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Natural Resources Committee
February 05, 2015

[LB104 LB337 LB469]

The Committee on Natural Resources met at 1:30 p.m. on Thursday, February 5, 2015, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB104, LB337, and LB469. Senators present: Ken Schilz, Chairperson; Curt Friesen, Vice Chairperson; Dan Hughes; Jerry Johnson; Rick Kolowski; Brett Lindstrom; John McCollister; and David Schnoor. Senators absent: None.

SENATOR SCHILZ: Well, good afternoon everyone and welcome. We'll go ahead and get started now. Welcome to the Natural Resources Committee. I'm Senator Ken Schilz, Chairperson of the committee from Ogallala. I have committee members here with me today and I will give them each a chance to introduce themselves, starting to my left, Senator Kolowski.

SENATOR KOLOWSKI: Senator Rick Kolowski, District 31, southwest Omaha.

SENATOR McCOLLISTER: John McCollister, District 20, central Omaha.

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

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

SENATOR FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance, and part of Hall County. [LB104]

SENATOR JOHNSON: Jerry Johnson, District 23, Saunders, Butler, and Colfax Counties. [LB104]

SENATOR HUGHES: Dan Hughes, District 44, in alphabetical order today, Chase, Dundy, Frontier, Furnas, Gosper, Harlan, Hayes, Hitchcock, Perkins and Red Willow.

SENATOR SCHILZ: Thank you very much. Thank you to all the committee members. Also with us today we have Barb Koehlmoos, who is the committee clerk, and Laurie Lage, who is the legal counsel for the committee. And we have a page today, Jake Kawamoto from the University of Nebraska. He's a sophomore there studying political science. And today, we have three bills on the agenda, LB104, LB469, and LB337 that we will take up. And if you're planning on testifying, please pick up a green sheet at either corner of the room. That's our sign-in sheet that you need to fill out in its entirety. Please print. Make sure you're writing as legible as possible. And please also, if you do not wish to testify but would like your name entered into the official record as being present at the hearing, there's a form on the table that you can sign as well and that's also in the corners of the room. That will make it a part of the official record of the

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hearing. Obviously, fill the sign-in sheet, once again, before you testify. Print, and it's important to get it all done in its entirety as I said before. And then when you come up to testify, please give the sign-in sheet to the committee clerk and that will help us make a much more accurate public record. If you do not choose to testify, you may also submit comments in writing and have them read into the official record as well. If you have handouts, please make sure you have 12 copies for the pages to hand out to the committee. And if you don't, get with the page and we will try to accommodate you. And when you come up to testify, please speak clearly in the microphone. Tell us your name. Spell your first and last name even if it's an easy one. Please turn off or turn to silent all cell phones, pagers, or anything else that might make a noise. And please keep your conversations to a minimum or take them into the hallway if you need to. We don't allow any displays of support or opposition to any bills, either vocal or otherwise, and so we would appreciate you if you respect the other testifiers and give them an opportunity to let us know what they're...what to talk about. We do use the light system in the Natural Resources Committee. We give each testifier five minutes. The light will turn on first as green. You'll get four minutes under the green light, then it will turn yellow for a minute, and then at five minutes, the red light will come on and that indicates that we would really like you to sum up and finish your testimony so that others can get up here and give us theirs. So, with that, just to say, if I do stop you it's probably because you forgot to spell your name. So don't worry, it's nothing big...we'll just remind you once in a while. And so with that, we will move to our first bill, LB104, and Senator Krist, welcome to the Natural Resources Committee and it's all yours.

SENATOR KRIST: Thank you, Senator Schilz and members of the Natural Resources Committee. My name is Bob Krist, B-o-b K-r-i-s-t, and I represent the 10th Legislative District in northwest Omaha along with north central portions of Douglas County, which includes the city of Bennington. I appear before you today in introduction and support of LB104. This might be one of the simplest ones you hear all year, I hope. The purpose of this legislation is rather simple. It's to allow the utilities to give notice of disconnection by electronic mail if the customer has selected to receive billings or notification by electronic mail. So, it is a choice. In today's age of electronic billing, this change makes perfect sense to those individuals who are using and receiving notifications in their billing by e-mail, or they're paying their bills on-line, or have them automatically paid. Directly following me will be Juli Comstock with OPPD. She can provide additional details with legislation, but I want to tell you a quick story. They came to me with this as lobbyists do and said, hey, would you carry this bill? And as they told me more about it, I said, you couldn't have picked a more perfect person to do this. Many of you know we built a house. We lived in an apartment building while we were building the house, so at one point, I had three electrical hookups for my property. I had an apartment, I had a temp for the building, and then when the house was finished, it went permanent. So, I called up OPPD and said, I can cut off my temporary in my apartment. The short version of the story is, we're done. I get cut off completely. (Laughter) Now, I have enough money in my account so that things are paid automatically and I don't look at it

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every month. The second month I looked at this thing and said...as I saw this piece of mail that I hadn't seen the month before, my disconnect notice was in. So for three months it hadn't been coming out of my account because even though my power was coming in, my bill wasn't and it wasn't being taken out automatically. I contend that I look at my e-mail daily, as you all do. This is a good fix. It's a good fix for everybody. It's going to save postage and it's going to make sure that people who do business on-line are notified in a timely manner. With that, Chair, I would respectfully say, I can't stay around for closing. I'd rather stay here than go to Judiciary, but I have to go to Judiciary. (Laughter) [LB104]

SENATOR SCHILZ: Well, we appreciate the sentiment and thank you, Senator Krist. We will survive without you, I'm sure. Thank you very much. Any questions for...? Senator McCollister. [LB104]

SENATOR McCOLLISTER: We won't hold you here too long, Senator. Just to follow up on your story, they never cut you out of service. They never cut off your power, correct? [LB104]

SENATOR KRIST: No, correct. [LB104]

SENATOR McCOLLISTER: Okay. But if you had been just a regular customer and not paying your bill and you had given the utility permission to send electronic mail, I would prefer that before they cut you off that they perhaps use both forms of communication. I don't think that should relieve the utility of sending a written bill in the event of a turnoff notice. [LB104]

SENATOR KRIST: My comment would be...at least in our house, there's more attention paid to the e-mail than it is to the actual piece of mail that arrives. But I see your point and I think that Juli can probably address how that might be done in tandem. I would elect to have it done electronically, only some people may not be, so your point is well taken. [LB104]

SENATOR McCOLLISTER: I understand your situation, but there's a...every utility has a protocol procedure that they follow before they can turn somebody off. [LB104]

SENATOR KRIST: Correct. [LB104]

SENATOR McCOLLISTER: And, you know, it's...you know, I'm sure it includes a couple mailings, maybe even some phone calls. Electronic mail could certainly be added to the list, but it's...I understand there's a convenience factor and an expense factor that would benefit both the customer and the utility. [LB104]

SENATOR KRIST: The hardest part for me was paying four months at one time. That

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hurt. (Laughter) [LB104]

SENATOR McCOLLISTER: And exceeded your legislative salary? [LB104]

SENATOR KRIST: Exactly. Well, that didn't take much. (Laughter) Thank you, gentlemen and ladies. [LB104]

SENATOR SCHILZ: Any other questions? Seeing none, thank you, Senator Krist. [LB104]

SENATOR KRIST: Thank you, sir. [LB104]

SENATOR SCHILZ: Now, we will take proponents for LB104. Welcome to the Natural Resources Committee. [LB104]

JULI COMSTOCK: Thank you. [LB104]

SENATOR SCHILZ: You're welcome to go ahead whenever you like. [LB104]

JULI COMSTOCK: (Exhibit 1) Good afternoon, Chairman Schilz, members of the Natural Resources Committee. My name is Juli Comstock. J-u-l-i C-o-m-s-t-o-c-k and I'm the division manager of customer service operations at the Omaha Public Power District where I have the responsibility for meter reading, billing, collections, and customer service, as well as the technology that supports our interactions with our customers. I'm here today to testify in support of LB104. In the age of the smartphone as the consumers' primary mode of communication and managing finances, a growing number of consumers have come to rely upon and expect electronic notifications and correspondence from their service providers. Customers who have chosen to pay their monthly utility bills, have them delivered electronically, have also come to expect the utility to notify them electronically of a pending disconnect of electric service for nonpayment. Based on the current language of the state statute, Section 70-1605, utilities are currently required to provide the notice to discontinue service by first-class mail, or in person, seven business days prior to disconnection. OPPD continues to send the disconnect notice by first-class mail for all customers, even those that are on paperless billing, due to the statute. However, customers' reliance upon electronic communication may not process their mail in a timely manner which can result in the disconnection of electric service and the resulting reconnection fees. Customers are becoming more accustomed to being able to select what and how they communicate with their service providers. For example, if you do on-line banking, you likely have the option when you sign into your account to establish what types of alerts and notifications you want. Discover allows you to pick an amount that you want. If you see a charge on your bill, you could get a text to tell you that you have this charge and then you can take immediate action. You have the choice to say you want it by e-mail, by

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text, or by a phone message. Utilities are beginning to offer similar types of notifications and alerts. And as we continue to improve this technology we have available to help us communicate with our customers, it's important the statute be updated to allow notification options that reflect current customer expectations. So this is how it would work. The electronic notifications will result in the customer receiving the notification the day the disconnect notice is generated in our system, allowing them the full benefit of the seven business days that the state statute allows between the generation of the notice and the due date. The notification of the pending disconnect for nonpayment is intended to prompt the customer to pay or to contact us in order to make payment arrangements prior to the field action occurring on the service. In the event that the customer is unable to pay their disconnect notice amount, our customer service reps will be available to work with customers to extend their due dates or determine an acceptable payment arrangement to avoid the disconnection of their service. If they do not have the funds available, then we will continue to refer them to 211 which is our United Way process to find the available energy assistance funds. In summary, providing timely real-time notifications to consumers that opt to receive electronic notification increases the likelihood of payment to avoid the disconnection of service. Allowing the disconnect notice to be delivered electronically reduces print and mail costs for the utility while it increases customer satisfaction by providing the customer with more timely notification in the communications channel of their choice. [LB104]

SENATOR SCHILZ: Thank you. Any questions? Senator Johnson. [LB104]

SENATOR JOHNSON: Thank you, Senator. And thank you for coming in. I think it's a good move. Just a couple of questions. One is, what percentage of your customers now would automatically be under this electronic plan? [LB104]

JULI COMSTOCK: They would opt to do it, so right now, we have 10 percent of our customers on paperless bills. They choose to be on paperless bills, they would choose to get their disconnect notice electronically also. [LB104]

SENATOR JOHNSON: So there is...there will be a second process then for...to include this. Does this go out to everybody then in case somebody would decide now to go electronic on everything? [LB104]

JULI COMSTOCK: It would be an option that they're given either through our customer or call center reps, or if they sign on to their MyAccount on-line at OPPD.com, we'll have a preference setter where they establish how they want to be notified and if they want paper bills, electronic bills, or electronic or paper disconnect notices. [LB104]

SENATOR JOHNSON: Okay. Thank you. [LB104]

SENATOR SCHILZ: Thank you, Senator Johnson. Senator McCollister. [LB104]

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SENATOR McCOLLISTER: Thank you, Mr. Chairman. I think this is a good proposition. However, I don't think that if a customer elects to go electronic, that should relieve you of the obligation of also sending a first-class letter. So it's not either-or, it's both. If that's not in the bill, I think we need to make an amendment. Now, you send a...automatically send a first-class notice now, do you not? [LB104]

JULI COMSTOCK: We do. [LB104]

SENATOR McCOLLISTER: And that's a matter of protocol. [LB104]

JULI COMSTOCK: Correct, and we... [LB104]

SENATOR McCOLLISTER: And you may not send just one. How many months do you go before you cut somebody off? [LB104]

JULI COMSTOCK: It depends on the season of the year, obviously, higher bills. Can we have higher amounts that we're going after in the field, but typically we're not going out to the field unless it's over two or two hundred and fifty dollars. It all depends on the risk associated with the account. [LB104]

SENATOR McCOLLISTER: I would presume there's another protocol based on temperature. [LB104]

JULI COMSTOCK: True. [LB104]

SENATOR McCOLLISTER: That you don't cut off, what, below 20? [LB104]

JULI COMSTOCK: Yes, we're not cutting today. [LB104]

SENATOR McCOLLISTER: So, I would suggest that we modify the bill such that it doesn't relieve you of the obligation to send out a first-class bill before you cut somebody off. [LB104]

SENATOR SCHILZ: Thank you, Senator McCollister. Any other questions? Senator Schnoor. [LB104]

SENATOR SCHNOOR: Thanks, Juli. I would assume you have heard every excuse known to man about why their bill didn't get paid. [LB104]

JULI COMSTOCK: Our call center reps have. [LB104]

SENATOR SCHNOOR: What's that? [LB104]

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JULI COMSTOCK: Our call center reps have, I'm sure. [LB104]

SENATOR SCHNOOR: Okay. You would probably agree that some people say, well, I never got the letter, and whether that happened or not, you'll never know. But even if this is implemented, and I'm not disagreeing with it at all, even if this is implemented, it's not going to...it will help mitigate the problem, but the problem is still not going to go away. People...they'll come up with some kind of excuse. [LB104]

JULI COMSTOCK: They may, yes. [LB104]

