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Natural Resources Committee
March 31, 2014

[LR482 CONFIRMATION]

The Committee on Natural Resources met at 12:30 p.m. on Monday, March 31, 2014, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on gubernatorial appointments and LR482. Senators present: Tom Carlson, Chairperson; Lydia Brasch, Vice Chairperson; Annette Dubas; Ken Haar; Jerry Johnson; Rick Kolowski; Ken Schilz; and Jim Smith. Senators absent: None.

SENATOR CARLSON: Welcome to the Natural Resources Committee. I'm Tom Carlson, state senator from District 38, Chair of the Natural Resources Committee. And those senators that are with us today, to my far left is Senator Rick Kolowski from Omaha, District 31; Senator Ken Haar from Malcolm, District 21; Senator Jim Smith from Papillion, District 14. The empty chair, hopefully, will soon be taken by Senator Ken Schilz from Ogallala, District 47. To my immediate left is our legal counsel, Laurie Lage. And then to my far right is Barb Koehlmoos, our committee clerk. Next to her, Senator Lydia Brasch from Bancroft, District 16; Senator Jerry Johnson from Wahoo, District 23; and Senator Annette Dubas from Fullerton, District 34; and Senator Schilz is coming in as I speak. Our page for today is Scott Jasnoch. And if you need some help, he will be happy to help you. Now I don't know what all of you are prepared to...when you come in here in the order, but we're going to go with LR482 first and then we'll go with our confirmations following that. So, Senator Brasch.

SENATOR BRASCH: Thank you. We will now proceed. Thank you, Senator Carlson.
[LR482]

SENATOR CARLSON: Okay. Good afternoon, Vice Chair Brasch and members of the Natural Resources Committee. I am Tom Carlson, T-o-m C-a-r-l-s-o-n; senator from District 38 here to introduce LR482. And LR482 requests that the Environmental Protection Agency allow states to set less stringent emission standards for coal-fueled power plants than the EPA might otherwise set. This request is in response to a June 2013 directive from President Obama stating that the states should play a central role in establishing such guidelines. It's important that Nebraska be allowed to enter into these important emission standards given that much of our electric utility production relies on coal-powered plants. We also must have a strong railroad presence in our state that carries much of the coal from the mining regions. Therefore, it's also an economic development issue. There are several behind me to testify on this issue. I'll try to answer questions you may have, but, certainly, I'm anxious for the testifiers to be able to come forth and indicate what their thoughts are. [LR482]

SENATOR BRASCH: Thank you. Are there any questions from the committee? Seeing there are none, now we will hear from the proponents of LR482. Please come forward. Please say and spell your name. Thank you. [LR482]

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BOB BORGESON: (Exhibit 1) Good afternoon, Senators. My name is Bob Borgeson, B-o-b B-o-r-g-e-s-o-n. I'm the state director for SMART, we're...a union...a emergency union of railroad workers and sheet metal workers. First of all, thank you, Senator Carlson, for bringing this to the Legislature. We've got a feel it's a pretty important matter. Our members...we're coal trains. I mean, in my handout there, you'll have a...I find a map when I was researching my testimony. I thought the map really does a good job of showing just how much coal is transported across the state of Nebraska. It's into various destinations, including Nebraska. I'm not going to read my statement. We feel that this is something that would be good for Nebraska to do to have some input into setting the standards. We have 2,300 members of my union. We're one-half of the CAB (sic); there's another union on the other half. But the number of folks that work, you know, maintaining the engines, maintaining the tracks. It is a huge number of people that work for the railroads, both BNSF and UP in Nebraska. And I'd pretty much take any questions. Other than that, I hope my statement will answer. [LR482]

SENATOR BRASCH: Thank you, Mr. Borgeson. I see we have a question here. Senator Smith. [LR482]

SENATOR SMITH: Thank you, Madam Chair. Mr. Borgeson, thanks for coming today and for testifying and representing your trade organizations. So, BNSF and UP, what would you say is the total number of employees that are impacted by coal transportation in our state? [LR482]

BOB BORGESON: Both the UP and BNSF have told me they're going to testify later and I think that they could better answer that question for you, Senator. [LR482]

SENATOR SMITH: Okay, very good. Thank you. [LR482]

BOB BORGESON: Okay. [LR482]

SENATOR BRASCH: Are there any other questions from the committee? Seeing there are none, thank you. [LR482]

BOB BORGESON: Thank you very much. Thanks for your time. [LR482]

SENATOR BRASCH: Thank you. Any other proponents, please? One moment, please. If you're going to testify, please be sure to fill out a sign-in sheet that you are going to testify here. And welcome, and thank you for coming forward. Please say and spell your name. [LR482]

JEFF DAVIS: (Exhibit 2) Thank you, Madam Chairman. Jeff Davis, J-e-f-f D-a-v-i-s, here on behalf of BNSF Railway. And I'm here on behalf of BNSF today. We employ more than 41,000 people and operate more than 32,000 miles of track in 28 states and two

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Canadian provinces. This year we're going to be hiring another 5,000 employees on top of that. Last year, as a railroad, BNSF shipped more than 10 million carloads of freight. Twenty-two percent of that business, more than 2.2 million carloads of freight was coal. At the height of the recession in 2008-2009, coal was 30 percent of our business and it kept our railroad going when every other industry that ships by rail wasn't shipping. Coal isn't just important to BNSF, coal is important to Nebraska. Eighty-five percent of the coal that we ship, more than 1.7 million carloads of coal, passes through Nebraska every year. We employ 4,700 people who live throughout the state of Nebraska. More than 10 percent of our workforce right here and almost every one of them is somehow involved in the coal business. They work here in Lincoln moving trains; they work at the Havelock plant that makes wheels for most of our cars in the BNSF system; they live in Omaha; they live in Scottsbluff; they live in Alliance where they work on the locomotives and the freight cars used for hauling coal; they live in McCook; they live all over. Last year, the average BNSF employee in Nebraska made more than \$71,000. That doesn't include health insurance, retirement, or any of the other benefits that we provide to our employees that add up to more than a third of their compensation. All totaled, our Nebraska payroll was more than a third of a billion dollars last year. And it's all tied to coal. Coal not only keeps a large portion of BNSF employees working, it subsidizes the costs of shipping grain, ethanol, and other agricultural products, and other products throughout the state. Without that piece of freight business in Nebraska, the cost of shipping goes up for everyone else in the state with the smallest shippers and those along the coal routes getting hit the hardest. That concludes my testimony, Madam Chairman. I'm happy to answer any questions. [LR482]

SENATOR BRASCH: Very good testimony. And are there any questions from the committee? Seeing there are none, I did want to thank you and the railroads for all you have done across the state and in building of our country, wonderful history. So please accept our thanks and gratitude for coming here. And next testifier, please. [LR482]

JEFF DAVIS: Thank you. [LR482]

SENATOR BRASCH: Good afternoon. Please say and spell your name. [LR482]

STEVE NELSON: Thank you. Good afternoon, Senator Brasch and members of the committee. My name is Steve Nelson. I'm a farmer from Axtell where I raise irrigated corn, soybeans, and hybrid seed corn with my son. I also serve as president of the Nebraska Farm Bureau Federation and am here today on behalf of the organization to express our support for LR482. Farming and ranching are energy-intensive businesses. Nebraska farmers and ranchers depend on reliable and affordable sources of energy to run farm equipment, livestock facilities, irrigation systems, and for many other uses. Nebraska Farm Bureau supports the availability and affordability of all energy sources including coal, gas, nuclear, wind, solar, and other sources. The Environmental Protection Agency's proposed greenhouse gas standard for coal-fired power plants only

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serves to increase our nation's energy costs and does not provide the certainty that agricultural producers need in order to assure that we will have continued access to affordable and reliable supplies of energy. The EPA indicates that there will be significant costs to utilities to comply with the new standards. The costs utilities will incur in order to comply with these new standards will be passed on to their customers; in many cases farmers and ranchers. Farmers and ranchers are price takers and not price makers, so we lack the ability of many other sectors to pass along these costs. Our members have clearly laid out a strong opposition to regulation of greenhouse gas emissions. The presence of CO₂ in the atmosphere is ever present, imposing added energy costs on our economy while others around the globe are not held to the same standard, not only puts U.S. producers and consumers at a disadvantage, it serves little purpose for the environment. We certainly appreciate the opportunity to express our concerns. And I'd be happy to answer any questions that you might have. [LR482]

SENATOR BRASCH: Thank you. Are there any questions from the committee? Seeing there are none, thank you, Mr. Nelson. [LR482]

STEVE NELSON: Thank you. [LR482]

SENATOR BRASCH: Welcome. Please say and spell your name. [LR482]

