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Appropriations Committee
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[AGENCY 71]

SENATOR HEIDEMANN: Thank you. With that, we will close the public hearing on LB569 and open up the public hearing on Agency 71, the Nebraska Energy Office. Yes. [LB569]

NEIL MOSEMAN: Thank you, Mr. Chairman. [AGENCY 71]

SENATOR HEIDEMANN: Welcome back. You're a busy man here today. [AGENCY 71]

NEIL MOSEMAN: Yeah. Good afternoon. If I may begin? [AGENCY 71]

SENATOR HEIDEMANN: Yes. [AGENCY 71]

NEIL MOSEMAN: (Exhibit 5) Good afternoon, Chairman Heidemann and members of the Appropriations Committee. My name is Neil Moseman, M-o-s-e-m-a-n, first name Neil, N-e-i-l, and I am director of the Nebraska Energy Office. Thank you for the opportunity to testify today about the Energy Office's budget request. First, I'd like to thank committee members for the time you've spent reviewing and analyzing our budget request and the Governor's recommendation. The Energy Office agrees with the Governor's recommendations. I will address one budget item because it is unusual and new to our agency. This item is unusual in that we will soon be the recipient of funds from the Nebraska Public Power District. The Energy Office and NPPD are collaborating to provide a reduced cost interest rate of 2.5 percent on energy efficiency loans for NPPD wholesale and retail customers through the Energy Office's loan program. Initially, loans will be available only for heat pumps and programmable thermostats. Additional items may be added at the discretion of NPPD at a later date. NPPD will also be investing \$500,000 in the loan program this month, which will be available for loans beginning April 1. Therefore, the Energy Office has requested and the Governor recommended increasing our cash fund appropriation by \$1 million, and I'll explain the

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need for \$1 million here shortly. NPPD funds will be used to provide 25 percent of each loan made. The Energy Office will provide 50 percent. Both of these amounts will be provided to the lender at 0 percent interest. The lender will provide the remaining 25 percent of each loan. The interest rate to the borrower is 2.5 percent. The lender receives...services the loans and remits the NPPD and Energy Office share of the loan repayments to the Energy Office. Over the next biennium, repayment for these loans will flow back to the Energy Office to be loaned out again. We anticipate that NPPD will invest additional funds until the NPPD loan category is self-sufficient with repayments. We have requested the additional appropriation authority so that funds can revolve to make new loans and to accommodate any future investment funds. These loans will provide NPPD customers with significant energy savings, reduce the load demand for the utility and further the state's energy efficiency efforts. This concludes my testimony. I'm happy to answer any questions. [AGENCY 71]

SENATOR HEIDEMANN: We still have questions left. Senator Mello. [AGENCY 71]

SENATOR MELLO: Thank you, Director Moseman. I guess my question kind of dovetails a little bit of what our conversations were from the previous bill, but I wanted to say them here. Can you give the committee an update of where we're currently at with some long-range, strategic planning for the...not only for the Energy Office but more for an energy plan for the state? I know that you were working on it. I believe there were some tours that are going on around the state, as well as a preliminary draft of kind of an overview plan. But could you give more details about that and where you see that planning process taking us in the future? [AGENCY 71]

NEIL MOSEMAN: Thank you, Senator. I'd be happy to do so. The state energy plan, we have embarked in October of 2008 to update the state energy plan. That had not been done since 1992. We conducted nine hearings around the state, public hearings, and we had the...our Web site up for 60 days, seeking public comment from Nebraskans statewide in terms of what they thought our energy policy should be, what the future of

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energy in Nebraska should look like. What we have done shortly after or I should say the end of December 2008, we put up on our Web site the...an interim plan, based on the comments we received from Nebraskans throughout this initial public comment process, and after 30 days we now have...we received those comments as well and we've entered those into our system. We're about 85-90 percent complete. The only issue outstanding, if you will, and it's a big issue--and I've asked the Governor as well or spoke to the Governor in terms of the timing of this--we would like to see the rules and regulations for the energy component of the stimulus package, we'd like to receive that before the complete the energy...the state energy plan because we believe these dollars coming into the state through the stimulus package will have...certainly have bearing on what the energy plan can look like and in terms of funding and what priorities, possibly different than we currently have, that we can put into play. [AGENCY 71]

SENATOR MELLO: Do you have any performance measurements along the way or any benchmarks, so to speak, of where the state needs to be at in the next five to ten years in regards to the energy plan? [AGENCY 71]

