCHILZ: Thank you. Thanks for coming in today and thanks for your patience. Just a question on the...still back on the spot market. Do you see that spot market increasing, people wanting to use that spot market increasing, decreasing, staying the same? [LB1048]

BRUCE REW: The spot market for renewables? [LB1048]

SENATOR SCHILZ: Yeah, whatever, I mean, you've heard what the conversation has been here this afternoon and the concerns everyone has about the spot market and being able to...and how that will affect public power, and I was just wondering on a whole, is that amount of power that's being sold on the spot market increasing, decreasing or staying about the same over time? [LB1048]

BRUCE REW: Well the amount...the total amount of power that's needed in SPP would depend on the amount of demand that,... [LB1048]

SENATOR SCHILZ: Sure. [LB1048]

BRUCE REW: ...and, you know, we see it, a small increase every year usually in demand. But the other thing to consider is that SPP region recently took a survey as to the projected renewable needs and we looked out 20 years and the current projected needs for around 11 gigawatts of wind, and those are not necessarily mandatory, but those are renewable targets that we have within our footprint. And that's...considering that today we have a little less than 4 gigawatts of wind, we would expect some additional renewable wind to be required in the SPP footprint to meet those renewable targets. [LB1048]

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SENATOR SCHILZ: Okay. Great. And I would...that's fine. Thank you very much. Starting to get punchy. (inaudible and laughter) [LB1048]

SENATOR LANGEMEIER: It's late. Are there any other questions? Seeing none. Thank you very much for your testimony. [LB1048]

BRUCE REW: Thank you. [LB1048]

SENATOR LANGEMEIER: Further...anyone else like to testify on the neutral capacity? Seeing none. I got an hour worth of closing to do yet. (laughter) I'll be talking to myself. With that, that concludes the hearing on LB1048 and I want to thank everybody for participating and sticking around. Thank you. (See also Exhibit 26) [LB1048]