KELLI O'BRIEN: Thank you. My name is Kelli O'Brien, spelled K-e-l-l-i O-'-B-r-i-e-n, and I'm here to testify on behalf of Union Pacific as the Public Affairs Director for Nebraska. Union Pacific employs over 46,000 individuals across our vast system that operates in 23 state. And 15 percent of our workforce is in the state of Nebraska, nearly 7,900 jobs. Bailey Yard in North Platte, Nebraska, is the largest railroad classification yard in the world and it is located in the midst of key east and west and north and south corridors on the Union Pacific network, making it a critical section of our operation. In 2013, over 35,500 trains moved through the Bailey Yard, and 54 percent of those trains were coal. These numbers showcase how vital coal is to North Platte operations and employment. Union Pacific currently employs over 2,400 individuals in North Platte. Many of these jobs involve servicing, fueling, and operating those coal trains once they reach North Platte. It goes without saying that without coal on our network, Union Pacific would not be able to support the current levels of employment we have in Nebraska and across our entire network. Coal is a critical part of Union Pacific's book of business, representing 19 percent of revenue, and 28 percent of gross-ton miles. In 2013, nearly 60 percent of the coal transported on Union Pacific traveled through Nebraska to reach its final destination. And 7 percent of the coal tons moved on Union Pacific were delivered to the state of Nebraska for consumption. In closing, coal is a viable, dependable, affordable resource and is a necessary economic driver for the state of Nebraska. And that is why Union Pacific supports LR482. I thank you for your time. [LR482]

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SENATOR BRASCH: Thank you, Ms. O'Brien. Are there any questions from the committee? Seeing there are none, thank you very much. [LR482]

KELLI O'BRIEN: Thank you. [LR482]

SENATOR BRASCH: Next proponent, please. Welcome. Please say and spell your name. [LR482]

PAT POPE: (Exhibit 3) Good afternoon, Chairman Carlson, members of the Natural Resources Committee. My name is Pat Pope, P-a-t P-o-p-e. I am president and CEO of the Nebraska Public Power District. I'm testifying today in support of LR482 on behalf of the Nebraska Power Association, which is the association of municipal electric systems, public power districts, and cooperatives comprising Nebraska's unique public power industry. The Nebraska Chamber of Industry and Commerce has also authorized me to speak on their behalf in supporting this legislative resolution. Electricity is fundamental to our economy and the well-being of our citizens. Nebraska's utilities provide reliable, affordable electricity and in an environmentally responsible manner. We support LR482 because diversity of generating resources is good for Nebraska and helps our state prosper. Nebraska relies on coal-fired generation for approximately two-thirds of the electricity produced in this state. And while utilities are gradually reducing reliance on coal and adding more renewable energy generation, Nebraska and the nation will need conventional forms of fossil-based electricity production, such as coal, natural gas, and petroleum, for many years to come. LR482 does an excellent job describing the benefits of an affordable electricity supply which includes coal. Thousands of Nebraskans are employed as energy producers and transportation providers due to coal. A study being conducted by the University of Nebraska finds that the state's coal-related industries, which generally consist of railroads and power plants, annually generate almost \$4.9 billion in output, over \$1.4 billion in labor income, and more than 22,800 jobs. This economic activity also generates \$142 million in income, sales, and property taxes in our state. Carbon dioxide is now being regulated by the EPA under the Clean Air Act. The Clean Air Act section that addresses CO2 from existing power plants is Section 111(d). This section provides for the individual states to have final authority to develop state specific regulations and compliance deadlines. Under Section 111(d), the EPA is to issue a procedure and emissions guidelines for states to consider when developing and setting state standards. The standards are to be based upon emission reduction systems that have been adequately demonstrated and should be evaluated on a facility specific basis when appropriate. Factors can include things like the age of the plant, remaining life, fuel type, cost of controls, location, design of the facility, and commercially availability of controls. We are concerned this standard has the potential to adversely affect the reliability and costs of electric power to Nebraska ratepayers. States must exercise their primary authority in developing and implementing the standard for existing plants. State flexibility is also critical to achieving CO2 reductions in a reasonable and cost-effective manner. State regulators are the most

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knowledgeable about the generation portfolios of their state utilities and are already working with them on a variety of environmental topics. The Nebraska Power Association believes this resolution helps remind the EPA of its limited responsibility in establishing the standard and helps encourage the state to exercise its full authority as established by the Clean Air Act. We encourage the committee to adopt this resolution to help Nebraska maintain its efficient, affordable, and reliable electricity supply. I would be more than happy to answer any questions that you might have. [LR482]

SENATOR BRASCH: Thank you, Mr. Pope. Are there any questions? Yes, Senator Haar. [LR482]

SENATOR HAAR: Yes. Thank you. I notice we're going to get a report from the Nebraska Business Research paid for by NPPD. Have you done a similar economic and tax revenue impact of renewables...paid for that? [LR482]

PAT POPE: We have not. [LR482]

SENATOR HAAR: Okay. Okay, that's my only question. [LR482]

SENATOR BRASCH: Very good. Any other questions from the committee? Seeing there are none, thank you, Mr. Pope. [LR482]

PAT POPE: Thank you. [LR482]

SENATOR BRASCH: Next proponent please come forward. Welcome. Please say and spell your name. [LR482]

DAN MAUK: Thank you, Senator Brasch. My name is Dan Mauk, that's spelled D-a-n M-a-u-k. I'm the president and CEO of the North Platte Area Chamber of Commerce and Development Corporation. I'm testifying in support of LR482 on behalf of the 620-member businesses of our organization in Lincoln County. Nebraska is a unique...is unique amongst the United States in that the entire state is served by publicly owned utilities. My primary role in my job is to help create new jobs and new investment in Lincoln County. One of the key selling points that we use when we're battling with other states is our competitive electric utility rates. Nebraska has a lot to offer and electric power is an important one. And that's one of the reasons why we support LR482. Nebraska's electric utility partners are steadily diversifying their portfolio of generation sources and are working hard to ensure a clean environment for the future generations. Currently, coal-fired generation makes up, roughly, two-thirds of the generation capacity. And the utility partners are working to reduce the reliance on coal and are adding other renewable energy generation sources. The simple fact here is that mandated and unreasonable regulation of coal-fired electric generation will have untold financial consequences for all Nebraskans. The economy of the United States will need

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conventional forms of electricity production for many years to come in order to sustain our economy during the transition. In Lincoln County, we are at ground zero for the consequences pending federal regulations would create. Lincoln County is home to NPPD's Gerald Gentleman Station. Gerald Gentleman is the lowest-cost generation facility in NPPD's portfolio. North Platte is also home of Union Pacific's Bailey Yards through which more trains pass than almost anywhere in the world. There are over 400 miles of Union Pacific track within the county. Union Pacific and their partner service companies employ more than 3,000 area residents near North Platte. These are very good jobs. They pay very well; the benefits are outstanding. And more than 20 percent of the rail traffic is related to coal transport. As Mr. Pope summarized from the University of Nebraska study showing the statewide impacts at over 22,000 jobs, almost 15 percent of those are within Lincoln County. The North Platte Chamber believes LR482 asserts Nebraska's right to govern and protect our citizens. Nebraska must lead the country with reasonable policy and legislation that protects not only the environment, but our economy. We urge the committee to adopt the resolution to help Nebraska maintain efficient, affordable, and reliable electric supply. I'd be happy to answer any questions. [LR482]

SENATOR BRASCH: Thank you. Are there any questions from the committee? Seeing there are none, thank you, Mr. Mauk. [LR482]

DON MAUK: Thank you. [LR482]

SENATOR BRASCH: (Exhibit 4) Are there any other proponents? We have one to read...a letter to read in, in support from Mr. Mark Ourada, Partnership for a Better Energy Future. Are there any opponents? Please come forward. Say and spell your name. [LR482]

KIMBERLY MORROW: Good afternoon. My name is Reverend Kim Morrow, M-o-r-r-o-w. I represent Nebraska Interfaith Power and Light and I speak today on behalf of the faith community in Nebraska. If you've read the news today, you may know that the intergovernmental panel on climate change released an important new report today showing that the effects of climate change are already upon us and they are pervasive and alarming for the future. The observed impacts of climate change have already been observed in agriculture, human health, ecosystems on land and in the oceans, in water supplies, and in people's livelihoods. What's remarkable about the observed impacts is that they are occurring from the tropics to the poles, from small islands and large continents, and from the wealthiest countries to the poorest. With these high levels of warming, the conversation is beginning to shift more...more focused to talk about adaptation, how are we going to adapt as a civilization worldwide to disruptions in the food supply, in addition to extreme weather events and other issues? But these risks will be challenging to manage given the continued increase of global warming and the unpredictability of this. In many cases, the report concludes the world