NEIL MOSEMAN: We anticipate probably... [AGENCY 71]

SENATOR MELLO: I mean, I'm looking at more like concrete numbers, measurements that, you know, doesn't...I'm not requesting or asking for a portfolio standard but something along those lines of saying in five years or ten years the state will be at this point in time in regards to our energy usage or energy efficiency, something along those lines. [AGENCY 71]

NEIL MOSEMAN: We anticipate probably going back and reviewing this plan every couple years and providing updates based on the current technology, based on the current situation, the market. And so in that regard, we want to keep an eye on this and do a better job at updating this plan overall than has been done here in the last decade

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or so. [AGENCY 71]

SENATOR MELLO: So you will be putting performance measurements in the strategic plan for us to be able to evaluate in future years, in regards to appropriations, of whether or not you're meeting the results that kind of the plan lays out? [AGENCY 71]

NEIL MOSEMAN: I would say so. I mean I...we're going to have...certainly have goals and direction for the state. I guess are there specific standards you're seeking or... [AGENCY 71]

SENATOR MELLO: Yeah, more just in general in regards to any time you lay out a play or a strategic plan, usually we have benchmarks to meet in regards to determining success or failure, and I guess for future appropriations that will be based on the Energy Office and, in theory, the strategic plan, I would like just...that was the question, was whether or not you'll have benchmarks for us to measure as a committee in future years, in the Legislature in future years of whether or not you're meeting your goals that you're setting out. [AGENCY 71]

NEIL MOSEMAN: Okay. Well, I would say, based on our semiannual review, if you will, of the plan, we'll be able to...we'll be able to provide that service to you... [AGENCY 71]

SENATOR MELLO: Okay. [AGENCY 71]

NEIL MOSEMAN: ...or to the committee. [AGENCY 71]

SENATOR HEIDEMANN: Senator Nantkes. [AGENCY 71]

SENATOR NANTKES: Thank you, Director Moseman. Just to follow up a little bit in regard, I have really two lines of questions that I want to go over, one in regards to the logistics of the proposed NPPD revolving fund loan program that you mentioned in your

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opening and that we looked at in our preliminary budget, and then second to go back to the issue of the interplay between the current federal stimulus dollars that Nebraska may or may not receive in regards to energy-related projects and then how that interfaces really with your office's ongoing work. I understand from your last answer that you were going to maybe postpone development of the strategic plan in order to better get a handle or understanding about those stimulus dollars related to energy projects. Is that right? [AGENCY 71]

NEIL MOSEMAN: I wouldn't say necessarily postpone but certainly just hold the...before a final plan is released, see what stimulus dollars can be injected into the plan and see what changes that can make in terms of the outcome. [AGENCY 71]

SENATOR NANTKES: Because it's my understanding that a variety of...well, really the intent of the stimulus program overall from the federal government is really meant to be temporary in infusion of resources into the states rather than an ongoing kind of pool of resources to look at in reliance of how to carry out the obligations of your office. So I think it makes sense to see how those two objectives would interface, but I'm wondering if...really, it it's appropriate to hold off on development of a comprehensive plan for a temporary use. Just one thing to throw out there. In regards to the NPPD revolving loan fund, I guess I'm not clear. From your testimony, you say that there's already...there has been or will be soon a contribution from NPPD to this program, and that loans will be available on April 1. Is that right? [AGENCY 71]

NEIL MOSEMAN: Yes. [AGENCY 71]

SENATOR NANTKES: Okay. [AGENCY 71]

NEIL MOSEMAN: You can apply for loans April 1. [AGENCY 71]

SENATOR NANTKES: And through your office consumers can do so come April 1.

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[AGENCY 71]

NEIL MOSEMAN: Through participating banks, I'm sorry, participating lenders.

[AGENCY 71]

SENATOR NANTKES: Oh, through participating banks. Yeah, maybe if you could just provide me a little bit more of an understanding about the need for the program, what it seeks to accomplish and exactly how it will be carried out, because I'm a little confused.