SENATOR SCHNOOR: Okay. But...so, I would have to agree with Senator McCollister that...you know, also using first-class mail and this, you've given them...you've done everything that you can from your standpoint to make sure they're notified that you're going to shut the power off. So, would...you think that...would you agree with that or not? [LB104]

JULI COMSTOCK: Well, I think the challenge is the customers that have one electronic tend to ignore their bills. Most of their paper bills are...paper mailed today is marketing and gets set aside. [LB104]

SENATOR SCHNOOR: True. Yeah, there's no doubt. [LB104]

JULI COMSTOCK: So, I guess we can offer potentially maybe two ways of notifying them if they wanted to be notified by text and e-mail or, you know, maybe you offer two electronic modes. I think the nice thing about the electronic modes is that there's also the ability to tell if it was delivered. Telephone calls we can tell if it was left on an answering machine, that type of thing. So we do get some type of electronic indication back on the electronic... [LB104]

SENATOR SCHNOOR: Okay. Yeah, good point. [LB104]

JULI COMSTOCK: ...that you don't really have with the mail. [LB104]

SENATOR SCHNOOR: Okay. Thank you. [LB104]

SENATOR SCHILZ: Thank you, Senator Schnoor. Senator Hughes. [LB104]

SENATOR HUGHES: Thank you, Mr. Chairman. Juli, has OPPD developed any kind of protocol, if this would pass, that steps that you would...step by step that you would perform? [LB104]

JULI COMSTOCK: We are researching the options for a preference center that where

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the customer would go in and allow it. But the intention would be, they have the choice. They are prompted to sign up for whichever mechanism that they want, but it's always going to default to the traditional paper. [LB104]

SENATOR HUGHES: I guess my question was, if I was delinquent and you sent me an e-mail seven days prior to disconnect, is that the only e-mail I would see or would you send me an e-mail every day for seven days? [LB104]

JULI COMSTOCK: We would...what we want to do is do more notification so that as...today, if you get to two days before we're ready to go out in the field, we're typically sending a telephone message out. So they get the disconnect notice and then they would get a notification at the point we're ready to send it to the field. So it's hit the due date and we still haven't received the payment, then we would notify them again that it is available for disconnection on our field activities. [LB104]

SENATOR HUGHES: Thank you. [LB104]

SENATOR SCHILZ: Senator Friesen. [LB104]

SENATOR FRIESEN: So could you clarify the process that happens now? I mean, if somebody is delinquent in their bill, you send out a first-class letter, but in the end you have no indication whatsoever that they've opened that letter or received it. Is that correct? [LB104]

JULI COMSTOCK: Correct. So... [LB104]

SENATOR FRIESEN: So...go ahead. [LB104]

JULI COMSTOCK: Well, we send our disconnect notices typically go out with the paper bill once they haven't paid the bill by their due date. When it comes around for the next month's bill, it assesses it, how much it owes, and if it qualifies to get a disconnect notice. If it does, that disconnect notice prints and goes with the mailed bill. If they're on electronic payment or electronic billing so they've said they want paperless billing, it gets assessed in the same way at the same time that the electronic bill is generated, but we generate a printed disconnect notice for those customers and that's what they're getting in their mail from OPPD, they're not necessarily opening. So did that answer? [LB104]

SENATOR FRIESEN: So, it's not a registered letter to where they have to acknowledge receipt of it? [LB104]

JULI COMSTOCK: It is not. [LB104]

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SENATOR FRIESEN: So, down the road in using the electronic protocol, you could have a read-receipt type notification that they have seen the e-mail so you would actually have a notification that they've received it. [LB104]

JULI COMSTOCK: I would believe we would. We had for the low-income...those that were on energy assistance, there used to be verbiage that we had to send their disconnect notices by certified mail and we found that they weren't going to pick those up either. So that language got changed a few years back. [LB104]

SENATOR FRIESEN: So actually, you would say that the electronic delivery, you would be assured that that customer actually received it versus the first-class mail, there would be no way of knowing. [LB104]

JULI COMSTOCK: It's more likely that they're receiving it electronically. [LB104]

SENATOR FRIESEN: Okay. Thank you. [LB104]

SENATOR SCHILZ: Thank you, Senator Friesen. Senator McCollister. [LB104]

SENATOR McCOLLISTER: I would be grateful, thank you, Mr. Chairman, to see your protocol because I know you have one and I would venture to say that you hardly ever cut somebody off after the first month. That would be a rare occurrence, would it not? [LB104]

JULI COMSTOCK: It would. It would be a rare occurrence. There would be a risk factor associated with that customer that would prompt. [LB104]

SENATOR McCOLLISTER: Well, and when you reconnect somebody after you've disconnected for nonpayment, isn't there a fee associated with that that's fairly onerous? [LB104]

JULI COMSTOCK: Yes, they have to pay \$75 to get reconnected. [LB104]

SENATOR McCOLLISTER: Yeah, so that's why I'm anxious to say that electronic mail is great and it's another great form of communication, but, you know, it is such a painful thing for a customer to lose service and pay for resuming service that we should continue at least the first-class letters in addition to the other forms of communication. [LB104]

SENATOR SCHILZ: Thank you, Senator McCollister. Any other...Senator Hughes. [LB104]

SENATOR HUGHES: One last question. Thank you, Mr. Chairman. What percentage of

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your clients now are paperless and what are still going out paper do you have? [LB104]

JULI COMSTOCK: We have about 10 percent that are on our paper list. [LB104]

SENATOR HUGHES: Okay. [LB104]

JULI COMSTOCK: And the remainder would be getting a paper. [LB104]

SENATOR HUGHES: So any speculation in your group of how many of that 10 percent may be issued a disconnect notice within any given year? [LB104]

JULI COMSTOCK: Overall, we have about 20 percent of our customers that receive disconnect notices, at least one disconnect notice a year. So that would be about 2 percent that are electronic and potentially getting a disconnect notice, 2 percent of our total customers. [LB104]

SENATOR HUGHES: Okay. Thank you. [LB104]

SENATOR SCHILZ: Thank you, Senator Hughes. Any other questions? I've just got one little question for you. You said about 10 percent of the folks are getting the electronic notification or electronic billing now. What has been the trend of that over time? Do you see that growing here? [LB104]

JULI COMSTOCK: We do see it growing. We have about 70 percent of our customers now are paying us through some electronic means. And we just have not heavily marketed or pursued the paperless. So we really want to get customers to migrate to that. It's cheaper and it's more efficient and effective for everybody and more convenient. [LB104]

SENATOR SCHILZ: Sure. And then one follow up that you may or may not know the answer. Do you have any sort of speculation of how much, today, if this were possible, how much you would save in paper and stamps? [LB104]

JULI COMSTOCK: I want to say if a...it's millions, it's multimillion if we had all the people that were paying electronically on electronic bill statements as well. [LB104]

SENATOR SCHILZ: And that's as it stands today with that 10 percent. Okay. Great. Thank you very much. Any other questions? Seeing none, thank you for your testimony. Further proponents for LB104? Good afternoon. [LB104]

KRISTEN GOTTSCHALK: Good afternoon, Senator Schilz and members of the Natural Resources Committee. My name is Kristen Gottschalk, K-r-i-s-t-e-n G-o-t-t-s-c-h-a-l-k. I'm the government relations director and registered lobbyist for the Nebraska Rural

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Electric Association. I'm also testifying here today on behalf of the Nebraska Power Association, which represents all of the utilities in the state of Nebraska. It's approximately 167 utilities, public power districts, public power and irrigation districts, municipal systems, and joint agencies. So it's a broad spectrum. And I can't add much more in detail to my testimony from what the previous testifier provided, but we did want to be on record today in supporting LB104 and the ability to give our consumers notice in the format that they're most comfortable with. And that would be if they select to receive their bills and pay their bills on-line that we would also be able to provide any form of disconnect notice in that format as well. [LB104]

SENATOR SCHILZ: Great. Thank you, Ms. Gottschalk. Any questions? Senator Johnson. [LB104]

SENATOR JOHNSON: An IT question. If you send this disconnect notice out, what's the subject? Is it, important notice, might it be that, might it be disconnect notice, and this person says, oh, I'm not going to open that one up. (Laughter) [LB104]

KRISTEN GOTTSCHALK: Well, and that could be as well, Senator Johnson, because, you know, the current statute says that the notice has to have a conspicuous reference as to the content. So we would be required to put some kind of notice in the subject line, my understanding of the way it's drafted. [LB104]

SENATOR JOHNSON: Okay. [LB104]

SENATOR SCHILZ: Thank you, Senator Johnson. Any other questions for Ms. Gottschalk? Seeing none, thank you for your testimony. Further proponents for LB104? Good afternoon and welcome. [LB104]

RICK KUBAT: Good afternoon, Senator Schilz and members of the Natural Resources Committee. My name is Rick Kubat, R-i-c-k K-u-b-a-t, here on behalf of the Metropolitan Utilities District of Omaha in support of LB104. We're certainly appreciative of Senator Krist bringing this bill. Currently, MUD has approximately 230,000 monthly customer billings for natural gas and water services. Our postage fees are significant. We're not as high as OPPD in terms of how many folks receive notification by electronic means. Right now, we estimate it at about 3 percent or 6,000 folks getting their bills by electronic means. We believe that the cost savings of this measure over time could be significant for us and appreciate Senator Krist bringing this type of legislation. [LB104]

SENATOR SCHILZ: Thank you, Mr. Kubat. Any questions? Seeing none. [LB104]

RICK KUBAT: Thank you. [LB104]

SENATOR SCHILZ: (Exhibits 2 and 3) Thank you. Have a good day. Further

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proponents for LB104? Seeing...okay, we have a couple of letters today: Lynn Rex from the League of Municipalities and Pamela Bonrud from Northwestern Energy in support of LB104. Any other proponents? Seeing none. Any opponents for LB104? Opponents? Seeing none. Anybody in the neutral capacity? Seeing none. That will end our hearing on LB104 and we will move forward and invite, I believe it's Senator Smith, to the table for LB469. Senator Smith, welcome to the Natural Resources Committee, a place you know a little bit about. [LB104]

SENATOR SMITH: Yes, it's great to be back with you and I can see that the attractiveness of this committee has significantly improved since last year. (Laughter) [LB469]

SENATOR SCHILZ: Well, we won't ask what that means, but please open on your bill. Thank you. (Laughter) [LB469]

SENATOR SMITH: Well, I would sit right there where Senator Schnoor is so that's for one. [LB469]

SENATOR SCHNOOR: I'll take that as a compliment. [LB469]

SENATOR SMITH: There you go. Well, good afternoon, Senator Schilz and members of the Natural Resources Committee. For the record, I am Jim Smith, J-i-m S-m-i-t-h, and I represent the 14th Legislative District in Sarpy County and I am here today to introduce LB469. LB469 would require the Department of Environmental Quality to assess the effects of any state plan developed to regulate carbon dioxide emissions pursuant to federal emissions guidelines. For a little background, Senators, during the past couple of years, the Federal Environmental Protection Agency has been in the process of formulating regulations that would drastically reduce carbon dioxide emissions throughout the United States. The first set of regulations focused on new fossil-fired power plants and imposed standards so stringent that there is no economically feasible technology existing today to meet those standards. In effect, Senators, the rules assure that no new coal-based plants will be built in Nebraska or in the United States. The second set of standards focuses on existing power plants. Under the EPA regulations, states are required to submit a State Implementation Plan, a SIP, S-I-P, by June of next year with the ability to seek an extension until June of 2017. LB469 would direct the DEQ to prepare a report assessing how that state plan would impact the affordability and reliability of our public power as well as the state's economy. I want to say from the onset, I realize there will be amendments necessary to the green copy of this bill. I plan to work with this committee to prepare such amendments. For instance, in Section 2, we require the report to be prepared before the development of the state plan. The intention is not to put DEQ under the gun or tie its hands with respect to complying with a federal mandate. We in Nebraska have it much better than many other states in our cooperative efforts between our public power industry and the DEQ. The DEQ is in the

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beginning stages already of developing its plan and my intent is to have the assessment done in conjunction with the development of the state plan. I also realize some of the assessment categories may be a bit too broad, but I am committed to working with this committee to get the bill into its proper form. So why is this assessment important? Well, we heard early in the committee, or early in the legislative process this year, that transparency is the big issue this year. I don't oppose the goal of reducing the CO2 emissions. How could you oppose that and be a good citizen? However, it is imperative we know it is our right to know exactly how the one size fits all far-reaching approach by the EPA is taking impact and making an impact on our state and upon our citizens and our businesses. I'd like to share with you just a few statistics and I'll explain to you why these statistics are important. First of all, coal-based electricity provides a major economic benefit to Nebraska. Electricity generated from coal in our state supports nearly 11,000 jobs, and the coal-based electricity contributes over \$1.1 billion to our state's economy. Nebraska's economy is dependent on affordable energy. You probably know that Nebraska manufacturers, which are very energy intensive, collectively produce close to \$13 billion per year...or produce nearly \$13 billion per year in economic output. Manufacturing employment in Nebraska provides close to 97,000 jobs. And the top ten manufacturing sectors in Nebraska provide over \$10.5 billion per year in economic output. Finally, energy costs have a major impact on Nebraska's families, especially the low- and fixed-income families. Nebraska households with annual incomes below \$50,000, which is about 49 percent of the state's population, spend an average of 19 percent of their after-tax income on energy. The poorest households in Nebraska spend an average of 69 percent of their family incomes on energy before accounting for energy assistance. And in 2012, the household budgets for most senior citizens on a fixed income in Nebraska averaged just over \$36,000. These senior citizens spend at least 16 percent of their after-tax income on energy. So the purpose of these statistics, and of sharing these statistics, is to make it clear to you that coal serves a significant role in the affordability and the reliability of energy in our state, and of the power consumed by families and businesses. Seventy-two percent of Nebraska's electricity is generated using coal and that's as of 2013. Nationwide the coal industry has invested over \$110 billion to reduce emissions by 89 percent per kilowatt hour and our own public power system has made great strides in investing and developing other energy sources. But, colleagues, wind, natural gas, nuclear and solar are not yet to the point of providing the reliability and affordability that we have become accustomed to in our state, nor will we be there in the short amount of time the EPA is expecting the drastic reductions in CO2 emissions to take place. Last year the Legislature adopted LR482, that was the next to the last day of session if you may recall, those of you that were here, which asked the federal government to recognize each state's primacy in regulating its energy industry and to provide flexibility in developing a state plan that meets our unique energy resources and needs. LB469 is a continuation of last year's efforts. The assessment will prepare us for the impacts of implementation of the state plan, how it will impact the over 22,000 jobs directly related to our coal and well industries, how it will impact the \$1.4 billion in labor income, and the