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is ill prepared for the risks from a changing climate. One of the scientists from the Carnegie Institution for Science in Stanford, California, was quoted as saying: I think that dealing effectively with climate change is going to be something that great nations do. And he said that's what's going to set apart great nations from others in the future is their willingness to take on the issue of climate change and how to adapt to it. This is what is before us now as a nation, as a state, as individuals, is the question of how are we going to stand up to meet this challenge. We know that the utility industry's responsible for 30 percent of the CO2 emissions in our state. And so it's clear that one of the simplest ways we can combat climate change from our home, which is the place we have the ability to take action, is to urge the utilities to significantly cut their carbon emissions. We need in this country decisive and systemic changes to how electricity is generated. And that is what the EPA can facilitate. Experience has shown that in many cases the utility industry will not make significant changes on their own; but they benefit from the check and balance system that the EPA provides and which has been in place for many, many years regulating all kinds of emissions. For these reasons, I would like to ask you to consider more than just the cost benefit analysis, as we so often do. We know that Nebraska is a heavily coal-dependent state. We know that our economy benefits from coal. But that is not the only thing to consider at this time. It is time to consider more than just cost and reliability as we look to how our electricity is generated. It is time to consider God's imperative to all of us to protect the creation that has been given to us. And it is time to consider our moral responsibility to all humans who will be impacted by climate change and to do all we can to protect our own state and, indeed, the planet. For these reasons I ask you to not support this bill. Thank you. [LR482]

SENATOR BRASCH: Thank you, Reverend Morrow. Are there questions from the committee? Senator Haar. [LR482]

SENATOR HAAR: Yeah, thanks. Moral imperative here, talk a little more about it. [LR482]

KIMBERLY MORROW: Well, morality has to do with questions of what is right and wrong. And so...and it has to do with...most philosophers would agree that there is a moral imperative to protect life. It's one of the basic moral assumptions. And that is what we are faced with here. A lot of us don't want to see it or don't know how to see it, don't know how to take it into account in all of its magnitude. But what we are talking about is the protection of life, human and other biological life. We have a responsibility to protect it. [LR482]

SENATOR HAAR: I've always been kind of interested in the argument that we can't do anything until everybody in the world does it. How... [LR482]

KIMBERLY MORROW: I've heard that argument before. [LR482]

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SENATOR HAAR: How would you respond as a minister to that? [LR482]

KIMBERLY MORROW: I don't think that holds any moral weight at all. The moral imperative means that we search our own conscience and we do what is right because it's right whether anyone else is doing it or not. If our whole society operated on that principle, we would all be behaving like second graders on the playground. The moral imperative asks that we step up to do what is right for the larger good and that we attend to the ethics that are taught to us by our faith or by the values that our country was founded on and that we advocate for the greatest good. [LR482]

SENATOR HAAR: Okay, thank you. [LR482]

SENATOR BRASCH: Are there any other questions? Seeing there are none, thank you, Reverend Morrow. Any other opponents? Seeing there are none...is anyone...oh, there is one more, excuse me. If you plan on testifying, please move towards the front. Welcome. Please say and spell your name. [LR482]

BEN GOTSCHALL: Thank you. And my name is Ben Gotschall, that's B-e-n G-o-t-s-c-h-a-l-l. I raise cattle and milk cows and make cheese out by Raymond. I'm here representing myself. In the interest of disclosure, I will also say that I am the energy director for Bold Nebraska. I'm here in opposition to this resolution. There's been a lot of talk about coal today. I'm not really here to bash coal or bash coal plants or bash the utilities that use them. But I do think that this kind of resolution is backward thinking, not forward thinking. And in a state where we have so much potential to move forward, especially in the arena of renewable energy production that can help solve some of the problems that the EPA regulation or EPA standards are addressing, I think we should do that as a state. It's no secret that we export about \$400 million a year in coal to out-of-state coal interests and I think that we should be able to capture some of that economic opportunity here in our state. Probably one of the most recent local studies that was done on wind energy in Nebraska...our wind energy in Nebraska was done in my home town, home county of Holt County. And that showed that, you know, a 200 megawatt wind farm would create more than a million dollars...I think it was \$1.3 million in tax revenues; would create a couple dozen jobs, permanent jobs; a couple hundred construction jobs. And over three-fourths of that revenue, that tax revenue would stay in the school system. So for me, thinking about my brother and my family and friends and neighbors back home with their kids, raising those kids in a rural area, I think that means a lot to them. And so to me...I mean we want...there's some talk and there's some language in the bill that talks about federal control, state control and the interplay between that, but to me this...the EPA carbon standards are a lot like the fuel efficiency standards in automobiles. Some things, I think, are best left to the states; and some things, I think, the federal government does need to kind of have some kind of direction over. And to me if a fuel-efficient car is defined as one that gets 40 miles per gallon and

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you cross the border and all of a sudden it means that it's a truck that gets 20 miles per gallon just because more people in that state drive trucks, I just...that doesn't make a lot of sense to me if the overall goal is increasing the efficiency of the automobiles themselves. And so I think if our overall goal is economic development, while at the same time being environmentally responsible, I think we need to harness our state's potential in renewable energy. Thank you. [LR482]

SENATOR BRASCH: Thank you, Mr. Gotschall. Are there any questions from the committee? Seeing...Senator Smith. [LR482]

SENATOR SMITH: Thank you, Madam Chair. And, Mr. Gotschall, thank you for coming in and testifying today. You're talking about efficiencies and improvements and technology, as energy director with the other organization that you represent, are you familiar with improvements in CO2 emissions and coal operations over the last few years? [LR482]

BEN GOTSCHALL: I just, actually, read...I'm kind of familiar with it somewhat. I just read an article in the National Geographic about some carbon-capture technology and I was...kind of interesting. It looks to me like a lot of that technology has kind of stalled or been abandoned. [LR482]

SENATOR SMITH: My understanding is that it's not stalled. But I think it's interesting because there's a lot of folks, even in the coal industry, that agree that they want to find ways to improve efficiencies and reduce emissions and there's a great move in the industry to do that. Also, you mention the export of money out of Nebraska to purchase the coal. Are you familiar with where the turbines and the generators would be purchased from for the wind power? [LR482]

BEN GOTSCHALL: No, but I am familiar with the fact that factories that would have produced such things have closed in Nebraska due to our lack of support for those factories here in our state. [LR482]

SENATOR SMITH: Well, I appreciate your continued interest in helping us to develop economic development in our state. And I think it would be fantastic to have those types of manufacturing operations in the state of Nebraska. Thank you. [LR482]

BEN GOTSCHALL: I do too. [LR482]

SENATOR BRASCH: Are there any other questions from the committee? Seeing there are none, thank you, Mr. Gotschall, for your testimony. [LR482]

BEN GOTSCHALL: Thank you. [LR482]

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SENATOR BRASCH: Are there any other opponents? Is there anyone here testifying in the neutral? Please come forward. Welcome. Please say and spell your name. [LR482]

ERIC THOMPSON: Sure. My name is Eric Thompson, E-r-i-c T-h-o-m-p-s-o-n. I'm the director of the Bureau of Business Research at the University of Nebraska-Lincoln. I want to thank the members of the Natural Resources Committee for allowing me to speak here today. I guess I'm testifying as a neutral party. I know there's a number of important issues for this committee to consider besides the economic issues that I looked at and therefore, you know, my testimony is neutral in light of those things you need to consider. My goal is to look at how coal, the U.S. coal industry, and our local coal industry affected the economy of our state. Now it's interesting, this is a...I used to work at the University of Kentucky, so I'm very familiar with states that have a lot of coal mines. Nebraska does not have a coal mine, but it's still true that Nebraskans are very involved in the coal industry as consumers of electricity, much of which is generated with coal. Some Nebraskans are involved in the production of electricity. And also some Nebraskans are involved in the hauling of coal throughout the country as employees of rail companies or businesses that provide services to rail companies. So in that sense I'd say Nebraska is a coal state, too, if you think about the many coal states or states that have a...where the coal industry has a major part in the economy. I think a number of people have mentioned that today and I think it's something that's understood intuitively so my goal is to try to come up with some specific numbers and estimates of how much the economy was affected. So I did several things. I did focus on the role of coal in electric-powered generation, as well as the transportation of coal here in Nebraska. My studies suggested the economy is influenced by coal-fired generation; most of that generation in Nebraska, of course, goes to supply our local businesses, our local households, and having a low cost, reliable source of power, obviously, is very important to businesses and households in Nebraska. It's also true that some coal generation does end up being exported outside the state through wholesale sales and so forth, creating an economic impact on our state's economy. And of course there's an economic impact on our state economy because of the service the railroads provide here in Nebraska hauling coal from the mines in the West to utilities in the Midwest and East and then also, in some cases, even for export. I guess I'll repeat some numbers you've heard already today, but my findings were that the annual economic impact in 2013 of the coal industry was \$4.9 billion in output. It was \$2.3 billion in value added. And this value-added idea is kind of analogous to gross domestic product or gross state product. So that...the impact of coal is roughly 2.3 percent of our state's economy as measured by gross state product. Labor income impact was around \$1.4 billion a year. And that was related to about 23,000 jobs in the state. Also found both a state and local tax impact from income sales and property taxes of about \$142 million per year. So those were the main findings I had. And I didn't want to get into all the details, but I wanted to give you the summary of what we found. And appreciate the opportunity to testify today. And if there's any questions I can answer, please let me know. [LR482]