[AGENCY 71]

NEIL MOSEMAN: Sure. The current loan program, we partner with about 200 banks throughout the state of Nebraska, 700 different locations. It's a 5 percent loan. The banks contribute, partnering banks contribute 50 percent of the loan capital, the Energy Office contributes 50 percent. We charge 0 percent, the banks charge 10 percent, so it becomes a 5 percent loan for residential home improvement, energy efficiency goals and upgrades. And what this NPPD loan will do, their \$500,000 that they're putting into the fund will help because they're charging 0 percent as well, and the banks will only be contributing 25 percent of the actual loan funds. It becomes a 2.5 percent loan for NPPD wholesale and retail customers, both. [AGENCY 71]

SENATOR NANTKES: Uh-huh. Uh-huh. Okay. I'm...all right, and maybe we can have a chance to visit after the hearing. I guess I'm just unclear about how this program is going to start operating at this point in time, prior to having a budgetary direction or statutory direction to authorize such. See what I mean, just in terms of the time line? And maybe there's not a problem, but it seems like there might be. We haven't taken any action, from a legislative sense, in terms of authorizing this program, but we're already going to start authorizing loans April 1? Is that right? That's your plan?

[AGENCY 71]

NEIL MOSEMAN: Through the current, yes, through the current program and through

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the current authorization that we have with this loan program which has been in existence for probably...for almost three years. [AGENCY 71]

SENATOR NANTKES: Okay, so it's just an additional authority on top of the direction that you already have been afforded. [AGENCY 71]

NEIL MOSEMAN: Yeah, I'm sorry. That's (inaudible). [AGENCY 71]

SENATOR NANTKES: Okay. Great. Thank you. [AGENCY 71]

SENATOR HEIDEMANN: Just to clear things up, you talked about a 10 percent loan in your testimony. It says the interest rate to the borrower is 2.5 percent. [AGENCY 71]

NEIL MOSEMAN: I'm sorry, 10 percent, if I...I said our loans are 10 percent? Let me... [AGENCY 71]

SENATOR HEIDEMANN: I thought that's what you had replied before when you was talking to Senator Nantkes. [AGENCY 71]

NEIL MOSEMAN: Oh, under our current loan program, banks are the lenders. [AGENCY 71]

SENATOR HEIDEMANN: Oh, okay. [AGENCY 71]

NEIL MOSEMAN: They loan at 10 percent. I'm sorry. [AGENCY 71]

SENATOR HEIDEMANN: So this, what you're coming before us today, it would be 2.5 percent. Is that what you're saying? [AGENCY 71]

NEIL MOSEMAN: Yeah, the loan itself. The new loans, the NPPD loans, would be 2.5

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percent, yes, sir. [AGENCY 71]

SENATOR HEIDEMANN: Five percent. The current ones that are going out April 1, what you was talking before, was... [AGENCY 71]

NEIL MOSEMAN: They're at 5 percent. I'm sorry. Our current loan program is a 5 percent loan program. We contribute half the funds at 0 percent and the banks contribute 50 percent, the other half of the loan funds, at 10 percent. [AGENCY 71]

SENATOR HEIDEMANN: Okay. Thank you. Senator...no, Senator Wightman first, and then Senator Nordquist. [AGENCY 71]

SENATOR WIGHTMAN: I was a little concerned with regard to you said you accepted the Governor's budget and I notice that we allowed more than the Governor. Are you suggesting that we go back and use the Governor's budget? General Funds were all 0 percent, but the cash and federal both, I think, we provided somewhat more than the Governor did. So I guess I'm just asking, when you say you support the Governor's budget, does that mean we should go back to the Governor's budget? [AGENCY 71]

NEIL MOSEMAN: We like your budget. We like what you've done, Senator, sorry, what the committee has done. Thank you. [AGENCY 71]

SENATOR WIGHTMAN: Okay. I wanted to clarify that because I didn't want us to act like wild spenders. [AGENCY 71]

SENATOR HEIDEMANN: Senator Nordquist. [AGENCY 71]

SENATOR NORDQUIST: Thank you, Director. Thank you, Director Moseman. What's...we know it's going to be a long-term here project to build up the transmission capacity that we need, but what are some of the other hurdles that are facing public

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power now? Is it financial issues, is that they don't qualify for the federal tax credit? And I know we are one of the...Iowa and several other states have sales tax exemption for equipment purchased to produce renewable energy. Are those some of the things that public power...the reason they haven't gotten off the ground with as much renewable energy production? [AGENCY 71]

NEIL MOSEMAN: I'd say largely it has been the federal tax, wind production tax credits that our public entities, public utilities do not qualify for and that Iowa is a very good example. [AGENCY 71]