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\$142 million in income, sales, and property taxes the two industries generate in our state, and how it will impact our families' utilities bills. The assessment will give us the information necessary to prepare for our future and to develop a responsible energy policy that fits Nebraska's needs. As I mentioned earlier, it is my desire to work closely with this committee on amendments to this bill, and that will end my testimony. I'm more than happy to take any questions you have. [LB469]

SENATOR SCHILZ: Thank you, Senator Smith. Any questions for Senator Smith? Senator Friesen. [LB469]

SENATOR FRIESEN: Thank you, Chairman Schilz. Senator Smith, when I looked through this and I saw the fiscal impact and saw the report, it's estimated it costs \$700,000, that caught me a little bit off guard because reading through there, I'm assuming that some of this data at least might already be collected somewhere and just needs to be aggregated into a report form. But do you feel the cost estimates are reasonable? [LB469]

SENATOR SMITH: Senator, I know that there may be some that follow me today in testimony that can perhaps explain the way they arrived at the fiscal note. I would like to listen to that testimony as well and I would like to be able to address that in my closing. I do believe we need the information provided, but it certainly is not the intent...my intent to burden our state with a \$700,000 fiscal note in order to make it a...make our citizens and businesses aware of what the overreach of the EPA is doing to our state. [LB469]

SENATOR FRIESEN: Okay. Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Friesen. Any other questions? Seeing none, Senator Smith, thank you. At this time, we will take proponents for LB469. Good afternoon and welcome. [LB469]

MARK OURADA: (Exhibit 1) Thank you, Mr. Chairman and members of the committee. My name is Mark Ourada, O-u-r-a-d-a, and I am the central region vice president for the American Coalition for Clean Coal Electricity and, of course, here today to support this legislation. Do somewhat want to center my remarks somewhat around the principle of why is this particular rule from EPA different and so important, and why as policymakers, as legislators, you should be concerned, you should be involved, and you should be taking part in this process. Because, let's be very clear, this is not just an environmental rule. This is the Environmental Protection Agency setting energy policy for the state of Nebraska through a mandated SIP and potentially a FIP or at least a partial FIP by the EPA. And so it is much more than what we have normally faced in the past. In fact, it's unprecedented in the history of the Clean Air Act in the 40 years since the passage. EPA under Section 111 has never promulgated rules that go, as we say, outside the fence line, or outside the physical parameters of a plant. And so, this is a

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very unique circumstance. As their stated goal, they want to reduce carbon emissions in this country by 30 percent by 2030 from the 2005 baseline. And so that's what they are attempting to do with this rule, and the final rule will be out later this summer. They will also be releasing the 111(b) or existing plant and modified plant rule this summer. And then the other interesting thing they're going to be doing that I don't believe they've done before is they're going to put out a, what we're terming, the model FIP. Or here is what a FIP would look like because, of course, all the states are asking, well, if we don't do this, or if we don't submit something that meets what EPA wants, what's the FIP going to look like? What is the EPA going to try to do to us, to our department, to our state? So we should get a very good idea by then of what that means. Next up, of course, is litigation. We all know, we all understand, this is going to be settled in the courts. And so, the litigation will follow very quickly once that final rule is proposed, however long it takes to get that drafted up. And I wanted to comment on that very briefly because you see a lot of lawsuits, a lot of times people challenge rules, especially EPA rules, and it isn't easy being successful. Well, in the ten years that I have been in this business now, I have never heard the attorneys talk so positively, or optimistically, about the opportunity, the clear overreach cited. And, in fact, the EPA was warned by the Supreme Court last summer in a case called UR v. EPA where they were dealing with the issue of what was called the Tailoring Rule, which is how the EPA has decided we're not going to go after everything at once, we can't, so we're going to go after plants. And in that ruling, the Supreme Court said EPA's interpretation is also unreasonable because it would bring about an enormous and transformative expansion in EPA's regulatory authority without clear congressional authorization. When an agency claims to discover in a long-extent statute an unheralded power to regulate a significant portion of the American economy, its announcement...we typically meet its announcement with a measure of skepticism. We expect Congress to speak clearly if it wishes to assign an agency, decisions of vast economic and political significance. And this is a bit unusual by the Supreme Court, but they clearly warned the EPA about overreach. And once again, we're seeing...and we don't have time to go into all the legal reasons, but clearing I think in many people's mind there was a great deal of overreach when the EPA is coming in and saying in Nebraska and other states, you will use this much gas, you will use this much...increase your renewables by this amount. You will decrease your coal use by a certain amount. That has never happened before since the Power Act was established in this country many, many, many decades ago. So, very unique circumstances. And that's why I say, as policymakers, this is not a normal SIP. This is not a normal process. This is why you need to be involved. The DEQ expressed their concerns about this. We've handed out a study that ACE commissioned. It shows a 15 percent annual average increase for Nebraska under the proposed rule. And that's why the study, we think, is important because it will be based on what Nebraska feels they actually have to do and not just a national rule. Lots of states are fighting back. A number of states have passed legislation, last year a resolution here. Resolutions in other states. Twenty-six states in their comments to the EPA said that they should withdraw it. Twenty-seven states said that EPA does not have the authority to regulate

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outside the fence line. So there are a lot of states that are concerned about this proposal by the EPA and a lot of states that are pushing back. And it isn't just the power industry that's involved in this. About a year or so ago, the Partnership for a Better Energy Future was formed, and you have national organizations, you have state organizations. I was going to list a couple just to be illustrative of that. National Home Builders is a member. The Oilseed Processors, the California Cotton Growers, the list goes on and on. So this will be far-reaching in the economy. And the other thing as policymakers, I think it's important for you to keep in mind the Clear Air Act regulates over 70 source categories. So electric generating units are just one source categories. And so once they're done with EGUs, they will have to by law, then, move on to other source categories. So there will be dozens more source categories that will be brought under this rule. Our initial financial assessment is conservative, we believe for a number of reasons at \$41 billion a year. The last rule that the EPA put out, the Mercury MATS Rule was \$10 billion a year and that was the most expensive ever. And we are only talking about EGUs at this point, so there's much more to come. And, Mr. Chairman, I see my time is up, so thank you. [LB469]

SENATOR SCHILZ: Thank you, sir. Any questions? Senator Kolowski. [LB469]

SENATOR KOLOWSKI: Thank you, sir. Mark, when you served in the Senate in Minnesota, is that correct, we talked about it? [LB469]

MARK OURADA: Senator, yes, that's correct. [LB469]

SENATOR KOLOWSKI: And were you on the National Resources Committee up there? [LB469]

MARK OURADA: Mr. Chairman, Senator Kolowski, I was on the regulated industries. It had different names at different times, but, yes. [LB469]

SENATOR KOLOWSKI: Did you find Minnesota's laws to be much more severe than most of the states around because of their past history of working in different things like this? [LB469]

MARK OURADA: Mr. Chairman, Senator, I don't know how much I want to delve into that, necessarily, but certainly Minnesota has been very aggressive. I guess some people use the word "progressive," and so regulatory issues and costs for those, complexity of those have become a much, much bigger issue. And even under this governor, Governor Dayton as a Democrat, he has said he wants to try to find a way to make those a little bit more palatable, so. [LB469]

SENATOR KOLOWSKI: Thank you. The efforts that we've made to clean up the coal production, the use of coal and all the rest, in your name the Coalition for Clean Coal, is

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that what it was? [LB469]

MARK OURADA: Correct. [LB469]

SENATOR KOLOWSKI: What it is exactly? That is a difference on sulfur content or as far as what you sell, is there any difference in that as far as the product that you move to the public? [LB469]

MARK OURADA: Well, Mr. Chairman and Senator Kolowski, since we are an association, our members are the coal companies, the railroads, the electric utilities and so we advocate for coal-based generation. And when we talk about clean coal, we're talking about there's not one...you know, here is what makes it clean. It is a sweep of technologies that have been employed over the years since the advent of the Clean Air Act to clean up emissions of criteria pollutants under the Clean Air Act for coal plants. And so, SOx and NOx and other things. Some people like to categorize carbon dioxide as a pollutant as well but it is rather necessary for life on this planet. And so I would say because number one, those traditional sources tend to be more local than regional in nature, you can put a scrubber on the plant to take care of sulfur dioxide emissions. Sulfur dioxide and some of those other things don't, generally speaking, kind of go up into the atmosphere as CO2 does. And that's one of the reasons the Clean Air Act is...you know, it was never envisioned to regulate something like CO2 that obviously has global implications. And so, I think, number one, it makes some sense to separate criteria pollutants under the NAC standards versus CO2. [LB469]

SENATOR KOLOWSKI: But it has no difference as far as sulfur content of West Virginia coal versus Wyoming coal or wherever else you might be getting it? [LB469]

MARK OURADA: Mr. Chairman, Senator Kolowski, it is...obviously, the different types of coal require different types of technologies and so if you're going to...if you're going to clean up specifically, say, sulfur dioxide emissions, certain technologies, altitudes, various things come into play. And so, I'm not an expert on the various technologies. I think Senator Smith alluded to it. Since the inception of the Clean Air Act, the emissions of those criteria pollutants per hour have been reduced about 89 or 90 percent, and they are continuing to go down. So it is really actually quite a phenomenal success story. [LB469]

SENATOR KOLOWSKI: Thank you for your work on the environment. Thank you. [LB469]

MARK OURADA: Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Kolowski. Senator Schnoor. [LB469]

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SENATOR SCHNOOR: Thanks, Mark. You talked about federal overreach with the EPA and you're here testifying as a proponent. Do you think...how do you feel this is going to help us, in your opinion? [LB469]

MARK OURADA: Thank you. Mr. Chairman, Senator Schnoor. Number one, I think it provides information. As I've said, this is a unprecedented action being proposed by the EPA. And so for the state to have more specific numbers on what it really means to not only the cost, but the potential reliability issues, is important. American Electric Power out of Ohio, one of the larger utilities in the country, during, what we now term the Polar Vortex, and for those of us who live where we do, it's just a darn cold winter. (Laughter) They had 85-plus percent of their coal generation running, generation that's...I should say, 85 percent of that generation that's scheduled to retire by 2020 under this plan, 85 percent of that was running to meet the demand. And in five years, that generation will no longer exist. And so there's great concern by the Southwest Power Pool that we not only will be losing our reserve margins, but we will be eating into the amount of power we need, especially at peak times. And so, I think it's important for policymakers to know what those potential effects are and to know what the costs are and then what are we getting for that and be involved in the discussion. Because once again, Senator Kolowski's comments, this is not just your DEQ sending in a SIP saying, we want to put a bag house to control particulate matter on the Gerald Gentleman Station. You know, that's a very specific action for a specific purpose. This is much far reaching and that's why I think it's that important to be involved. [LB469]

SENATOR SCHNOOR: Okay. And then also my last question, in kind of response to Senator Friesen's comments about the \$700,000, in your wide range of experience with all of this, is that a...oh, how do I want to say it. Can that be done for less than that or do you think that's a pretty fair estimate of what this is going to cost? [LB469]

MARK OURADA: Mr. Chairman and Senator Schnoor, we think that is a incredibly large number for what needs to be accomplished. So I haven't talked directly with the department, so I don't know the rationale and the assumptions they made to come up with that number. In our experience, and we do a lot of this, and I've spoken with a modeling company very recently and the numbers I am given are \$50,000, potentially as much as maybe one hundred if you really want to get into a lot. And so we think that that's a much more realistic number. And so, we're pledging to work with the department to find out, you know, how we get there. But in our experience, that's the kind of number we'd be looking at. [LB469]

SENATOR SCHNOOR: Okay. Thank you, sir. [LB469]

SENATOR SCHILZ: Thank you, Senator Schnoor. Senator Johnson. [LB469]

SENATOR JOHNSON: A little bit of follow-up on Senator Schnoor's comment and to

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Senator Friesen that goes back to the fiscal note. Just a little bit of background. A couple of years ago a bill was introduced, LB637, dealing with the DEQ and clean air and making sure that they did not set the rules and regulations stiffer than what the federal was. And the response I got--it was not my bill but I was working on it--said, well, we don't have any staff that has the ability to do that. We'd have to go out to...it had a huge fiscal note. I'm not sure why this one is so high. I don't know if that's a factor or not. The second...that's just my comment and my concern. The second part is, do you think we would get an unbiased opinion from the DEQ...a report? [LB469]