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SENATOR BRASCH: Thank you, Mr. Thompson. Are there any questions from the committee? Yes, Senator Haar. [LR482]

SENATOR HAAR: Yeah. Thank you very much. A number of people did mention today that there will be a transition to more renewable resources and so on. Did your study look at all--I mean, you already said it was fairly narrow in terms of the economic and tax revenue from coal--how the economic and tax revenue from coal would compare to renewables as we transitioned away from coal? [LR482]

ERIC THOMPSON: As you suggested, my study did not look at that specifically. I will try to answer your question... [LR482]

SENATOR HAAR: Yeah, yeah. [LR482]

ERIC THOMPSON: ...just thinking on my feet here. I would think it would be a little different...not so much from the generation end, but from the transportation end. So we...because of our very strong rail industry, and because of our geographic location, we play a very important role in the hauling of coal. So the coal-fired electric utility industry has a big impact on our state because of hauling the coal through the state. In terms of renewables, I think we would fully...those would create an economic impact in terms of generation, but there may not be the same hauling...economic impact from the hauling of the fuel that you see with coal-fired electric generation. But the first part of it would still be there. [LR482]

SENATOR HAAR: Could you do that kind of study if it was financed? [LR482]

ERIC THOMPSON: Oh, certainly. Obviously, that's a topic that is of great interest as well. [LR482]

SENATOR HAAR: Because I think that could be really useful. So about what does a study like this cost, do you know? [LR482]

ERIC THOMPSON: Well, the impact studies on the state that we conduct on sort of a cost-recovery basis typically costs between \$10,000 and \$30,000 depending on the study. [LR482]

SENATOR HAAR: So some of that, certainly, is just university time. [LR482]

ERIC THOMPSON: Oh, yeah, that's the...to compensate the university for the time of the researchers involved. [LR482]

SENATOR HAAR: Yeah, okay. And in terms of the hauling, if all of a sudden we were all renewable, there would still be coal hauled through our state. [LR482]

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ERIC THOMPSON: It's true that the...that the coal-hauling activity in Nebraska will be influenced not just by...not just by any legislation or resolutions we have here in Nebraska. It will be influenced by what other states do in that regard and by federal policy as well. [LR482]

SENATOR HAAR: In there, is there any figure...and I will look through your whole report, I appreciate it, what percent of the hauling that's represented here is for Nebraska coal? [LR482]

ERIC THOMPSON: I did not get that specific. I thought I heard in earlier testimony, someone mentioned a figure that was in the single digits. [LR482]

SENATOR HAAR: Okay. [LR482]

ERIC THOMPSON: But that's just based on what I heard earlier today. [LR482]

SENATOR HAAR: Right, okay. Well, thank you very much. [LR482]

ERIC THOMPSON: All right, thank you. [LR482]

SENATOR BRASCH: Very good. Any other questions from the committee? Seeing there are none, thank you, Mr. Thompson. Is there anyone else present that would like to testify in the neutral? Seeing there are none, Senator Carlson, would you like to close? [LR482]

SENATOR CARLSON: Thank you, Senator Brasch, and thank you to the committee, and thank you for those that came to testify today on this. And as I sit there and listened, what registers with me is that certainly coal has a big impact on the economy in Nebraska. But that's not really a final answer as far as what our decision would be, because I don't hear from anybody that they want to see the environment fouled up and degraded as a result of what we do. Was interesting that Professor Thompson said that coal is responsible for 23,000 jobs in the state. If we had a real economic downturn and did away with that, we'd have to trim government by 2,300 positions and losing 23,000 jobs, be a pretty serious matter. So we are concerned about our environment. We want to do good things as we go forward. But we also need to do it in a manner that is balanced and doesn't destroy the economy along with changes, but I think all of us on this committee are also open to renewables that put us in a better position in the future. Thank you. [LR482]

SENATOR BRASCH: Thank you, Senator Carlson. Senator Haar. [LR482]

SENATOR HAAR: Senator Carlson, just to clarify...and nobody thinks coal is going to

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go away all of a sudden, obviously. But the 23,000 jobs, from what I heard, and maybe you heard something differently, would not all go away if we'd snap our fingers and Nebraska didn't need coal anymore, because a lot of the hauling would still go through the state. Or did you hear that differently? [LR482]

SENATOR CARLSON: No, I heard the same...I heard it the way you did. So certainly if those 23 went away, there would be something to replace a portion of it. And I don't know what that is. And say it...there were 10,000 jobs that replaced it, let's say 13,000, makes my math easier, then we lost 10,000 jobs. [LR482]

SENATOR HAAR: But I mean, even if...and I'm sorry, I'll just clarify this one point. If Nebraska didn't need coal anymore, not all 23,000 jobs would go away from what I've heard, because a lot of the railroad jobs and so on are pass-through jobs. I mean, coal going through Nebraska. Or did you hear that differently? [LR482]

SENATOR CARLSON: No. I just heard that there are 23,000 jobs in Nebraska that...that's the economic impact of coal. [LR482]

SENATOR HAAR: Um-hum. [LR482]

SENATOR CARLSON: And whatever of those we might lose, if it's a thousand jobs, we lose a hundred government positions if we're going to trim accordingly. Otherwise, we're looking at huge tax increases. So I don't argue with the figures, I just...I want to make a point that... [LR482]

SENATOR HAAR: Sure. [LR482]

SENATOR CARLSON: ...when you have an economic downturn and you lose jobs, it's a serious matter because that's not where it ends. [LR482]

SENATOR BRASCH: Senator Smith. [LR482]

SENATOR SMITH: Thank you, Madam Chair. Senator Carlson, just to kind of clarify what that exchange was about, that was strictly about the transportation of coal. So there are still jobs that are associated with the generation of electricity from coal-powered plants that I don't think that what we heard, those labor statistics earlier related to that necessarily, nor would it relate to the potential unemployment and the cost of living increases that would occur due to the increase in energy costs that would be necessary to replace the coal-fired units. So I just kind of want to clarify that and make certain that was on the record as well, if you wanted to comment on that. But one thing I would like to hear from you is where do you think this is going from here; what is your intent with this hearing today and what are the next steps forward on LR482? [LR482]

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SENATOR CARLSON: Well, the next step, if the committee advances the resolution, would be to have it heard on the floor, discussed on the floor. And then point 4 under the "whereas" is that a copy of this resolution be sent to the United States EPA Administrator, Gina McCarthy, and to each member of Nebraska's congressional delegation. So it's an indication that we're concerned about this and we're asking the speed at which some of these requirements are set forth, take into account the impact it would have on the state of Nebraska. [LR482]

SENATOR SMITH: And that Nebraskans would be able to have more of an impact on decisions that are made down the road. [LR482]

SENATOR CARLSON: Right. [LR482]

SENATOR SMITH: Great. Thank you. [LR482]

SENATOR BRASCH: Are there any other questions? Senator Haar. [LR482]

SENATOR HAAR: Who in Nebraska right now deals with these kind of regulations, do you know? We can find this out for the floor discussion too. [LR482]

SENATOR CARLSON: I don't know. I would think the Department of Energy has some responsibility there, but I really don't know who makes those decisions and who would...so it's a good question and I should figure this out. [LR482]

SENATOR HAAR: Well, we can ask Laurie maybe to look into that. [LR482]

SENATOR CARLSON: Okay. [LR482]

SENATOR BRASCH: Any other questions from the committee? Seeing there are none, that concludes the hearing on LR482. Thank you. [LR482]

SENATOR CARLSON: Thank you for your patience today. And we'll move right into confirmation hearings. Mark Ondracek and Mike Thede, would you two please come forward and take the chairs here in front. Mark, we'll ask you to come forth first and get into the chair there, it's not wired, so you don't have that as a fear. [CONFIRMATION]

MARK ONDRACEK: All right. [CONFIRMATION]

SENATOR CARLSON: And we know that you're a reappointment. And so we just ask you to the...to tell a little bit about your experience and what you think that you add and what your strengths are and share with us anything you think would be helpful in this confirmation for reappointment. [CONFIRMATION]

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MARK ONDRACEK: (Exhibit 5) Okay. I think the Ethanol Board has a unique makeup of farmers, businesspeople, and myself--I represent labor, been a steamfitter for 37 years; financial secretary for 20 years; and now the business manager for a year and a half. So I believe I bring a unique perspective to the construction and the maintenance of the facilities. [CONFIRMATION]

SENATOR CARLSON: Okay. And I forgot this because I got around from the other side, so I'm going to have you do it now, state and spell your name. [CONFIRMATION]

MARK ONDRACEK: Okay. Mark Ondracek, it's M-a-r-k O-n-d-r-a-c-e-k. [CONFIRMATION]

SENATOR CARLSON: Okay, thank you. Any questions of the committee? Senator Smith. [CONFIRMATION]