SENATOR NORDQUIST: Yeah. [AGENCY 71]

NEIL MOSEMAN: With the investor-owned utilities in the state of Iowa, they've been able to qualify for these tax credits for a number of years and been very aggressive about it. But, by and large, that's probably the...one of the largest reasons why. [AGENCY 71]

SENATOR NORDQUIST: Yeah. [AGENCY 71]

NEIL MOSEMAN: And Senator Harms mentioned earlier, eminent domain is another issue which, in terms of now that we have this community-based energy development law on the books, the C-BED law, where individuals can partner with public utilities and capture some of these production credits, now we're finding that eminent domain is also an issue within that regard. [AGENCY 71]

SENATOR NORDQUIST: So is this...when you're looking for public power to come back with the recommendations, is that...things you expect to have in there, is that them making specific recommendations for altering our tax structure in the state to maybe give them some incentive? I mean, is that what you're looking for? What else would potentially be in their recommendations? [AGENCY 71]

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NEIL MOSEMAN: Oh, I think initially probably some incentives and... [AGENCY 71]

SENATOR NORDQUIST: Uh-huh. [AGENCY 71]

NEIL MOSEMAN: ...also we have to see what the federal government will do as well.
[AGENCY 71]

SENATOR NORDQUIST: Sure. [AGENCY 71]

NEIL MOSEMAN: And, by and large, transmission is probably the 800-pound gorilla in terms of wind development. [AGENCY 71]

SENATOR NORDQUIST: Is this something that the state has, from your office, looked at engaging our federal delegation to, on behalf of our public power districts, to get the federal credit somehow or get some sort of federal credit towards public power districts? I mean we're one of the only states, and probably the only state, that isn't qualifying for some sort of federal development of wind production in our state. I mean is that anything you guys have considered engaging our federal delegation, see if they can push something in that direction? [AGENCY 71]

NEIL MOSEMAN: We have. [AGENCY 71]

SENATOR NORDQUIST: Okay. [AGENCY 71]

NEIL MOSEMAN: And I've had these discussions as well... [AGENCY 71]

SENATOR NORDQUIST: Okay. [AGENCY 71]

NEIL MOSEMAN: ...with our delegation. They've been very supportive as well, I might

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add. [AGENCY 71]

SENATOR NORDQUIST: Okay. Great. Thank you. [AGENCY 71]

SENATOR HEIDEMANN: Senator Mello. [AGENCY 71]

SENATOR MELLO: Director Moseman, I guess I should have asked it in my previous question as well. What kind of collaboration is your office doing with the Department of Economic Development and maybe the Department of Revenue in regards to developing that kind of the strategic plan, energy plan for the state but also how it has that economic impact? I know Senator Dubas has introduced numerous bills regarding renewable energies and green jobs, and I have a green jobs bills, a few other people do as well. How are you interacting or cooperating or collaborating with those different departments for that strategic planning purposes? [AGENCY 71]

NEIL MOSEMAN: Specifically with the Department of Economic Development, we discussed these issues with them on a regular basis and we've had...I've sat down with the director of...Economic Development director, and many folks in his office actually, to go over the interim plan to see what improvements we can make. We started out in October of 2008 with a couple specific goals and one was, you know, asking people for public comment on our state energy plan in regard to job creation and what else we can do in terms of reducing our dependence on overseas sources of energy, specifically oil. But the economic development role is probably the, other than reducing our dependence on foreign energy, is probably the primary purpose and pursuit that we have right now. [AGENCY 71]

SENATOR MELLO: Is your strategic plan going to interact with the Department of Economic Development's strategic plan in that sense then, since they kind of sound like they mesh really well together? [AGENCY 71]

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NEIL MOSEMAN: I think...I think at the end of the day they probably will. I mean it would certainly be...we work to really make sure we don't conflict and that we're on the same page, absolutely. [AGENCY 71]

SENATOR MELLO: Thank you. Great. [AGENCY 71]

SENATOR HEIDEMANN: Senator Nantkes. [AGENCY 71]

SENATOR NANTKES: Thank you. I promise this is the last time. [AGENCY 71]

NEIL MOSEMAN: Oh, it's okay. [AGENCY 71]

SENATOR NANTKES: Thank you, Director. And just to be clear, I know we have some new members of the committee this year and you're new in your role as well. I think it might be important, just a friendly reminder for those new committee members, that your office is new. It was previously subsumed under the leadership of the Governor's Office. Is that right? [AGENCY 71]