MARK OURADA: Mr. Chairman, Senator Johnson, I'm going to defer to people closer in Nebraska to maybe answer that question. [LB469]

SENATOR JOHNSON: Okay. [LB469]

MARK OURADA: I'm going to duck that question to be honest about it. I don't have any reason to expect that you wouldn't. You know, I know...you know, I cover a number of states and so I deal with DEQ departments, or whatever they may be called, in at least a dozen states and, you know, good people that have tough circumstances trying to do a good job. They're caught...I mean, admittedly, the departments in the states are caught in a tough position because they need to implement things, they need to obey the federal laws and regs and do things to, you know, help clean up the air and water and all the things that they do. They want to stick up for states' rights and do the things the way you'd like to have them happen, but at the same time, I know there's always concern that, you know, if you push too hard on a federal agency, there might be decisions made that, you know, to your state that otherwise may not. Let's try to put it delicately. And so, I'm expecting they're trying to do the best job they have and maybe they don't have the experience with this that potentially that we have, and hopefully we can have that discussion and figure out what the real, you know, what a solution is, but. [LB469]

SENATOR JOHNSON: Thank you. I understand your situation. Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Johnson. Any other? Senator Hughes. [LB469]

SENATOR HUGHES: Thank you, Mr. Chairman and Mark, thanks for coming in today. How many states that you work with are undertaking a study like this at the current time? Do you have a number? [LB469]

MARK OURADA: Thank you, Mr. Chairman and Senator Hughes. I'm not sure of a specific number. I know that ACCCE along with others are working on this project in 25 states across the country. And so, myself personally, we have legislation that just went in in South Dakota, in Arizona that's going in, and I know that a number of other states are looking at it. I haven't heard reports at least as of this week that says it's in and then,

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of course, there are other states around the country, so. I could follow up. At this point, I can't give you an exact number, but. [LB469]

SENATOR HUGHES: But there are multiple states looking at doing this very same thing? [LB469]

MARK OURADA: Absolutely, Senator. I...I mean, well over...I'm sure, well over ten at this point and I think that number will grow before we get to the end of the sessions this year. [LB469]

SENATOR HUGHES: Okay. Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Hughes. Any other questions for Mark? Seeing none, thank you for your testimony. [LB469]

MARK OURADA: Thank you, Mr. Chairman. [LB469]

SENATOR SCHILZ: Very much appreciate it. Further proponents? Good afternoon, Ms. Kolterman. [LB469]

JESSICA KOLTERMAN: Good afternoon. Senator Schilz, members of the Natural Resources Committee, for the record, my name is Jessica Kolterman, J-e-s-s-i-c-a K-o-l-t-e-r-m-a-n. I serve as the director of state governmental relations for Nebraska Farm Bureau Federation. I come before you today on their behalf. As you know, Nebraska Farm Bureau has a longstanding interest in energy issues as our members depend on power in many ways relating to the production of agriculture. We took interest in this legislation because at the core we believe it is looking at something that is important to our members and that's the increasing involvement of the federal government in the day-to-day business of farming and ranching. Under this legislation, the Department of Environmental Quality would be required to assess any impact a state plan to regulate carbon dioxide emissions would have on our state and provide a period for comment on the impact. Because Nebraska Farm Bureau does not support any action or policy that federal agencies could adopt or utilization of any existing authority to regulate greenhouse gas emissions, this would provide an opportunity for agriculture to weigh in on such proposals, citing the impact that it would have on Nebraska's economy and our agriculture production. Farm Bureau does not support the current actions of the EPA to regulate greenhouse gas from a new or existing power plant particularly regulations based upon unproven technologies or science as it causes increased costs to produce food, fuel, fiber and feed without measurably addressing the issue of climate change. We recognize Nebraska has a benefit of public power and we have appreciated the reliability and the affordability of that product, and therefore would oppose any overreach by the federal government to mandate policies that would increase the cost of electricity in Nebraska. It is our hope that if adopted, this proposal

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will give the state an opportunity to pause and look at the ramifications of such actions and assess before moving forward. Thank you to the committee for your time. Be happy to answer any questions. [LB469]

SENATOR SCHILZ: Thank you, Ms. Kolterman. Any questions for Ms. Kolterman? Seeing none, thank you for your testimony today. [LB469]

JESSICA KOLTERMAN: Thank you. [LB469]

SENATOR SCHILZ: Further proponents? Good afternoon and welcome. [LB469]

BOB BORGESON: Thank you. My name is Bob Borgeson. B-o-b B-o-r-g-e-s-o-n. I'm the state legislative director for the SMART Transportation Division. That's the sheet metal, air, rail, and transportation. We're a union that represents railroad workers. It's a...I'm not here to discuss the science of...I don't know the science as well as others that have preceded me. We do know that we have...Senator Smith said that there is approximately 22,000 rail in place in Nebraska. We represent over 10 percent of them. It's coal...as we learned from last year's legislative resolution, Nebraska is a coal state. We burn a lot of coal, but we also are the pathway for a lot of coal. It's a...we're a major thoroughfare for coal out of the Powder River Basin so it's a big deal to us. We have major employment in Morrill, Scottsbluff, Alliance, North Platte, McCook, Lincoln, Nebraska. In Lincoln and Omaha, it's a big deal. There's a lot of...we have a lot of members in the state of Nebraska and we'd like...when we saw the study, we thought what could be wrong with trying to get more information. We think that's a positive thing, so. We would urge the committee to support it and I'd answer any questions that I might. [LB469]

SENATOR SCHILZ: Thank you, Mr. Borgeson. Any questions? Sir, just one for you, and I don't know if anybody's done this or not, if you're privy to any of this information, but have any of the railroads or your groups done any...you know, looking to see what kind of impact this would have as far as...if all the regulations go into place and everything does, how much would that impact the railroads here in Nebraska moving forward? [LB469]

BOB BORGESON: I don't think that's been done. I know that there was a testifier from the University of Nebraska at last year's hearing and that gentleman had a great deal of information. I'd have to review what he said. He might have done some such...at least touched on that topic, Senator. [LB469]

SENATOR SCHILZ: Sure, but part of what...but that would be something that would be surely and most definitely included in a report like this. [LB469]

BOB BORGESON: Yes, right. [LB469]

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SENATOR SCHILZ: Thank you very much. Any other questions? Seeing none, thank you for your testimony. Appreciate it. [LB469]

BOB BORGESON: Thank you. [LB469]

SENATOR SCHILZ: Any other proponents? Good afternoon and welcome. [LB469]

PAT PTACEK: (Exhibit 2) Chairman Schilz, members of the Natural Resources Committee, my name is Pat Ptacek, that's P-a-t P-t-a-c-e-k, associate lobbyist for the Nebraska Association of Ethanol Producers, and I appreciate the opportunity and compliment Senator Smith on the introduction of this bill. I think it's looking forward. We need to understand the ramifications and the impact it's going to have, not only on our electrical sector in the state of Nebraska, but industries so dependent upon electricity, such as our industry with the 24 plants operating in Nebraska that generate renewable energy using coal. While we'd like to make more renewable energy with renewable energy, we're not to that bridge yet. Obviously, the EPA moving ahead on this unilateral move is something that we're very concerned with. Senator Johnson mentioned LB637, which we worked on together a couple of years ago and I know that some agencies, there's a death by fiscal impact. I think that the fiscal impact on this statement is quite a bit and I think that under the intent of the legislation that we introduced two years ago, that was to reach out to the stakeholders that were going to be generally affected by rules and regulations that were more stringent than EPA were proposing, and to collect that information from the stakeholders directly. And I think that information is out there. And if you can find the staff people available in those agencies, you just ask the questions and you connect the dots. And I think that this is an excellent piece of legislation and we would be in favor of it. I'm open to any questions you might have. [LB469]

SENATOR SCHILZ: Thank you, Mr. Ptacek. Any questions? Seeing none, thank you for your testimony today. [LB469]

PAT PTACEK: Thank you. [LB469]

SENATOR SCHILZ: Further proponents? Good afternoon. [LB469]

MATT LITT: Good afternoon. Chairman Schilz and members of the National Resources Committee, my name is Matt Litt, M-a-t-t L-i-t-t, and I'm the Nebraska director of Americans for Prosperity. On behalf of our organization, our more than 40,000 members across the state, I urge your support for LB469. Our activists are overwhelmingly concerned about the impact of new EPA rules and the effect it will have on their energy costs and jobs in our state which is why I'm here testifying today. These rules in Nebraska have a target of cutting emissions by 26 percent and complying with these

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rules will have a huge impact on jobs and energy costs in our state. The new rule will cause electricity bills in Nebraska to rise by an average of 12 percent every year between 2017 and 2031 according to a recent research piece by the NERA economic consulting. And since everything we buy requires electricity to reach the store shelf, we'll end up paying for these increases a second time when we purchase groceries, clothes, and everything else. This rule will also have a big impact on job creation, particularly manufacturers. Industrial electricity rates are expected to jump 30 percent by 2020 compared to 2012, making it more difficult for Nebraska businesses to compete with overseas competitors who do not have to comply with such erroneous rules...excuse me. Our organization supports the policies that promote Nebraskans' access to affordable and reliable energy solutions, which is why we support this particular piece of legislation. While we believe this legislation is a strong first step, we would also encourage state legislature, legislators...excuse me, to go even further in seeking ways to stand up for energy consumers in Nebraska. Another meaningful way to do this is to require the body to hold a vote on the state implementation plan. State lawmakers who have been entrusted to protect the interest of their state and their constituents need to have the last say on any implementation plan to comply with the Obama administration's regulations. State legislatures should have the ability to reject any state plan that adversely impacts the affordability and reliability of energy for their constituents. Further recommend that legislators support efforts to oppose submitting the implementation plan while legal questions are ongoing. Twelve states have already filed suit against the federal government claiming that the rules....and claiming that the rules violate the U.S. Constitution of federal law and legal scholars across the political spectrum have agreed with their claim. We shouldn't waste taxpayer resources on complying with the regulation that the federal courts will likely overturn. We encourage you and include this legal provision moving forward if you see fit. Thank you for the opportunity to testify and I encourage the members of this committee and your colleagues in the Legislature to stand up for energy consumers in Nebraska by supporting this bill. Thank you for your work on the issue and I'll take any questions. [LB469]

SENATOR SCHILZ: Thank you, sir. Any questions? Senator Kolowski. [LB469]

SENATOR KOLOWSKI: Mr. Litt, thank you for your testimony today. I was kind of surprised by the number of years you were talking about power increases will be taking place and the cost of power be going up all those years on an equal basis. As a public power state, do you think those are accurate? What was the records for that that you mentioned also? It had three or four letters to it. [LB469]

MATT LITT: Yeah, the NERA, the full...the acronym escapes me at the moment and I would have to go back and dig through that report as well and I would love to follow up with you, if I could. [LB469]

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SENATOR KOLOWSKI: If you could send that to my office, I'd appreciate it. [LB469]

MATT LITT: Sure. Okay. Thank you. [LB469]

SENATOR KOLOWSKI: Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Kolowski. Any other questions? Seeing none, thank you for your testimony. [LB469]

MATT LITT: Thank you. [LB469]

SENATOR SCHILZ: Other proponents? Mr. Levy, good afternoon and welcome. [LB469]

DAVID LEVY: (Exhibit 3) Good afternoon, Chairman Schilz and members of the Natural Resources Committee. David Levy, D-a-v-i-d L-e-v-y, registered lobbyist for Sandhills Wind Energy. You have a letter coming to you from Sandhills Wind Energy and I would like to read that letter into the record and then I would be happy to answer any questions that you might have, and I promise you, it's a short letter. Again, on behalf of Sandhills Wind Energy. Sandhills Wind Energy is a four-year old, Nebraska-based company focusing on renewable energy development in Nebraska, primarily in Cherry County. Sandhills Wind Energy supports LB469 because it views this type of research and analysis as beneficial to the renewable energy industry, and the electric industry generally in Nebraska. Access to open and transparent information will only help the process of determining how to proceed with carbon reduction in Nebraska. To obtain the greatest benefit from the proposed report, Sandhills Wind Energy believes the report should start from an open-minded point of view, which acknowledges and incorporates the ideas that carbon reduction need not necessarily result in substantial increases in electric rates or reductions in reliability, given the increasing capacity of renewable resources, particularly across the entire Southwest Power Pool region. Increasing renewable generation in Nebraska is a means of accommodating carbon reduction while creating opportunities for economic development and property tax relief. Thank you for considering these comments and I'd be happy to take any questions. [LB469]

SENATOR SCHILZ: Thank you, Mr. Levy. Any questions for Mr. Levy? Seeing none, thank you for your testimony. Appreciate it. [LB469]

DAVID LEVY: Yes. Thank you. [LB469]

SENATOR SCHILZ: Any further proponents...proponents for LB469? Seeing none, are there any opponents for LB469? Mr. Winston, welcome this afternoon. [LB469]