SENATOR SMITH: Mr. Ondracek, thank you for your willingness to serve on the board. And I really appreciate the input and the value that you bring from the trade organizations and the perspective that that brings, so thanks for your willingness to serve. [CONFIRMATION]

MARK ONDRACEK: Thank you. [CONFIRMATION]

SENATOR CARLSON: Okay, thank you. Senator Haar. [CONFIRMATION]

SENATOR HAAR: Yes, Mark, thanks too for serving, because you probably don't get paid much more than we do. (Laughter) [CONFIRMATION]

MARK ONDRACEK: About the same, I'm guessing. [CONFIRMATION]

SENATOR HAAR: Like \$3 an hour or something. Recently there's been...and you may or may not know this information, but I'm curious; recently, there's been some talk in the newspapers about cutting the federal renewable fuel standard, the number of gallons of ethanol that has to be produced. Has that been talked about at the board or what effect that would have? [CONFIRMATION]

MARK ONDRACEK: Yeah, it's been an ongoing discussion. Of course, everybody is concerned that the dependence on gas and the less dependence that we're going to have because of ethanol, we're all very concerned that those are going to be reduced. So we're doing everything we can do to make sure that dependence gets less and less and ethanol is used more. [CONFIRMATION]

SENATOR HAAR: So might it have an effect if we in the Legislature sent a similar letter

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to the...resolution we just heard on coal, sending that kind of letter to our Congress to say that we need this renewable fuel standard? [CONFIRMATION]

MARK ONDRACEK: I certainly think it would help. [CONFIRMATION]

SENATOR HAAR: Okay. Okay. Once again, thanks. [CONFIRMATION]

MARK ONDRACEK: Thank you. [CONFIRMATION]

SENATOR CARLSON: Okay, thank you. Yes, Senator Brasch. [CONFIRMATION]

SENATOR BRASCH: Thank you, Mr. Chairman. And I wanted to say welcome and thank you for your willingness to be reappointed, Mr. Ondracek, is that correct? [CONFIRMATION]

MARK ONDRACEK: Yes. [CONFIRMATION]

SENATOR BRASCH: And I see that you are from Blair. [CONFIRMATION]

MARK ONDRACEK: Yes. [CONFIRMATION]

SENATOR BRASCH: Which is in District 16. [CONFIRMATION]

MARK ONDRACEK: Your district. [CONFIRMATION]

SENATOR BRASCH: Very good. I do want to thank you for your work and commitment and willingness to serve again. So, thank you. [CONFIRMATION]

MARK ONDRACEK: Thank you. [CONFIRMATION]

SENATOR CARLSON: Okay, thank you. Any other questions? Any parting comments? [CONFIRMATION]

MARK ONDRACEK: I think I've summed it up. [CONFIRMATION]

SENATOR CARLSON: All right, okay, all right, Mark. Thank you. [CONFIRMATION]

MARK ONDRACEK: Thank you. [CONFIRMATION]

SENATOR CARLSON: Do we have any proponents for Mr. Ondracek? Any opponents? Anyone in the neutral position? All right. I have to look here...Mike. And I'll have you say and spell your name right off the bat. [CONFIRMATION]

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MIKE THEDE: (Exhibit 6) Very good. I'm Mike Thede from Palmer, Nebraska, M-i-k-e T-h-e-d-e. [CONFIRMATION]

SENATOR CARLSON: And you can tell us a little about your experience on the Ethanol Board and anything else that you might want to share in the way of your responsibilities or what you would like to see happen. [CONFIRMATION]

MIKE THEDE: Okay. I've been on the Ethanol Board for two prior terms, so this will be my third term. I'm up for appointment for my third term. Been a very exciting time through the ethanol industry since I've been on the board. I farm. I'm the general agricultural representative to the board so we farm around Palmer, Nebraska. We have 7 out of the 24 ethanol plants in the state of Nebraska within 50 miles of our farming operation. So ethanol is a, you know, something that we deal with on a daily basis. So I think I bring to the board an understanding...or try to bring an understanding of how some of these ethanol plants affect general agriculture, whether it's from the cattle side or the corn growing side. [CONFIRMATION]

SENATOR CARLSON: Okay, thank you. Senator Johnson. [CONFIRMATION]

SENATOR JOHNSON: Thank you. Thanks for willing to serve again. Do you see any great movement in the cellulosic arena out there where able to use other products and what effect will that have on our corn volumes? [CONFIRMATION]

MIKE THEDE: The cellulosic production of ethanol, from my perspective, has been a lot slower than I think a lot of people thought it would be, or a lot of people actually hoped it would be. There is movement and there are some plants that are...have moved in the direction of producing ethanol from cellulose. But it hasn't been near as great as people have thought it would have been when they first...when this kind of first topic came up. As far as the effect on corn production, I don't know if it would have a lot in the state of Nebraska. Our system is so set up, in essence, as kind of like a three-legged stool with corn and beef and the distillers grains. So I don't know how much the cellulosic ethanol of effect will have here. There's not a lot of it going on yet. So I think it would take a lot of studies and stuff to see how that may affect corn production. [CONFIRMATION]

SENATOR JOHNSON: Thank you. [CONFIRMATION]

SENATOR CARLSON: Okay. Other questions? Senator Haar. [CONFIRMATION]

SENATOR HAAR: Yeah. Do you have an idea, what percent of our corn production does go into ethanol? [CONFIRMATION]

MIKE THEDE: It depends a little bit on the year, obviously. [CONFIRMATION]

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SENATOR HAAR: Okay. [CONFIRMATION]

MIKE THEDE: But somewhere around 750 million bushels of corn go into ethanol production right now in our plants. There are two plants that are not in operation as of right now. So that could go up if those came on line. And that's very general terms, about half of our corn production. [CONFIRMATION]

SENATOR HAAR: About half. [CONFIRMATION]

MIKE THEDE: I think last year we raised 1.6 or 1.7 billion bushels of corn in the state. So it would have been a little under half last year. [CONFIRMATION]

SENATOR HAAR: And again, the question...my question to Mark, do you see the ethanol industry in a good position or do you see it somewhat threatened by the cuts and...that are being talked about in Congress? [CONFIRMATION]

MIKE THEDE: Well, it certainly won't help. It can only...it can only, probably, be looked at as somewhat of a threat. Now where that all falls out, I'm not really for sure, but I think as a state we need to be on the leading edge of that as much as we can because, obviously, in the state with beef and corn production and the number of ethanol plants we have, it's a very, very big deal for our state, as far as our state's economy goes. So the things that have been talked about seem like, you know, they're very controversial, obviously, and so I think as a state we need to try to lead as a united body on that. And as you suggested, a letter from the Legislature, if that's so deemed necessary, sure could, probably, help that case. [CONFIRMATION]

SENATOR HAAR: Um-hum. Do you know where our congressional people are voting on this right now, or standing, have you heard that? [CONFIRMATION]

MIKE THEDE: As far as I know, they're all against the cuts. [CONFIRMATION]

SENATOR HAAR: Okay, well, that's good news. [CONFIRMATION]

SENATOR CARLSON: Okay, any other questions? You feed cattle? [CONFIRMATION]

MIKE THEDE: We do not feed cattle. We were in the...my father was in the beef cow/calf operation. I kind of ran more of the crop side of our operation. And my dad's getting close to retirement, so we've cut back a lot on our cow/calf herd. [CONFIRMATION]

SENATOR CARLSON: Well, you know people that do... [CONFIRMATION]

MIKE THEDE: Obviously, yes. [CONFIRMATION]

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SENATOR CARLSON: ...and feed the distillers grain? [CONFIRMATION]

MIKE THEDE: Yes. [CONFIRMATION]

SENATOR CARLSON: And their response to that is awfully good, isn't it?
[CONFIRMATION]

MIKE THEDE: Very good. I mean, study after study done by the university and every cattle feeder I've ever talked to like feeding distillers grain. It increases efficiencies and it's a wonderful feed. So, yeah, it's a good product. [CONFIRMATION]

SENATOR CARLSON: And the plants can charge what the market will bear for that distillers grain. It's gone up considerably, hasn't it, in the last several years?
[CONFIRMATION]

MIKE THEDE: Yeah. At the beginning...or I shouldn't say at the beginning, early on in the industry, as the industry got ramped up, I think that was being sold as a by-product for the most part and the plants learned pretty quickly that it was a very desirable feed and so they started charging accordingly to what it was. [CONFIRMATION]

SENATOR CARLSON: Okay. I'm going to ask one more question. Ethanol is less expensive to produce than gasoline. [CONFIRMATION]

MIKE THEDE: Yes. [CONFIRMATION]

SENATOR CARLSON: If you swallow it, you won't die; swallow gasoline, you probably will. I think it's been proven that it's not detrimental on an engine. So what's the opposition to ethanol? [CONFIRMATION]