NEIL MOSEMAN: That's correct, yeah. [AGENCY 71]

SENATOR NANTKES: Okay. Great. And just the final question I had was in relation to a specific budgetary item. You've requested a reduction in federal aid to the tune of about \$2 million and I'm wondering...or at least the authority to spend that. Is that a loss of federal funds in regards to a specific program, or can you provide some more details about that? Because that's always something that I think we encourage agencies to be very aggressive in applying for and utilizing federal dollars whenever possible, and so I was just wondering what that specifically was in relation to. [AGENCY 71]

NEIL MOSEMAN: I...let me understand, the...that amount or I believe more the...from an administrative perspective from the Department of Energy, because these are mostly

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federal programs that we operate, I think we had actually...hadn't utilized some federal dollars in recent years and that...this was a chance to correct that, if you will, or make a correction. And actually I may, if...or we can discuss specifically, our deputy director as well and our accounting office staff are here as well. We can give you more specific reason for that here. (Inaudible.) [AGENCY 71]

SENATOR NANTKES: Okay. Thank you. [AGENCY 71]

SENATOR HEIDEMANN: Senator Hansen. [AGENCY 71]

SENATOR HANSEN: Thank you. I had a couple of comments before a question. In the late 1800s, our ranch north of North Platte had wind power and we had the windmill and I've seen pictures of it. I wasn't around when they had that. About 1916 we got...REA came in and we did away with the batteries. I cleaned the batteries out of the original farmhouse about five years ago and they were huge batteries like this, you know, probably not up-to-date batteries by any means, but that's what they generated wind all day...or the wind generated power all day; they flipped on a light powered by a battery. And in about 1916 REA came by from Dawson Public Power and started stringing poles out. Well, that...what that did is it created maybe two lights per room rather than one light per room, until the newer houses were built and newer electrical systems were put in. Can you go over...and we thought each one of those steps was a increase in service to us by Dawson Public Power. Can you go over for us, because we've mentioned it several times about private electric rates or private electricity production in other states surrounding us, can you go over the rates of power that Nebraska has, Nebraska enjoys over other states? [AGENCY 71]

NEIL MOSEMAN: Very much so. It's a great story to tell as well. Thank you, Senator. We currently are the...we enjoy in the state of Nebraska the fifth lowest or the fifth cheapest utility rates, electric rates, in the nation, and it's always good to be in, I guess, top ten in things. What's interesting about that ranking, being the fifth cheapest or least

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expensive, if you will, the top four states ahead of us all have coal and coal production, and for Nebraska to come in behind states that have coal production, which is a significant advantage in terms of, at least up to now, electricity costs is pretty significant. [AGENCY 71]

SENATOR HANSEN: I have one follow-up question then. Which...there are two base load productions that we have in the state of Nebraska, coal and the nuclear fired plants that we have in Nebraska. Which is the cheapest one of those to provide electricity for people of our state? [AGENCY 71]

NEIL MOSEMAN: I believe the coal plants are cheaper than the nuclear. [AGENCY 71]

SENATOR HANSEN: Do you see anything that would prohibit those coal plants from continuing? [AGENCY 71]

NEIL MOSEMAN: I do. Cap in trade is certainly going to be a concern to the state of Nebraska, especially any sort of global warming or global climate change legislation. A carbon tax is going to be a significant threat to Nebraska consumers, Nebraska taxpayers. Those are on the horizon here and could be a significant problem. [AGENCY 71]

SENATOR HANSEN: So we may be going back to that one windmill per house and one light per room. [AGENCY 71]

NEIL MOSEMAN: You know, Senator, my... [AGENCY 71]

SENATOR HANSEN: The circle has almost been complete. [AGENCY 71]

NEIL MOSEMAN: My grandfather did the same thing on a farm in Burt County so I understand. [AGENCY 71]

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SENATOR HANSEN: Thank you. [AGENCY 71]

NEIL MOSEMAN: Thank you. [AGENCY 71]

SENATOR HEIDEMANN: Are there any other questions or comments? Seeing none, thank you. [AGENCY 71]

NEIL MOSEMAN: Thank you. [AGENCY 71]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 71? Seeing none, we will close up the public hearing on Agency 71 and open up the public hearing on Agency 18, Department of Agriculture. [AGENCY 71]