KEN WINSTON: (Exhibits 4 and 5) Good afternoon, Chairman Schilz and members of

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the Natural Resources Committee. I'm going to...oh, my name is Ken Winston, K-e-n W-i-n-s-t-o-n, and I'm appearing on behalf of the Nebraska Sierra Club in opposition to LB469. I'm going to begin by basically just echoing what Mr. Levy just said and there's a letter that's being handed out. And I won't try to read that entire letter because I don't think I have time to read it. But basically we're concerned that the idea of the bill is that it views...attempts to reduce carbon emissions in a negative light and that this is inaccurate based upon information that is currently being developed, including things that a couple of our public power districts are doing in the state of Nebraska at the present time. First of all, there's an implication that it will have...that attempts to reduce greenhouse gas emissions will have a negative impact on rates and like to talk about Omaha Public Power District's plan which will reduce greenhouse gas emissions by approximately 50 percent. And it's also...it was also the lowest cost plan of several that they reviewed including the plans to try to retrofit their coal plant. And the projected rate increase is zero to 2 percent, which is very low cost. Then similarly just last month the Lincoln Electric System announced a new energy plan where they're going to be getting 48 percent of their energy from renewable sources, primarily from wind, although they're also going to have a 5 megawatt solar plan and this plan, they're estimating that this will save their ratepayers \$400 million over the next 20 years. And so, there's a couple of leading examples right here in the state of Nebraska. And in terms of rate impacts, the rate...the yellow chart that I passed out, most of the rate impacts, and I'm sure that we've all experienced...did not everybody get a copy of it? I've got more. In any event, the...most of the rate impacts in the last ten years have been because of increases in the cost of coal. And that is not because of the cost of any sort of regulatory action, but just the cost of coal itself. And so...and I would note that we've gone from being in the top ten...being consistently in the top ten of energy rates, nationally to, I think, around 15th at the present time. And one of the other things that's happened in terms of the economic impact, is that states with greater renewable energy generation have become very attractive to cutting-edge industries like Facebook and Google and Microsoft, all three of which decided to locate data processing centers in the state of Iowa because of the fact they get more of their energy from renewable sources. In addition, as I note in my letter, that there are lots of jobs that can be created through renewable energy investment in particular. I don't include it in my comments here, but in my written remarks, but the Sierra Club did a study in 2012 which concluded that if investments were made in wind and energy efficiency, that could create a total of 14,000 jobs over a 15-year period as well as reducing electric rates of the electric cost to consumers by a total of \$3.8 billion over that 15-year period. So, there's lots of opportunities there and there's a study by the Baird Holm law firm that many...hopefully, many of you have seen this. It's an excellent study. I would highly recommend it. It was done last year, actually in November of 2013, which concluded that you could...that a 200 megawatt windfarm would generate \$1.3 million in property taxes for...in local property taxes and most of that would go to schools. So that's a really big deal for a local community. And a 200 megawatt windfarm would...is estimated to create between 15 and 20 permanent jobs...or ten and 15 in permanent jobs and that can make a huge difference in a small

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rural community, and there's lots of evidence in that as well. I guess I'm going to just conclude by pointing out the fact that we don't have any coal in the state of Nebraska. That when we do buy coal, that money does go out of state. It doesn't stay in the state of Nebraska which means that...and every dollar that we keep in the state of Nebraska helps benefit our consumers and our local customers. I guess just to...as a concluding remark, we'd like to encourage the committee to do a wide-ranging study and would encourage participation of the University of Nebraska and the resources that they have there. Would be glad to answer questions. [LB469]

SENATOR SCHILZ: Thank you, Mr. Winston. Any questions? Senator McCollister. [LB469]

SENATOR McCOLLISTER: Thank you, Mr. Chairman, and Ken, thanks for appearing. Let's talk about the relative cost of energy. Can you give me some statistics on the cost of renewable energy versus coal-fired plants? [LB469]

KEN WINSTON: Well, it's one of these things that it depends upon the plant. But at the present time the cost the last couple of years, 2013 and 2014 in particular, the cost of wind energy has been competitive with the cost of old coal plants, developing new wind energy projects around \$20 a megawatt and both of them are about in the same relative range. [LB469]

SENATOR McCOLLISTER: Does that generally include tax incentives or is that, not include tax incentives? [LB469]

KEN WINSTON: Well, there's tax incentives for fossil fuels as well as for incentives for wind energy. But the wind energy, there is no state tax incentive at the present time...or no production tax credit. So there's no production tax credit for wind energy in the state of Nebraska. There is legislation that's being considered that will be heard by the Revenue Committee later this year on that subject. [LB469]

SENATOR McCOLLISTER: You cited the Baird Holm study? [LB469]

KEN WINSTON: Yes. [LB469]

SENATOR McCOLLISTER: And if you could provide a copy at least to me, I'd be grateful. [LB469]

KEN WINSTON: Sure. I'd be glad to give this to you after the hearing and I'm sure that...I know there's more copies around, but yes, I'd be glad to give you this copy. [LB469]

SENATOR McCOLLISTER: Thanks, Ken. [LB469]

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SENATOR SCHILZ: Thank you, Senator McCollister. Senator Schnoor. [LB469]

SENATOR SCHNOOR: Thank you, sir. You've been talking a lot about renewable energy versus...and wind energy versus coal. What do we do when the wind is not blowing? [LB469]

KEN WINSTON: Well, actually, it's one of these things where...I've had lots of debates with people from public power over the years and so we've had a lot of conversations about this topic. And basically there's a couple of different things that come into play. And one of them is the fact that the state of Nebraska is currently part of the Southwest Power Pool and basically what that means is that whenever there's energy that's being called upon, whenever I flip on my light switch, it used to be that it just depended upon OPPD or LES to determine whether my electricity came on. Now the Southwest Power Pool decides what generation is going to happen and where and when. And so, basically, there's about a five-state backup plan...backup system for all of our energy needs in the entire region. So if there's...and now it may be other wind energy in another state that will supplant our wind when our wind is not blowing, or it may be that a natural gas plant will come on-line to take advantage of it, or maybe it will be a coal plant. But there are ways of making sure that the energy is reliable and that the...that nobody has a situation where their energy is not reliable. [LB469]

SENATOR SCHNOOR: But then, all that...all that takes it out of the state of Nebraska just as you're referring to with the coal, that we have to...we're paying for coal to another state. Would that be correct? [LB469]

KEN WINSTON: Well, it might be or it might not be. But the problem, well, the problem, both the problem and the benefit of the Southwest Power Pool, the problem is the fact that a lot of these decisions in terms of when to turn a generator or not are out of our hands. They decide whether generation is going to happen in the state of Nebraska or in the state of Kansas or in the state of Oklahoma or north Texas as opposed to having somebody at LES decide which is our...at the station in Doniphan deciding for NPPD when things are going to get turned on or turned off. So, it could be wind in Oklahoma that's supplying the wind that's not happening here in Nebraska. [LB469]

SENATOR SCHNOOR: Okay. [LB469]

SENATOR SCHILZ: Thank you, Senator Schnoor. [LB469]

KEN WINSTON: And...and the Southwest Power Pool is fairly complicated and if I mangled it, I apologize. I mean, I've...I'm a layperson and I'm sure that somebody from one of our public power districts could do a much better job of describing it and providing an analysis of how it works. [LB469]

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SENATOR SCHNOOR: Okay. Thank you. [LB469]

KEN WINSTON: You bet. Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Schnoor. Senator Friesen. [LB469]

SENATOR FRIESEN: Yeah, Ken...thank you, Chairman Schilz. When we...you're looking at renewable energy, I've looked at wind energy and I've studied it and I've looked at the efficiency rating of wind energy and seeing the duplication that's required and the redundancy, we may be using 50 percent of our power from wind energy but a coal-fired power plant is still sitting there idling. Are all of these factors taken into account when we look at the cost of renewable energy like wind energy? I mean, there's a tremendous cost of manufacturing, building extra transmission lines, and yet, the redundancy is still there. The power plants must be there, must be on-line, ready to go when we need it. And I can see the...you know, the booster...the natural gas-fired stations that are generating, those are reasonable when we hit peak loads. But to me, I have never seen a study yet where I saw the efficiencies of wind energy. [LB469]

KEN WINSTON: Okay. Well, as you indicated, wind energy is getting better and there are several windfarms in Nebraska that are in the 50 percent range, which is much better than it was just a few years ago. And most of the time when they're using wind energy and when they're using something as an alternative fuel or as a backup, then they go to natural gas because that's something that can generally be more easily ramped up and down. Generally, coal plants just continue to operate...well, I won't say 24/7 but they operate pretty much full-time. Actually, it is usually 24/7. I mean they just run, turn them on, and get them going and run them. And so...and once again, I'm not an expert in this but I have had lots of conversations with utility folks and that's the way they explained it. [LB469]

SENATOR FRIESEN: Okay. [LB469]

KEN WINSTON: Bless you, sorry, party to your cold. [LB469]

SENATOR FRIESEN: Okay. Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Friesen. Any others? Senator McCollister. [LB469]

SENATOR MCCOLLISTER: Yeah, thank you, Mr. Chairman. The letter you presented to us would indicate that OPPD plans to provide 40 percent of their power via renewables. Isn't then that about right? [LB469]

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KEN WINSTON: About 33 percent. [LB469]

SENATOR McCOLLISTER: Okay. [LB469]

KEN WINSTON: By renewables, yes. [LB469]

SENATOR McCOLLISTER: But at this present time, the amount of electricity provided by renewables is far less than that, wouldn't you agree? [LB469]

KEN WINSTON: Yes, that's correct. [LB469]

SENATOR McCOLLISTER: Isn't it less than a 7 or 8 percent? [LB469]

KEN WINSTON: It's in that neighborhood. Actually OPPD has come up with, they're probably about 12 percent this year. [LB469]

SENATOR McCOLLISTER: So generally, most of the utilities in Nebraska use the coal-fired plants for base-loading. [LB469]

KEN WINSTON: Well, OPPD and NPPD have a...and I don't have the percentages in my head, but they both have a significant amount of energy they get from nuclear power. [LB469]

SENATOR McCOLLISTER: That's true. [LB469]

KEN WINSTON: So it's about...I think NPPD is about 25 to 27 percent and OPPD is someplace in that range. So they...and OPPD intend...and both of them intend to continue to generate electricity through nuclear power. But, yes, they both have fairly significant coal plants at the present time, but when OPPD finishes with their power plant, and Mr. Burke is in the audience here today, I think he's planning to speak on another bill, I'm sure he could explain it much better than I could, but it's my understanding they will be below 20 percent coal at that point. And, once again, like I said, I don't have the figures right in front of me, but it will be a significant reduction in the amount of energy they get from coal and they're also projecting, as I said, that that would be the lowest cost of the options they consider. [LB469]

SENATOR McCOLLISTER: Do we count nuclear as renewable? [LB469]

KEN WINSTON: I do not count it as renewable. However, it's generally considered not to be a carbon-emitting fuel. [LB469]

SENATOR McCOLLISTER: Okay. Thanks, Ken. Thank you, Mr. Chairman. [LB469]

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KEN WINSTON: Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator McCollister. Senator Schnoor. [LB469]

SENATOR SCHNOOR: Sorry to keep dragging this out. We started talking a lot about renewable energy. I guess, give me your definition of renewable energy and then I also have another question for you. [LB469]

KEN WINSTON: I'm trying to think of a definition that won't get me into trouble later. (Laughter) [LB469]

SENATOR SCHNOOR: I'm not trying to set you up and... [LB469]

KEN WINSTON: Well, I got asked a question at the Ag Committee the other day. I later wanted to withdraw my answer. (Laughter) So, I'm just trying to think of how to respond to this question. Basically, an energy generation system that doesn't require...that doesn't require regeneration. Basically, the energy is there without...without burning anything, without having to dig anything up, it's coming from the sky, I guess, would be... [LB469]

SENATOR SCHNOOR: Okay. Would you also say that that could include that it's something that will pay for itself, that the power it produces will pay for itself? [LB469]

KEN WINSTON: I would think that it being more of a statement about sustainability that we try to sustain things. And I would incorporate that as part of the definition to say that we want to have something that will sustain itself. And one of the reasons...one of the benefits of renewable energy is that after you build it, you don't have to continue paying for fuel. And one of the other things I didn't mention is, for example, wind energy doesn't use any water and that's probably going to be a bigger and bigger issue in years to come. [LB469]

SENATOR SCHNOOR: Because one other...and I guess the reason I'm asking this, one of the arguments that I have always heard is that although wind energy is determined to be a renewable source because there's always wind, the amount of energy it produces doesn't even offset the cost of putting in the turbine. [LB469]

KEN WINSTON: I would definitely disagree with that. I mean, it would not...when the Lincoln Electric System folks tell me that their investments in wind energy are going to save their customers \$400 million over the next 20 years, about \$20 million a year, that...your statement...and I'm not trying to be argumentative, but the statement that you made doesn't square with that statement, and these are utility folks who are making these projections and they're not wild-eyed, they're not wild-eyed at all. I mean, they're making these projections based upon some very serious calculations. [LB469]

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SENATOR SCHNOOR: Okay. Thank you. [LB469]

KEN WINSTON: Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Schnoor. Senator Friesen. [LB469]

SENATOR FRIESEN: Sorry, Chairman Schilz. You just mentioned something there that caught my attention a little bit, but in the past whenever the federal tax credit for wind energy is gone, construction is stopped dead cold in the water, it's done. As soon as they renew the tax credit again, it starts up, but yet you said it was feasible when it would pay for itself down the road. Why is it that the industry shuts down when they lose the tax credit? [LB469]