MIKE THEDE: I think a lot of the opposition sometimes just comes from people that aren't educated real well on it and they sometimes believe some of the special interest groups that a lot of it is funded by the oil industry. They're threatened by it, to a certain extent. And that's where a lot of it, I believe, comes from. All the studies that have shown it's not detrimental to engines, you know, over and over and over we show that. The country...Brazilian economy pretty much runs on a hundred percent ethanol and they run the same engines there. So a lot of it comes down to people not being fully educated on it, I think. [CONFIRMATION]

SENATOR CARLSON: I think you're right. Education is a big factor, but it's amazing to me in our society with all the technology and everything that we have that we can have so many people believe a lie that ethanol is bad. So I think most of us around this table and on this committee believe that ethanol is good. Thank you for your testimony. Oh,

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Senator Haar. [CONFIRMATION]

SENATOR HAAR: I have been confused since for maybe two or three months on the whole issue of percent of alcohol in gasoline. There's one station I drive up to that says that there's ethanol in everything and so they have super unleaded and so on, but there's some gas stations still in this area that have unleaded and it says no ethanol at all. Are there any rules on that for Nebraska of how things have to be labeled? Because I think it's very confusing to the public right now. [CONFIRMATION]

MIKE THEDE: Yeah, I would agree with you. It's confusing to me sometimes, to be honest with you. I think the 10 percent...my understanding that the 10 percent label is...the gasoline that is pumped is within a range of around 10 percent. It doesn't have to be exactly 10 percent. And so that's part of the issue. I don't think...I think they can almost be up to 15 percent and still called 10. I don't think they can be over that. But I think they be up in that range and they can be, obviously, under 10 percent and still call it 10 percent. So, there was a large changeover within the petroleum industry on the gasoline that was being brought into the market and that, in the last few months, six months or so, has created a lot of change in the gasoline being offered at the pumps. And to be honest with you, I'm not really familiar with exactly what the details of all that were, but I know it's caused a lot of confusion in exactly what you're talking about, the pumps are labeled differently. [CONFIRMATION]

SENATOR HAAR: Um-hum. [CONFIRMATION]

MIKE THEDE: And the octane levels are all different. And it's probably something that we need to do a better job of...within the state of educating people on why that's happened. [CONFIRMATION]

SENATOR HAAR: Um-hum. And maybe I would just challenge the board, maybe, to come forward with some ideas for labeling so that it was clearer to the consumer and to me, you know, what we're getting, because I do use ethanol in my... [CONFIRMATION]

MIKE THEDE: Sure, I can appreciate that. [CONFIRMATION]

SENATOR CARLSON: Okay, any other questions? Well, thank you for your testimony. We kind of worked you over a little harder than we did Mark and that wasn't intended. [CONFIRMATION]

MIKE THEDE: (Laugh) That's fine. [CONFIRMATION]

MARK ONDRACEK: Mark has no knowledge of that. (Laughter) [CONFIRMATION]

SENATOR CARLSON: Okay. [CONFIRMATION]

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MIKE THEDE: Thank you. [CONFIRMATION]

SENATOR CARLSON: Thank you. Do we have anybody testifying as a proponent? Okay, welcome, Todd. State and spell your name. [CONFIRMATION]

TODD SNELLER: Thank you. My name is Todd, T-o-d-d, Sneller, S-n-e-l-l-e-r; currently serve as administrator of the Nebraska Ethanol Board. The administrator of the Ethanol Board serves at the pleasure of the members of the board. So I thought it would be prudent to, perhaps, register my support for these two appointments, primarily because these gentlemen are giving generously of their time. I've been lucky over a number of years to see some really talented individuals appointed to the board. Had the pleasure of serving with them. They each bring unique skills, background, qualifications, and these two gentlemen I'd like to support because they are giving generously of their time. They bring unique skills and perspectives and they really have done a great job of creating a dynamic and interesting board for me to work with professionally, but more important, bringing those skills to the effort of trying to make sure that we're working with the private sector and communities in the state to continue to foster ethanol development. And I appreciate their service and wanted to be on the record supporting their reappointments. It's always a real litmus test from my perspective that someone actually agreed to a reappointment because it means they're getting along well, but beyond that, that they found something, perhaps, satisfying in that public service that would compel them to agree to a second term. So again, my appreciation and I want to be on the record in support of these reappointments because they're both qualified and people that I personally and professionally have enjoyed serving with.
[CONFIRMATION]

SENATOR CARLSON: Okay. Thank you, Todd. Any questions? Senator Haar.
[CONFIRMATION]

SENATOR HAAR: Yeah. I'm sure you've talked with people in Washington. Is that correct, just to double-check, that our senators and Congress people are all in favor of maintaining the renewable fuel standard. [CONFIRMATION]

TODD SNELLER: That's the indication we've been given in a series of letters that have been sent recently. And if I may to your question about the registering of the Nebraska Legislature's position on the renewable fuel standard, it's an important standard. It's been a driver to allow us to build on the ethanol base that we have today. It's intended to be a public policy driver and a market driver to induce additional investment, not only in our existing facilities, but also in some of the new technologies in the area of advanced bio-fuel. So to the extent that you continue forward with that resolution and convey that to the Environmental Protection Agency before they make the decision, that would be very helpful, and again registering the support of this body, the Nebraska

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Legislature, for maintaining the course in terms of the federal policy. [CONFIRMATION]

SENATOR HAAR: We've got only a few days left. (Laugh) Thank goodness. So if you think that would be helpful, please work with my office and we'll get a letter together and ask people to sign it. [CONFIRMATION]

TODD SNELLER: My understanding, Senator, is you and some colleagues have sent one letter. I think... [CONFIRMATION]

SENATOR HAAR: And that was last year, I think, right? [CONFIRMATION]

TODD SNELLER: Okay, last session. I understand there's a resolution that a number of you have been working on... [CONFIRMATION]

SENATOR HAAR: Is there...okay, I didn't know that. [CONFIRMATION]

TODD SNELLER: ...that I think passed out of this committee or the Ag Committee? Out of the Ag Committee. [CONFIRMATION]

SENATOR HAAR: Okay, good. Well, I wasn't aware of that. [CONFIRMATION]

TODD SNELLER: And would be, hopefully, on the agenda at some point here before the end of the session. That would be very helpful. EPA initially had anticipated making an announcement or making a final decision sometime in April. I understand they pushed that back probably until May or June, so the timing of that would be important to weigh in, so I appreciate your support and efforts to get something like that conveyed to them because they are still accepting comments, particularly from public officials. [CONFIRMATION]

SENATOR HAAR: Okay. [CONFIRMATION]

SENATOR CARLSON: Okay, any other questions? Okay, thank you for your testimony. [CONFIRMATION]

TODD SNELLER: Thank you. [CONFIRMATION]

SENATOR CARLSON: Any other proponent? Any opponent? Or anyone testifying in a neutral position? And that will close the hearing then...confirmation hearing on Mark and Mike. And we will now go to the confirmation hearing for the Environmental Trust Board for Kevin Peterson. So, Kevin, state your name, spell it, and welcome to the committee. [CONFIRMATION]

KEVIN PETERSON: (Exhibit 7) Senator Carlson, members of the Natural Resources

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Committee, my name is Kevin Peterson, that's spelled K-e-v-i-n P-e-t-e-r-s-o-n. I'm a fifth-generation farmer from Osceola in Polk County. My wife and I custom grow hogs and raise row crops. And I'm honored to speak to you today regarding my appointment to the Nebraska Environmental Trust Board. In preparing for the hearing today, I read a few of the transcripts from past hearings on the subject and I have to admit after going through them I was even more humbled to have been chosen for this appointment. I read stories about watching bull elk fight it out in a valley in Yellowstone Park or living at the headwaters of the Dismal River where you can hear grouse and prairie chickens booming. I, unfortunately, can't claim to have had experiences like that. What I can talk about is how I see agriculture and conservation converge on a daily basis on our farm. From my office window at our hog farm, I've seen bald eagles fly by almost every day all winter. And just yesterday, as my six-year-old son rode with me while moving a tractor to a different field, he pointed out a crane standing near one of our stock ponds. And my three-year-old daughter requested almost daily last summer to go see the mother and six baby ducks they called an irrigation reuse pit near our house home. It's that sensibility that I hope to bring to the NET Board. Too often, it seems, that ag interests and conservation end up as adversaries. I believe we have a wonderful chance to see these two parties come together to preserve our state's natural beauty, while at the same time continuing to produce food for a growing world population. I greatly appreciate the opportunity to speak with you today and I would be happy to answer any questions that you may have. [CONFIRMATION]

SENATOR CARLSON: All right. Thank you, Kevin, for your testimony. Questions?
Senator Haar. [CONFIRMATION]

SENATOR HAAR: Well, you know, unfortunately there has been some friction. So I'm going to explore that with you, please. Now your application mentioned that you're involved with the Farm Bureau, right? [CONFIRMATION]

KEVIN PETERSON: That's correct. [CONFIRMATION]