KEN WINSTON: Well, I don't represent the industry or anyone from the industry so I'm not going to try and address all of that. But I do know that there's a lot of building going on at the present time. Now some of them are using the production tax credit that expired last year to build the facilities there. I think there's 600 megawatts of wind that's scheduled to be built in the state of Nebraska this year. So, I know there's a substantial amount of work that's being done. Now, certainly anytime there's a tax credit or a tax incentive, that does make something more affordable, but it's...it has proven to be...the current contracts that are in place have been very cost effective for the utilities that are...that have been using them. And...well, then just an example, Iowa has invested very heavily in wind development and they are...their electric rates are currently lower on average than those in the state of Nebraska. So, I would encourage folks to look at the entire picture, as Mr. Levy suggested, and that I believe that renewable energy is very competitive in many ways. [LB469]

SENATOR FRIESEN: Next questions would be is, when some of these studies are done when they're looking at costs down the road, you're talking 20 years down the road, are they using the scenario where pollution controls and some of these taxes are going to implement the cost of coal-fired electricity and that's why eventually you tax one industry enough or regulate it enough and you'll increase their costs to where efficiency is of another rule. [LB469]

KEN WINSTON: Well, it's my understanding...it's my understanding, for example, that LES did not consider that and they're coming up with their statements that it would save their ratepayers \$20 million a year on average. And as the yellow chart that I passed out indicates, the cost of coal has gone up rather dramatically in the state of Nebraska over the last ten years without any...and that's just the cost of coal. That's not the cost of any pollution controls attached to it, so. So, I think that it would be even more dramatic if we were looking 20 years out with the cost of pollution controls attached to it. [LB469]

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SENATOR FRIESEN: Okay. Thank you. [LB469]

KEN WINSTON: Thank you. [LB469]

SENATOR SCHILZ: Any other questions? Mr. Winston, thank you for coming in today. I have just a few questions here and I'm trying to...I'm trying to put this all together. Your comments sound very similar to Mr. Levy's from before, but yet he was a proponent and you're on the other side here and I'm just trying to figure out how that...what you see as the difference. [LB469]

KEN WINSTON: Well, obviously, I didn't have a conversation with Mr. Levy beforehand, but the...probably the main thing is, when I look at the bill it just implies a very negative view of how we're going forward. It implies that if we're going to try to comply with the federal requirements, that there's going to be negative impacts. And my approach, and I think it's actually somewhat similar to what Mr. Levy said, is that, let's look at this as an opportunity. Let's figure out how can we benefit the state here. What are our best resources? Well, to us it's wind and solar. So let's figure out how to use them and who cares about...I mean, we can do it in ways where we don't even have to worry about what the federal government is going to impose on us. I mean, we can beat those requirements while providing benefits to our citizens at the same time. [LB469]

SENATOR SCHILZ: Sure. Well, and let me go to that point exactly here on...as we look at Section 2(i)(A) it says the ability of the state to provide affordable electricity through diversified sources of electricity generation. When I look at that, that would tell me that we're going to take a look at all the opportunities that Nebraska has with electric generation and take that on, and wouldn't renewables be included in that? [LB469]

KEN WINSTON: Sure. Yeah, I'd agree with that. [LB469]

SENATOR SCHILZ: Okay. And then, it also says in (B) the type and amount of electrical generating capacity within the state that is likely to retire or switch to another fuel, which once again, would probably help to bolster what you're saying and if you are correct, and I'm not going to say that you are or you are not, in saying that wind is becoming more feasible and more...or excuse me, renewables are becoming more feasible because the cost is coming down, I'm struggling with why you would be afraid of a study such as this, or a study...maybe in the...maybe what we'll find out is that this isn't as bad as it might be, which would be okay with you, I would guess. [LB469]

KEN WINSTON: Sure. I guess the reason that we're concerned about this legislation are some phrases later on in the bill that imply that if we do have to comply with this, that it's going to be all negative. And we think that's tipping the scales to say, well, if you try to meet these standards it's going to hurt us. And, well, jobs lost...and I'm trying to find some other sections, and risks to reliability. [LB469]

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SENATOR SCHILZ: Sure. And I understand that, but those could be impacts that we really need to...we really need to understand and know to be able to move forward to do what's best for the citizens in my mind and I can't see that anybody would be against understanding what the ramifications are going to be. Impacts, whether they're detrimental or helpful to Nebraska moving forward, I think it's important to know. As I look here, it talks about employment within the state including direct and indirect employment effects. And so, what I...and then I look at that and I try to...I try not to look at things with negative eyes. I look at that, what you would do is if you're going to lose employment on the coal side or on the fossil side, would you not pick up employment on the other side and you need to know that balance and where that's going to be so we can really understand the true impacts? Isn't...doesn't that fit into there as well? [LB469]

KEN WINSTON: Sure. Well, I guess, I would feel a lot better if there was some language about potential benefits, jobs gained, economic benefits. [LB469]

SENATOR SCHILZ: Sure and I don't want to put words in Senator Smith's mouth, but I believe that he had talked about some amendments and maybe that will be possible. And then there was just one other thing that I wanted to mention. When you talked about Nebraska has no coal in this and every time we buy coal, money just leaves the state and doesn't come here. But my question is, what about when we burn the coal in our plants and those folks get the benefit of that electricity which, over time and we have to all agree, that over time it's been pretty...I don't want to say cheap, but it's been of value to the ratepayers in Nebraska over time. Now is that changing? Obviously, we can see that all energy costs are going up and so we're seeing that go up as well. And then I also want to reiterate here that we had the gentleman here from the railroad union that stepped up. There's a lot of railroad employees that are getting money from the direct...from moving the coal from either to Nebraska or all over the country and that money is coming back to Nebraska and staying here. And so, I think that we need to be careful when we say that there is no benefit of coal being hauled anywhere by the state of Nebraska or anything else. And I just wonder if you...I just want to make that point so that we know that there are benefits that are coming back. [LB469]

KEN WINSTON: Sure. And I appreciate what you're saying and actually I don't want to point a finger back at folks who made decisions ten, 20, 30 years ago and say those were bad people. Because, you know, people make decisions based upon the best information they had and, you know, my parents and grandparents made decisions with the idea they wanted to make the world a better place for people like me and my generation, and so that's what we're trying to do here as well. And I'm sure that's a large part of the motivation of people that seek public service is to try and make the state a better place. But I guess one of the things that I always get a little bit leery about is when people start throwing around big numbers of jobs and is...well, how many of those jobs are directly related to bringing coal into the state of Nebraska and how much of it is

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related to just transporting it to Georgia, for example. And so, let's make sure that we're talking about...if we are talking about jobs being created that benefit the state of Nebraska, let's make sure that we're isolating those because I don't want to be taking credit for jobs that are created in Oklahoma on Oklahoma wind projects. I mean, nobody would do that. [LB469]

SENATOR SCHILZ: And I don't disagree with you at all and I think...I think that what you're saying is that you want the real numbers. You want the real facts. And wouldn't a study like this give you those? [LB469]

KEN WINSTON: Yeah. Yeah. Well, and I guess also I'm...I don't know about fiscal notes. I've seen some that are really high and some that are really low. [LB469]

SENATOR SCHILZ: I haven't figured fiscal notes out either yet, so. (Laughter) But maybe we'll get somebody to come up a little later, will let us know. [LB469]

KEN WINSTON: But I guess if we are going to do a study like this, let's make sure that it is an unbiased study and it has the best information, that we do make use of the resources at the university, the Institute of Ag and Natural Resources, the Innovation Campus. They're doing a solar study right now that could be very helpful. They're doing some really innovative things with use of effluent waste to heat and cool the facility. I mean, let's look at all those kinds of things. How can we...let's use the best and brightest minds to figure out, let's do something better. Let's not just say, oh, well, you know, there's no way we can meet this and thumb our nose at the EPA. So, I'd rather say, let's go beyond anything the EPA wants and just do the best thing for the people of the state of Nebraska. [LB469]

SENATOR SCHILZ: Mr. Winston, with that, I think you're exactly right and we do need to make sure that we all represent the people of the state of Nebraska as well as we can and with anything that we do, we need to do it in an unbiased fashion that doesn't skew things one way or the other. Thank you very much. Any last questions? Seeing none. Oh, Senator McCollister. [LB469]

SENATOR McCOLLISTER: I'm sorry. Thank you, Mr. Chairman. We talked about the number of jobs, now both on the coal side and the renewable side. You cited what I thought was a rather large number of jobs related to the renewables. Can you just give me some idea where those jobs are coming from, are they out of state as well? [LB469]

KEN WINSTON: No, they...those...why don't I bring you a copy of that study rather than trying to go through that at the present time, and then we can...then you and I can have a conversation... [LB469]

SENATOR McCOLLISTER: Is that in the Baird Holm study that we've...? [LB469]

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KEN WINSTON: That's in another study, but I can give you a copy of that study. Actually I have a copy of that study here that I can give you. [LB469]

SENATOR McCOLLISTER: Thanks, Ken. Okay. Thank you, Mr. Chairman. [LB469]

SENATOR SCHILZ: Thank you, Senator McCollister. Mr. Winston, thank you for taking the time. I appreciate your testimony. [LB469]

KEN WINSTON: Thank you. [LB469]

SENATOR SCHILZ: Any further opponents? Welcome, sir. [LB469]

DOUG GRANDT: (Exhibits 6 and 7) Thank you. It's a pleasure to be here. Good afternoon. My name is Doug Grandt, D-o-u-g G-r-a-n-d-t. I sent you all e-mails yesterday with a copy of my prepared statement. I probably will not follow my prepared statement, but I want to emphasize a few things and you can read the statement. Actually, I've answered pretty much a lot of the questions that Chairman Schilz has just actually ended with Ken in here, each of those items 1 (A), (B), (C), (D), (E), (F), through (F) actually. Let me just give you a little bio first of all. Forty years ago I studied industrial engineering and operations research as well as petroleum. And I began my career as a petroleum engineer working for Humble Oil, now known as Exxon Mobil. At that time they were the domestic arm of Standard Oil of New Jersey. I was a petroleum engineer doing computer simulations of Prudhoe Bay in Alaska. As things have it, you know, you make changes when you're a young engineer and I left Exxon because I really didn't enjoy working in the patch. They put me down in Long Beach where oil was discovered in California and I realized I'm not really a petroleum engineer. I really wanted to do the computer simulations and those sorts of things, the global view. One thing led to another and I became a corporate planning analyst with a Fortune 500 company and I made recommendations to spend tens and thirty...tens, twenty, thirty million dollars on projects to change the cargo shipping from breakable to containerization. So I have a lot of analysis in my background. And one thing that I wanted to say was, I probably should have spoken in the first half of this because I really don't have a problem with the economic analysis. What I have a problem with is the bias, what seemed to be a bias, the predisposition toward...to prejudge the alternative fields as the conversation you just had with Ken. So, my main point is that we need to make sure that the analysis is done to compare whatever plan alternatives we might have. There might be two, three or four against the base-case business as usual, or some variation of the theme, business as usual. Because I read...the way I read it was some of the statements were very biased in saying that, you know, alternatives are going to be more expensive and ruin the economy. So I just want to make a point that there's an organization called Citizens Climate Lobby who commissioned a report by a group called REMI, Regional Economic Models, Inc. Maybe

you've heard of them. Their work is done in various different communities around the country to justify or not to justify, but to analyze the result of increasing or reducing taxes. What they determined was that a...that going from carbon-based fuels to carbon-free fuels actually would improve the economy, would improve the economic activity, GDP, jobs, household income and more while actually reducing carbon dioxide emissions. They did one study for California and one study for the US in whole. I wanted to open my presentation by saying that we have an emergency, and above all else, the mission of our effort must be clearly understood and that is to reduce emissions. George Woodwell, founder of Woods Hole Research Center, told me in 2009, we must abandon our reliance on the burning of carbon-based fuels. We are poisoning the planet. That's why I brought this chart. I didn't send this to you in the e-mail, but this...there's a URL on this piece of paper which shows the link to a report that's...I don't remember, ten, 15, 20 pages long, and this chart is a key factor that I rely on. What it shows is three scenarios to reduce carbon. The green scenario is if we had started reducing in 2011, we could have come down to a point where we could continue burning carbon. That means coal, oil, natural gas, kerosene, gasoline, diesel. But we missed that opportunity. We're now in 2015, it's the center curve, it's the blue one. We have to come down pretty fast which is about a 5 percent per year curve. Five percent or 20 years eliminates carbon. If we don't do it, if we wait another five years, we're faced with a 9 percent per year reduction, which is really astronomical. If we wait another five years for COP to do something positive, we could really have a scenario where we can't get there from here. So I want to close just by saying that I do support the analysis, but I think it should be unbiased and objective, and the rest of it you can read in my comments. Thank you very much. [LB469]

SENATOR SCHILZ: Sir, thank you very much for your testimony. Hold on for one second, Senator McCollister has a question for you. [LB469]

SENATOR McCOLLISTER: Thank you, Mr. Chairman. Isn't it a point of fact carbon emissions have dropped in this country and Nebraska as well. [LB469]

DOUG GRANDT: I believe they have but I think the reductions have had to do with economic activity. If you look at what the...I forget what the...in the EIA or IEA, the energy...the independent energy agency within the Department of Energy shows that there's going to be a continuing demand. It's going to continue going up like this and the oil companies are using that. They come up with the same number. So, if you continue burning oil at an increasing rate, or coal, you're going to have more emissions. Those emissions have to go to zero if you believe the science. [LB469]