SENATOR HAAR: Okay. And so I'd like to explore with you a couple of the Farm Bureau policies to see if you...where I've had some problems when they've come up and see if you agree or you differ. And one of those has been using NET funds for land acquisition for conservation easements or whatever, where finally that land is transferred to...well, the one that's been the big issues have been Fish and Wildlife...National Fish and Wildlife Service. So I'd kind of like to know what your position is on permanent conservation easements and using NET funds to purchase land, in particular when it goes to federal agencies. [CONFIRMATION]

KEVIN PETERSON: I guess I'm not...I can't say that I'm for or against one of those things, offhand, one way or the other. [CONFIRMATION]

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SENATOR HAAR: Um-hum. [CONFIRMATION]

KEVIN PETERSON: I think that each parcel of land should be judged on its own merits. I mean, I certainly would allow that there are pieces of land in the state of Nebraska that would do well to have a conservation easement put on it in perpetuity. But I guess from my own point of view, I would like to see more effort given to some conservation practices being funded, while at the same time leaving that land in production. I would rather see that. But I will allow that...and will freely admit that there are, perhaps, many pieces of land in the state of Nebraska that would benefit by having an easement on it. [CONFIRMATION]

SENATOR HAAR: Now the groups that have really come into play here, Nature Conservancy and Ducks Unlimited. [CONFIRMATION]

KEVIN PETERSON: Um-hum. [CONFIRMATION]

SENATOR HAAR: Sometimes is kind of four-letter words from certain people. So do you have any funds...any funds...do you have any funds...should NET funds go to those kinds of groups for conservation purposes? [CONFIRMATION]

KEVIN PETERSON: I think that..I think that whatever group applies for the funds, for the easement, I guess I wouldn't...I wouldn't vote yes or no on a funding request because it's from the Nature Conservancy or Ducks Unlimited. I like...I'm a new appointment, I don't necessarily know what has gone on with those specific groups and the NET in the past. I do have a close friend or two that have served and is serving on the NET Board and just...we've had some short conversations about some of the things that have gone on. But I can't speak in an educated manner about how those things play together. [CONFIRMATION]

SENATOR HAAR: Okay. Well, you know, last year Senator Larson had LB57 which required that property taxes be set up to be paid on any land being put into conservation easements of any type and that all that be done before a project could be approved. Do you...have you heard about that? Do you have any opinions on that? [CONFIRMATION]

KEVIN PETERSON: I have heard about that...that bill. I couldn't remember the bill number, I'm glad you reminded me of it. But I guess my own personal opinion on that would be...there are certain areas of the state that with all sorts of circumstances surrounding it when these easements are had and that removes them from the tax rolls or severely reduces what they can be taxed at, that creates a very large stress on the local government. And so, you know, I can see where that bill is coming from, but I can't...I don't know enough people in those areas to know exactly whether it was a good idea or a bad idea. I can say in my own experiences, in my local government I think we've had one conservation easement so far. I don't know if it was funded by the NET. I

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don't know what group purchased the easement from the landowner. But I do know that there was considerable talk among our county commissioners in Polk County as to what the long-term effects would be to having that go on. [CONFIRMATION]

SENATOR HAAR: My wife is from Polk, so I...(laugh). And I'm bringing these up because these have been really important issues to me in my five years. [CONFIRMATION]

KEVIN PETERSON: Sure. [CONFIRMATION]

SENATOR HAAR: Okay. At one point there was an attempt to take half of the NET funds and put it...and I forget how many years it was now, but to take half of that and put it aside, and I believe it was the Water Resource Cash Fund. How do you feel about taking a whole chunk of NET money and putting it somewhere else? [CONFIRMATION]

KEVIN PETERSON: I guess I would say that if the NET had a whole bunch of extra money sitting around, then that might be something that they might want to do. But I'm under the understanding that the funding requests outweigh the budget just about every year, if not every year. And so I guess from my point of view, I'd like to see the NET fund easements and fund small and large projects in partnership with groups and landowners or funding municipalities for improvements and things like that instead of just taking a large percentage of the dollars and putting it toward the Water Resources Fund. [CONFIRMATION]

SENATOR HAAR: Okay. We did agree that the certain part of that...a certain amount would go to water stuff, but it would have to go through the regular proposal process and not just be... [CONFIRMATION]

KEVIN PETERSON: I think that, you know, water...and I don't have to tell this committee, that water is probably the greatest natural resource that we have in the state of Nebraska. And I couldn't say for a second that I know better than you all do how important that is, because I certainly don't. But that's just one of those things that as we continue to look in the state about how water programs are funded, I think that everything should be on the table. It's that important. [CONFIRMATION]

SENATOR HAAR: Um-hum. We're still trying to convince Senator Carlson that water is important. (Laughter) But...and then finally, and this is something too that has gotten my interest over the last year in particular, that because of the issue we just...the LB57, the board at one point made a decision that they wouldn't take a position on any legislation and that the director, basically, couldn't lobby the Legislature on a position. Where do you...I'll just tell you right up front, I was against that position. I think we need input from the Environmental Trust Board on issues that come up before the Legislature. But I wonder whether you had any thought on that or had heard about it again.

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[CONFIRMATION]

KEVIN PETERSON: I had heard about it very briefly. I guess I would defer speaking about it because I just...I had heard a blurb about it, I can't say that I know very much about it. So, if you'll allow me, I'll defer on that question because I just don't know enough about it. [CONFIRMATION]

SENATOR HAAR: Okay, appreciate it. Well, thanks for that. And these are really important issues to me and I wanted to get your reaction to them. [CONFIRMATION]

KEVIN PETERSON: Thank you. [CONFIRMATION]

SENATOR CARLSON: Okay. Thank you. Senator Smith. [CONFIRMATION]

SENATOR SMITH: Thank you, Mr. Chair. And, Mr. Peterson, thanks for coming in and thanks for your willingness to be appointed to this organization. I think your answers to Senator Haar's questions have been very thoughtful and straightforward; and I, for one, I like a diversity of ideas and thoughts represented on an organization like this. So I think based on the information I saw on your application, you've been a part of many other organizations before. And as with any voluntary position, you have, sometimes, conflicts and differences of opinion... [CONFIRMATION]

KEVIN PETERSON: Sure. [CONFIRMATION]

SENATOR SMITH: ...and I'm certain you understand the value of working through those. Sometimes you have to compromise; sometimes you have to stand your ground, but you're there to represent the organization you've been appointed to. So, appreciate your willingness to step up and to serve Nebraska this way. [CONFIRMATION]

KEVIN PETERSON: Thank you. [CONFIRMATION]

SENATOR CARLSON: Thank you. Any other questions? Okay, seeing none, Kevin, thank you for your testimony. Do we have anybody as a proponent? State and spell and fire away, Steve. [CONFIRMATION]

STEVE NELSON: I think I didn't spell my name the first time, so hopefully it will catch up. My name is Steve Nelson, S-t-e-v-e N-e-l-s-o-n. As stated before, I'm the president of the Nebraska Farm Bureau and I'm here today on behalf of the organization, as well as on behalf of myself. And I want to tell you that it's a great honor for me to be here to support Kevin Peterson for this position. In nearly 20 years on the Nebraska Farm Bureau board of directors and in nearly 35 years serving on many other boards, I've had the opportunity to watch a lot of board members in action. I've observed that some are simply a cut above. And Kevin Peterson is certainly someone who fits that category; he

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is a cut above. In the six years that I've served with Kevin on the Nebraska Farm Bureau board of directors, I've observed him in many settings and many discussions on many issues. He is naturally perceptive. He's thoughtful. He's hardworking. He studies the issues and he works to find solutions. He's articulate in sharing his thoughts. And most of all, he is respectful to others. I think you saw that as Kevin talked to you a few minutes ago. Kevin is a landowner, farmer, producer, a cabin owner. He's adopted conservation practices on his land. He has a broad understanding of the issues. He's a family man; he's supported by his wife and family. All of these things will make Kevin Peterson an outstanding member of the Nebraska Environmental Trust Board. I would answer any questions that you have. [CONFIRMATION]

SENATOR CARLSON: Okay. All right. Thank you for your testimony. Any questions? Senator Haar. [CONFIRMATION]

SENATOR HAAR: Yes. And again, you know, if we don't ask questions here, then we don't get them answered. So in terms of diversity on the board, we, you know, we...and I haven't met Kevin before. I was impressed by his openness and his honesty and from...about what you said about him. How many of the NET Board members now are members of Farm Bureau? [CONFIRMATION]

STEVE NELSON: I don't know. [CONFIRMATION]

SENATOR HAAR: Okay. [CONFIRMATION]

STEVE NELSON: I hope everyone in Nebraska is a member of the Nebraska Farm Bureau. (Laughter) So I get to have a bias. I know that at least one other member is a member of Nebraska Farm Bureau. I can't... [CONFIRMATION]

SENATOR HAAR: Who is that? [CONFIRMATION]

STEVE NELSON: Sherry Vinton. [CONFIRMATION]

SENATOR HAAR: Okay. [CONFIRMATION]

STEVE NELSON: Can't answer the question beyond that. [CONFIRMATION]

SENATOR HAAR: Could you find that out for me? [CONFIRMATION]

STEVE NELSON: I could. [CONFIRMATION]

SENATOR HAAR: Okay, I'd appreciate it. That's it, thank you. [CONFIRMATION]

STEVE NELSON: Anything else? [CONFIRMATION]

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SENATOR CARLSON: Okay. Anyone else? Okay, thank you, Steve. [CONFIRMATION]

STEVE NELSON: Thank you, Senator. [CONFIRMATION]

SENATOR CARLSON: Anyone else as a proponent? Anyone as an opponent? All right. Come right forward. And you want to turn in your green sheet; is that completed? [CONFIRMATION]

ROB SCHUPBACH: Yep, oh yeah. Somebody take it. [CONFIRMATION]

SENATOR CARLSON: Okay, welcome. [CONFIRMATION]

ROB SCHUPBACH: (Exhibit 8) Thank you. My name is Rob Schupbach, R-o-b S-c-h-u-p-b-a-c-h. I live at 2304 South 24th Street in Lincoln. I've been a proponent of the Nebraska Environmental Trust ever since it was created under the former constitution. I voted for the changes in 2004 to put the Environmental Trust in the present form that it is. And I'd like to...and the reason I'm speaking today, I think there were many, many well-qualified applicants for this position. And I have some questions that have come up from Kevin Peterson's testimony and then I'll move to the applicant's applications that are in front of you. On Peterson's application he says: I've had the honor of serving on the Nebraska Farm Bureau board of directors from 2007 until this past December. I have a page from the Farm Bureau state policies book, the front part says 2014, the second part has the Farm Bureau policies as it pertains to the Nebraska Environmental Trust. I'll just read the first couple of paragraphs: Nebraska Environmental Trust, 2013, we're favoring restructuring of the Nebraska Environmental Trust, NET Board to better reflect the makeup of Nebraska's environmental resources and land base. Projects involving research to improve ground and surface water quality, water conservation, improvement of soil management, waste management and air quality should be top priorities for the Nebraska Environmental Trust. We believe that the grant ranking criteria should be reformed and agricultural interests should be involved in all that process. The only problem with that whole statement is the Nebraska Environmental Trust is also statutorily required to provide for habitat. And there have been...in recent years there have been some substantial conflicts in habitat creation that I'd like to read on to: NET funds should not be used for land acquisition or for the purchase of conservation easements unless such funds are allocated to a statutory political subdivision. Land or easements originally acquired using NET monies should not be sold, exchanged, or transferred to any federal agency or private not-for-profit entity. There are tremendous benefits that have accrued to Nebraska in creating wildlife habitat using Environmental Trust funds and the Rainwater Basin Joint Venture. There have also been...there's also been some controversy over that. But I have to believe, if this is coming from the 2014 policy book, and Mr. Peterson is claiming to have been on the board from 2007 until December of 2013, that's probably something he voted in

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favor of. And I object to his position...his appointment based on the incongruity that he pointed out...that he displayed in his testimony. There's a rule of law that says if there's a rule of conflict between the written word and the spoken word, the written word should prevail. Mr. Peterson gave some Teflon answers about easements and acquisitions, but what he put his pen to paper for to...when he was on the board of directors of Farm Bureau, goes in a completely different direction. So I doubt very much if we're getting a sincere answer from him. The other thing that I object to is in looking at the applications from the other applicants, I think there are other sharper knives in the drawer. If we go down to the first applicant, Mr. Dutton. Mr. Dutton has served on the board of trustees for the Nature Conservancy, Memorial Community Hospital, Blair, Nebraska; chairman of the Blair Family YMCA; past president and founding board member of Blair's downtown development association. If you go to his work experience, he's been a rural banker; he's made ag loans. [CONFIRMATION]

SENATOR CARLSON: Mr. Schupbach, I'm going to stop you here. Because you have the freedom to hand out this and you've gotten it. [CONFIRMATION]

ROB SCHUPBACH: Yes, I have. [CONFIRMATION]

SENATOR CARLSON: We each have a copy of this. And we can look at that. Now the responsibility of this committee is to confirm or not confirm the individual that's put before us. And of course the Governor has made this appointment. You have evidence here that you would like to be used to show that it should be someone else, and that's okay, we've got that. [CONFIRMATION]

ROB SCHUPBACH: Um-hum. [CONFIRMATION]

SENATOR CARLSON: And...but this is not the place, I don't believe, for us to be talking about other people. And you're in as an opponent to this confirmation. [CONFIRMATION]

ROB SCHUPBACH: That's correct. [CONFIRMATION]

SENATOR CARLSON: And you have a right to do that. [CONFIRMATION]

ROB SCHUPBACH: May I interrupt. I'm bringing this information forward because I was told by a legislative aide that there was a comment from a senator that said that this information was not available to the senators to make a decision. I made one phone call to Kathleen Dolezal and within an hour she e-mailed all of them to me. [CONFIRMATION]

SENATOR CARLSON: I'm going to say, it's doesn't really matter because we are reacting to appointments made by the Governor. [CONFIRMATION]

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ROB SCHUPBACH: Okay. I think the appointment should be reconsidered. I think there are more qualified people. I think Mr. Wolford who is the next person on the list has worked for the Farm Service Administration; he's also an ag lender. There are two other people who have been on rural school boards...or three. And there's a late applicant who is an environmental engineer. Obviously, he couldn't be considered because he was a late applicant. But I think there are much more qualified people for this position. They were simply passed over for political purposes. [CONFIRMATION]

SENATOR CARLSON: Well, that's your opinion and you have a right to your opinion. [CONFIRMATION]

ROB SCHUPBACH: I know. [CONFIRMATION]

SENATOR CARLSON: And you have a right to either express as a proponent for Mr. Peterson or as an opponent. [CONFIRMATION]

ROB SCHUPBACH: I would like to justify my opinion, may I do that? [CONFIRMATION]

SENATOR CARLSON: I think that you have done that. But I will give you a little bit more time to... [CONFIRMATION]

ROB SCHUPBACH: Okay, if we move to Mr. Wolford...if we move to Mr. Wolford. [CONFIRMATION]

SENATOR CARLSON: I don't want to go to another person. [CONFIRMATION]

ROB SCHUPBACH: Why not? [CONFIRMATION]

SENATOR CARLSON: Because that's not the...not the responsibility... [CONFIRMATION]

ROB SCHUPBACH: I think the issue is who is qualified and who isn't and who is the best qualified. [CONFIRMATION]

SENATOR CARLSON: Sir, I am the Chair of this committee and I'm telling you, that's not the responsibility of this committee. Our responsibility is to look and evaluate Mr. Peterson and make a confirmation or not make a confirmation. It appears to me that the information that you've given us is okay, and that's your prerogative. It really needs to go to the Governor. [CONFIRMATION]

ROB SCHUPBACH: I might. [CONFIRMATION]

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SENATOR CARLSON: And that's your prerogative. I think your freedom here today is to either speak in favor of Mr. Peterson or against him. We're not talking about other people today. That's not our purpose and I'm sorry if you don't agree with that. But I want your comments directed as to why Mr. Peterson should or should not be confirmed to the Environmental Trust Board, not someone else. [CONFIRMATION]

ROB SCHUPBACH: My comment is very blunt. Mr. Peterson's comments, when he was queried about his positions on the Farm Bureau policy, I believe is disingenuous when you look at the policy that was written when he was on the board of directors. [CONFIRMATION]

SENATOR CARLSON: Okay, and that's okay, you're clear on that. [CONFIRMATION]

ROB SCHUPBACH: And I think he's...I think he's...I think the application...I think the appointment is disingenuous because of that. [CONFIRMATION]

SENATOR CARLSON: Okay. All right. Thank you for your testimony. Questions for Mr. Schupbach? Seeing none, thank you. [CONFIRMATION]

ROB SCHUPBACH: Thank you. [CONFIRMATION]

SENATOR CARLSON: (Exhibit 9) Any other testifying as an opponent? Or anyone in a neutral position? And we do have a letter here that's in opposition to LR482 and I'm going to enter it into the record because Ken Winston wrote the letter and he thought the order of what we were doing today was opposite of what it is, so I will allow that letter to come into the record. And with that we conclude the confirmation hearing. [CONFIRMATION]

KEVIN PETERSON: Mr. Chairman, if I may, if it pleases the committee, and I'll come forward, I just would like to address one of the large, large accusations of the gentlemen... [CONFIRMATION]

SENATOR CARLSON: No, we can't do it, Kevin. [CONFIRMATION]

KEVIN PETERSON: Okay. [CONFIRMATION]

SENATOR CARLSON: We can't do it. I didn't let him go on and I can't let you go on either. [CONFIRMATION]

KEVIN PETERSON: That's fine. [CONFIRMATION]

SENATOR CARLSON: So with that we close the confirmation hearing. And we close our hearing. Thank you for your patience today. (See also Exhibit 10)

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[CONFIRMATION]