SENATOR McCOLLISTER: Well, I think, if I'm not mistaken, that the switch from coal to natural gas has resulted in a net reduction of CO2 emissions in this country. In fact, the United States, unlike China and India, has reduced emissions to an incredible degree. [LB469]

DOUG GRANDT: Well, that's actually true, but there's two caveats. One, the natural gas comparison to coal assumes that there's no leakage of methane. In fact, recent studies just in the last year, two or three years, have shown there's a huge bubble of methane that has happened even before the fracking of wells which is releasing more and more gas, methane actually. The leakage of 2 or 3 percent from natural gas wells in the process of production and drilling actually makes natural gas worse than coal in terms of its carbon content. And another thought, just while I'm thinking of it, even though you switch from coal to gas, we still need to get off of gas. Gas still emits CO₂, so we need to abandon burning fossil fuels. [LB469]

SENATOR McCOLLISTER: I understand your point, but I think those CO₂ numbers were aggregated and included any kind of methane or fracking or anything as a result of oil drilling. So I...we ought to compare those numbers at some point because I think they're readily available. [LB469]

DOUG GRANDT: Actually, I think we're splitting hairs when the overall goal is to get off of gas, get off of coal. Whether you...see, in the next 20 years, in fact, Jim Hansen who is the climatologist has come up with 6 percent reduction per year. That's 16 years, 16 years. What's today, 2015, that would be 2030, we need to be off of fossil fuels. And even if we are, we will have one-third of the population of the world suffering from draughts and heat waves and one-third of the extinction of critters, critters that never asked to be extinct. We're heading toward a scenario right now. Even if we were to follow this curve, where one-third of humanity will be suffering in 15, 16 years. [LB469]

SENATOR McCOLLISTER: Well, we're going to need fossil fuels for our transportation fuels. And, you know, that will change. We'll go to migrate toward hydrogen or LNG or some other lower emission source. But I'm afraid hydrocarbon is going to be with us for quite a while. [LB469]

DOUG GRANDT: Well, my position is, we need to start making that transition to hydrogen or battery or, you know, the sun, solar-charged batteries. If you had a solar panel on your roof, you could create hydrogen in your garage. It doesn't have to be coming from an oil company or it doesn't have to come from a hydrogen company. You can buy a thing the size of a little college refrigerator that will make hydrogen in your garage and you can put that into your car. If you have that alternative, you wouldn't have to burn oil. You wouldn't have to burn diesel, or gasoline, or kerosene. [LB469]

SENATOR McCOLLISTER: Well, thanks for coming in. [LB469]

DOUG GRANDT: Yep. [LB469]

SENATOR SCHILZ: Thank you, Senator McCollister. Are there any other questions?

Senator Friesen. [LB469]

SENATOR FRIESEN: Well, I like renewable fuels, I like ethanol, I like the principle behind it. But I guess I'm one of those skeptics that fails to see that we have to have something done by 2030, 2040, whatever. When I started farming in '76, I remember the newspapers were filled with global cooling. We were going to go into a cold spell where we're not going to be able to produce enough food and we're all going to starve to death. And suddenly, that switched now to global warming. And I...there is climate change, I admit it. I know there is. I'm just...I'm very skeptical on models that predict things and I guess if something looks feasible, I agree we do it, but what makes...what makes your predictions different from back in the '70s when they were predicting global cooling? What has changed? [LB469]

DOUG GRANDT: Well, to be honest, I don't know exactly what was going on in the '70s, I was too busy studying engineering and trying to figure out what I was going to do for a career. But I believe that there was a period of time when there was cooling because of the elimination of particulates from...because of the Clean Air Act, etcetera. We actually cleaned up the emissions and the particulates would at that point were...I might have this backwards, but they had an impact of...because we were putting up so much particulate matter, it was actually reducing the cooling and when we took it away, the cooling happened in an aggravated fashion. I...don't quote me on that. It had to do with emissions. [LB469]

SENATOR FRIESEN: More of the sulfur...? [LB469]

DOUG GRANDT: Well, it might have been sulfur or particulate matter could have been soot. I'm not sure. But it's because in the '70s we had that change in policy on clean air. I just want to say, though, that the...what we've done in the last 100, 150 years is release about half of the carbon that was sequestered over 350 million years, so we're releasing it a million times faster than it was put in the ground. And the way it was put in the ground was back in the beginning there was no oxygen. There was CO₂ and there was carbon monoxide and there were other things. It was anaerobic. And as time went on, little critters started taking that CO₂ and making oxygen and the oxygen and the CO₂ got into a balance with vegetation and as the vegetation grew, it fell into the water, into the lakes and the oceans and the ponds, and that eventually became oil. And when it was in a forest, it went to the forest, then it became peat. That peat became coal. And over time, volcanic action and sedimentation covered it up and it became thousands of feet underground. That came from the air. Now we're putting it back in the air. As it came and was sequestered, CO₂ went down from a couple thousand parts per million to one thousand parts per million to four hundred parts per million when ice formed. It then went on down to 280, 300. It's going back up, right now 400. We're headed for 425. Ice will "unform?" We don't know. But that's the science. [LB469]

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SENATOR FRIESEN: Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Friesen. Any other questions? Senator Schnoor. [LB469]

SENATOR SCHNOOR: Just a quick one. I didn't...in the very beginning of your testimony did you say who you represent? [LB469]

DOUG GRANDT: I represent myself. [LB469]

SENATOR SCHNOOR: Okay. That's all I need to know. [LB469]

DOUG GRANDT: I'm retired. I don't work for anybody. [LB469]

SENATOR SCHNOOR: Okay. That's all I wanted to know. Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Schnoor. Any other questions? Seeing none, thank you for your testimony. Appreciate it. [LB469]

DOUG GRANDT: Thank you so much. [LB469]

SENATOR SCHILZ: Further opponents? Any other opponents? Seeing none, any neutral testimony? Mr. Hovorka, welcome. [LB469]

DUANE HOVORKA: Good afternoon, Mr. Chairman, members of the Natural Resources Committee. My name is Duane, D-u-a-n-e, Hovorka, H-o-v-o-r-k-a. I'm executive director of the Nebraska Wildlife Federation. We're a statewide organization of people who hunt, fish, hike, bike, canoe, kayak, and generally enjoy the great outdoors here. And I'm here to testify neutral because on one hand we certainly don't oppose the collecting and analysis of information that will help regulators understand the economic and other impacts of the decisions that they make. So at a conceptual level, we don't oppose the bill. It's good to collect information and to understand those decisions. And, in fact, this DEQ plan, should it come to fruition, is really going to be very important in how those utilities can respond to the EPA rules. If our state plan gives utilities enough flexibility to adopt low-cost solutions like energy efficiency, like wind, like energy storage, and some of the other low-carbon alternatives out there, then that's going to help us keep the costs low. If they lock in on, you heard the term, inside the fence line technology and make them reduce carbon inside those power plants, that can tend to be a very expensive proposition. So this plan is going to be really important. If you look at...and one of the problems that we have with the language as is in the bill is...and I've got some suggestions, but really part of it is the presumption that reducing carbon is going to increase costs and it's going to reduce jobs. And we think on both counts that's subject to question. Lincoln Electric System just last December adopted a new plan

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that's going to take them from about 12 percent renewable energy to 48 percent renewable energy over a period of a few short years so they'll get there by 2016. Their projection is they will save Lincoln Electric System customers over \$430 million over the life of those contracts. Last summer, Omaha Public Power District put in place a plan to take them from around 5 percent renewable energy a few years ago to about 33 percent renewable energy by 2018 to cut their carbon emissions in half over the time of their plan, and again that kind of blows away what the EPA is talking about and their expectations are that will have no impact on ratepayers. Nebraska Public Power District completed an integrated resources plan in 2013 that identified a number of different alternatives for moving forward with their generation resources. One of those alternatives would reduce the carbon emissions roughly in half from Nebraska Public Power District and their own analysis showed that that would be...present them with a lower risk moving forward and with about the same price as their business as usual alternative, which was to kind of keep doing what they're doing. So all three of Nebraska's major utilities have shown either by what they've already done, or by what their internal projections show, that reducing carbon can be done cost effectively and in many cases with substantial reductions to their customers' bills. And that's not a big surprise. When you think about energy efficiency, it can deliver both capacity and energy cheaper than almost any other source of energy. So there's some terrific opportunities there. We've got three suggestions for the bill if you decide to move it ahead. First, the Department of Environmental Quality has not a lot of expertise in electric utility planning. They're the environmental folks. And so we would suggest that if the report is done, it's done in consultation with the University of Nebraska, with the Power Review Board, with Nebraska's public power utilities, with health experts and with other stakeholders so that you bring the expertise that you need all together. Second, we would suggest that while you're counting costs and benefits, and that's one of our suggestions, is that you neutralize the language in there so you're looking at both at additions and subtractions, costs and benefits, that you also look at the health impacts. If you reduce the amount of coal burned in the state, that should reduce sulfur dioxide, nitrous oxide, mercury and other pollutants and those will have measurable health impacts. There are studies out there. They don't have to be redone. That information can be gleaned and added to the report. And third that you also consider the risks...future risks to the utilities. One of the big future risk is whether those coal and gas prices are going to go up or they're going to go down. That's a big risk that you eliminate if you build a windfarm or a solar farm because you eliminate the fuel cost. So, we think with those three changes, you would have a much better bill to move forward with, produce a report that we think would be beneficial for the whole state, and also for the entity, the DEQ that's making the rules. So, thank you for your time. [LB469]

SENATOR SCHILZ: Thank you, Mr. Hovorka. Any questions? Senator Kolowski.
[LB469]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Mr. Hovorka, do you have any

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concern over the bias or nonbias aspect of DEQ doing this report? [LB469]

DUANE HOVORKA: Well, and one of our suggestions I think helps reduce the potential for bias. If you bring in folks from the university and you bring in the public power entities, and you bring in health experts and other stakeholders and get more experts at the table, I think you reduce the potential for bias either for or against, you know, a plan. [LB469]

SENATOR KOLOWSKI: And I ask that question only because this committee has gone through...another member in our committee in recent years, the climate change report that we suggested, requested to be done. [LB469]

DUANE HOVORKA: Sure. [LB469]

SENATOR KOLOWSKI: And the inability to have that done properly...I'll use that term "properly" led us to work with the university, which did it properly, and whether people liked the results of that study and if we don't have that in the hands of every one of our members, we need to get it into our hands, in the hands of our committee members so they can see what the university did come up with. And I know, you know what I'm talking about... [LB469]

DUANE HOVORKA: Sure. [LB469]

SENATOR KOLOWSKI: ...and that result and that's an important piece of what we have going ahead. I hope it will be nonbiased, so it will be something we can take and learn from and take great pride in as we look forward. Thank you. [LB469]

DUANE HOVORKA: Certainly agree. [LB469]

SENATOR SCHILZ: Thank you, Senator Kolowski. Any other questions? Seeing none, thank you for your testimony today. [LB469]

DUANE HOVORKA: Thank you. [LB469]

SENATOR SCHILZ: Further neutral testimony? Good afternoon and welcome. [LB469]

MARY SPURGEON: Good afternoon, thank you. My name is Mary, M-a-r-y, Spurgeon, S-p-u-r-g-e-o-n. Good afternoon to all of you. I am representing Omaha Together One Community, which is a group of churches and other faith-based institutions who survey their members for concerns about their community and then who work together to improve the common good. And I'm coming to you today as an Omaha Public Power District customer. As one of their customers, I went to the information sessions which...in which they told us how public power works, which was great, great

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information. And then they requested input. They wanted to know where Omaha Public Power District should go in terms of future power generation. I attended numerous follow-up sessions as they sought input from many people and offered this idea and this possible plan. From the start they emphasized their commitment to reliable power generation at the lowest possible cost, which certainly as a customer and stakeholder, I very much appreciated, while I think also complying with the rules governing their industry. I think that was...I believe I remember that being made clear to me in one of their presentations. When they were urged by members of the public to look at renewable methods of power generations such as solar and wind, they found that incorporating renewable means of power generation in their plan over time resulted in lower costs. When they made that decision, as I said, I believe they were considering the costs of complying with likely EPA regulations, which are, of course, developed to keep citizens and other living things healthy. This, in our opinion, is not a bad thing to do. It seems to us this bill, as it is currently framed, fails to take the real world scenario into account. If a report is to cost \$750,000 or even \$50,000, all options, all factors, including the costs and benefits of renewable energy, and we think of renewable energy as things like sunshine and wind, you know, some of these less than a few million years to take into account, but we do think those things need to be taken into account, which in our reading of the bill, we weren't sure that was happening. And as was noted by one of the members of your committee, misunderstanding and accessing climate change which was generated by the scientists in the state of Nebraska, is a report which I would recommend to you. Thank you. [LB469]

SENATOR SCHILZ: Thank you very much for your testimony. Any questions? Senator Kolowski. [LB469]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. And, Mary, thank you for your representing OTOC and being here today. I...when...ask you the question, when Mr. Grandt was speaking, did that strike tones with you as far as the hot, flat and crowded world that we're living in today as far as the interpretation of all that? [LB469]

MARY SPURGEON: Yeah. It did. [LB469]

SENATOR KOLOWSKI: Okay. From that perspective, where do you think you'll go with whatever results come out of the study, and when those results are before us, what would your organization do to move on from there? [LB469]

MARY SPURGEON: Well, I can't speak for the organization because they really are very democratic. They want a lot of people to talk about the ideas, but I'll speak for me. I would be looking, hoping that a plan that came out of this bill would be one that looks at the long range. And I'm talking a hundred years, thank you. I have attended enough presentations on this document for me to know that if we do not do something about this real promptly, there's not going to be much agriculture in the state of Nebraska. We're

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going to be living in houses underground like they do in Kubir Pitti, Australia, because that's where it's going to be cool enough to be happy. Water resources, oh, my goodness. I don't even want to think about how much money that's going to cost people just to drink. So, I hear that there are concerns about jobs. I hear that there are concerns about changing the way things are now. We do know, our science tell us this, what we are seeing here, this is the cost of utilities that we know now. When we changed from horse and buggy days, it was like, oh, a horseless carriage, no more manure smell, no more stuff to step in in the street. Well, you know, they didn't know, we didn't know what was going to happen with the burning of fossil fuels. That...those were unintended consequences, but now we do know. And so, I think that looking ahead as far as possible, that's what we have to do. And it's a matter of will, you know, we didn't...if we hadn't had the will to win WWII, we wouldn't have done it. And we made huge changes in order to do what we felt we had to do. So I think that's really before us now. That's my opinion. [LB469]

SENATOR KOLOWSKI: Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Kolowski. Any other questions? Okay. Seeing none, thank you very much for your testimony. [LB469]

MARY SPURGEON: Thank you for your time. [LB469]

SENATOR SCHILZ: Further neutral testimony? Mr. Rice, welcome and thank you for coming in today. [LB469]

PAT RICE: (Exhibits 8-12) Good afternoon, Senator Schilz. My name is Pat Rice. That's P-a-t R-i-c-e. I'm the acting director for the Nebraska Department of Environmental Quality and I'm here today at the request of your committee staff to provide testimony in a neutral capacity on LB469. With me today, I have the air program administrator, Shelley Schneider from our agency. Shelley has a great deal of expertise and should be able to answer technical questions if they come up. She's the past president of the National Association of Clean Air Agencies and she currently chairs a committee dealing with agriculture and the air impact, so she's a wealth of knowledge. LB469 would require the department to assess the effects of a state plan developed to regulate carbon dioxide or CO2 emissions pursuant to federal emission guidelines. NDEQ implements state and federal clean air regulations for the state of Nebraska. NDEQ has been delegated authority to administer Section 111(d) of the federal Clean Air Act in Nebraska. Section 111(d) allows delegated states to administer air emission programs for existing sources. In June of 2014--this has been mentioned previously--the United States Environmental Protection Agency proposed new federal emission guidelines under Section 111(d) of the Clean Air Act. The proposed 1,184 page proposed rule and supporting documents requires states to prepare a plan to reduce carbon dioxide emissions from existing electric generating units. There are 11 plants with 24 such units

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in Nebraska. EPA is requiring Nebraska to reduce CO2 emissions by approximately 26 percent by 2030, over the 2012 baseline that EPA used. NDEQ commented extensively to EPA on our concerns with the proposed rule in a letter dated December 1, 2014. I have included a copy of that letter and our supporting documentations for our primary concerns and an NDEQ fact sheet that we prepared on the proposed rule. EPA is currently reviewing 3.8 million comments received on the proposed rule, and they anticipate that they'll have the final review...rule ready for review and release in June of this year. It is anticipated that Nebraska will have until June 30, 2016 to prepare a state plan with the possibility of a one-year extension to June 30, 2017. If a state does not submit a plan, or EPA does not approve our state's plan, then EPA will impose a federal plan on the state. Getting back to LB469, the department reads the bill, as introduced, to require several steps. First, the report is developed assessing the effects of a state plan would have for addressing any final federal rules promulgated to regulate carbon dioxide emissions from existing electrical generating units. The department would then develop a state plan to be submitted to EPA. Once the report and plan would be finalized, copies would be submitted to the Legislature. The report development as described in subsection (2) of Section 2 of LB469 is anticipated to be a one-time cost. The agency's expertise is in evaluating environmental impacts. The report would require a broader range of expertise than we currently have on staff. I would plan to engage a contractor to help prepare the report. After consulting with the Nebraska Power Review Board, the department estimates contractors with expertise to complete the required work would charge an average of \$350 an hour. The report would take up to nine to 12 months to complete. If there were any relevant information that's readily available that's out there, then the costs portrayed in the fiscal note could be reduced. NDEQ anticipates working closely with the Energy Office, the Department of Economic Development, the Power Review Board, and the utility companies for assistance in developing, reviewing the report for completeness. NDEQ met last week with Senator Smith to get a better understanding of LB469. We will work diligently to address the requirements of LB469 in an open and transparent manner, ensuring that all interested persons have access to the information and data used in the preparation of the required report and plan and have the opportunities to submit comments. That concludes my testimony and I would be happy to try to answer any questions that you might have. [LB469]

SENATOR SCHILZ: Thank you, Mr. Rice. Are there any questions? Senator Schnoor. [LB469]

SENATOR SCHNOOR: Thank you, Pat. Sorry, is that better? This legislation basically requires you--please correct me if I'm wrong--requires the DEQ to assess current plans. Is that correct? [LB469]

PAT RICE: Yes. [LB469]

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SENATOR SCHNOOR: What are you doing now? [LB469]

PAT RICE: Okay. Well, we have begun looking at the federal proposed rule. But as I mentioned, if the EPA is able to complete the final rule in June of this year after going through 3.8 million comments, we can expect that there's going to be some changes from what we've seen in the draft. We don't know what those are. We're not getting any advanced information on that. So that's one of our concerns that we don't know exactly what it is we're going to have to comply with at this point in time and that makes it a little bit... [LB469]

SENATOR SCHNOOR: And then this legislation also basically allows you to hire a contractor outside of the DEQ to handle a majority of this, so to speak, because you don't have the staff that's inhouse to do it. [LB469]

PAT RICE: Right. We have a lot of environmental engineers and scientists, but we're not real strong in economics and other power industry at all, so. [LB469]

SENATOR SCHNOOR: Okay. [LB469]

PAT RICE: But that's why we're continuing to work with the power industry in Nebraska. In fact, we had a regional meeting, there was a representative from the regional EPA administration in Region VII from Kansas City and a person out of their national office that was instrumental in crafting this draft rule that's out there that we're dealing with at the moment. They came to one of our four-state meetings, Region VII is Nebraska, Kansas, Iowa, and Missouri, and sat down with us to get our initial impact or assessment of what this would entail for the states to deal with this. So, and we've held several meetings since that with the power utilities trying to outline what a plan might look like. The plan that's required is a plan for the state to reduce the emissions to hit that 26 percent reduction. We have to figure out how amongst all of the players that are there, we get to that point. [LB469]

SENATOR SCHNOOR: Okay. There were some comments earlier about biased versus unbiased opinion. Would you please comment on that? [LB469]

PAT RICE: Yeah, we don't intend to be biased at all. We intend to have an open and transparent process. As we mentioned in my testimony, all the documents will be available for review by anybody that wants to. There will be a public involvement process so people can come and give us their comments along the way. The time frame is relatively short for complying with the federal report for the plan to be put in place. We anticipate, though, that we will be able to complete the objectives of LB469 in the process. [LB469]

SENATOR SCHNOOR: Okay. Thank you, Pat. [LB469]

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SENATOR SCHILZ: Thank you, Senator Schnoor. Any other questions? Senator Johnson. [LB469]

SENATOR JOHNSON: Getting back on the bias, how would you go about selecting a contracting firm that would not be biased, because I think maybe any of the people that have a real issue in the case, the power companies, whoever, railroads or whatever, would maybe have a bias. Who would you see out there? I think there's a certain amount of level of comfort in the university to study this. [LB469]

PAT RICE: Absolutely. Yes. [LB469]

SENATOR JOHNSON: Would that be one of your considerations? [LB469]

PAT RICE: Yes. [LB469]

SENATOR JOHNSON: Thank you. [LB469]

SENATOR SCHILZ: Thank you, Senator Johnson. Any other questions? Seeing none, we appreciate you coming in today and thank you very much for your testimony. Thank you very much. Appreciate it. [LB469]

SHELLEY SCHNEIDER: I didn't get to (inaudible). [LB469]

SENATOR SCHILZ: No, it works out pretty good, doesn't it sometimes. Thank you very much. Any other neutral testimony? Seeing none, Senator Smith, you're welcome to join us to close. [LB469]

SENATOR SMITH: Senators, thank you for your patience and for all the really good questions. I wanted to just clarify a few things. I think the first one is related to the DEQ and for the green copy that you have in front of you. It may very well be that DEQ is not the appropriate agency to compile the information on the impacts of the EPA standards, you know, given their lack of expertise in this area. So, I want to leave that as an option to look at in any further amendment. It may also be necessary to amend the green copy to more narrowly define the study that would be prepared for the Legislature. So, again, my intent is to try to create that information for a better understanding of what these regulations or impacts are having on Nebraska. But if there's anything we can do to amend the bill to reduce that fiscal note, I would be very open to doing that. But with that said, similar studies with similar scopes typically are about a tenth of the cost of what you're seeing in this fiscal note. And typically whenever you go out and you commission a study, you don't commission a study on an hourly basis. You have a fixed amount and so I would not expect because the per hour amount, I think was \$350 per hour that DEQ was identifying as cost of a consultant's hourly charge, multiplied by

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2,040 hours of work in a year, typically that's not the way you arrive at a commission contract. But with that said, I think we can work through that and I kind of speak about the bias, any potential bias. I understand DEQ to be a tremendously professional organization. The folks that I've worked with at DEQ, either through the legislative process or in my own personal business, I found them to be very professional, very willing to do whatever it takes to accommodate their customer, and I just think that they're a fantastic agency. But with that said, I do think that this is something that we really want to move forward with in Nebraska. Senator Kolowski, you were asking about the sources of some of the information that Mr. Litt was providing. I believe you have that in the packet that was handed out and the NIRA facts are in there so there's a reference point in there, I think, to get out the sources of the information you were asking about. Mr. Winston talked about the Southwest Power Pool and the benefits of having a multi-state grid available. But if you wanted to Google, you can find this yourself very easily. But I...just did a little search here and there was...there were comments on October 9 and this was in a publication, Public Power Daily. It was reported on the 13th of October, but these comments were made on the 9th, they were fine with the EPA, the Southwest Power Pool warned of their very real possibility of cascading outages, rolling blackouts and voltage collapse in several states unless the agency delays its proposed compliance deadlines by at least five years. I understand...I think we all understand that renewable energy can be a great component of the portfolio of generation in our country and in our state, but the fact of the matter is, we have to have reliability. So, you know, there's three components of public power in this state. There's reliability, affordability, and accountability. And we do a fantastic job on accountability to our citizens and our businesses. And we also currently do a fantastic job with reliability. Affordability, we're losing our competitive advantage and we all know that. I mean, we talked about the savings that are going to be found through renewable resources. Tell me the last time your rates went down? And do you believe your rates are going to go down if we continue on this path? I do not. The...I just do not believe that. The redundancy is necessary. The base load generation that is provided by a fossil plant or a nuclear operation is essential to providing a reliability component of energy. Google, Facebook, or anyone else that located anywhere around here or near here or in an adjacent state, you cannot tell me that reliability of that grid was not a factor in their location. It's a necessity with the computer systems and production facilities. You have to have redundancy, you have to have reliability. And renewable resources will not get us there. Can it be part of the overall portfolio of generation sources? Absolutely. But folks, we have seen reductions in emissions in our country for a number of years now and how we achieved it, we've achieved it through prosperity, not through heavy-handed regulation. Some people say there's a bias. The simple truth is that the EPA's overreach on CO2 emissions creates higher energy costs, less reliability, and lost employment. There's no way around that and I believe that this study is essential. It's necessary in order for us as legislators to understand what the impact will be on our citizens, on our businesses, and our way of life in Nebraska. Thank you again for your patience. [LB469]

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SENATOR SCHILZ: Thanks, Senator Smith. Any questions...final questions for Senator Smith? Seeing none, Senator Smith, thank you for your closing. [LB469]

SENATOR SMITH: Thank you. [LB469]

SENATOR SCHILZ: And that will close our hearing on LB469. Thank you to everyone who came in today to testify on that, and now we will move to Senator Harr's bill, LB337. And I see Mr. Koebernick is here to open. And I will turn this over now to the Vice Chair of the committee, Senator Friesen. Thank you very much. [LB469]

SENATOR FRIESEN: Okay. Thank you, Chairman Schilz. I think we're ready to begin. Welcome. [LB469]

DOUG KOEBERNICK: All right. Thank you. Good afternoon. My name is Doug Koebernick, spelled K-o-e-b-e-r-n-i-c-k. I'm the legislative aide for Senator Burke Harr and unfortunately, he's trying to be in four places at once, and so I am here for him. I will give you a brief introduction of the bill and then we'll have some people after me to answer any questions and explain the bill more fully. I'm here today to introduce LB337 on behalf of Senator Harr, who introduced the bill at the request of the Omaha Public Power District. LB337 renames and expands the Low-Income Home Energy Conservation Act to the Energy Conservation and Demand Reduction Act. Under the bill, energy projects could include energy demand reduction projects. Those entities eligible for funding would include any natural person, political subdivisions, corporations, or other businesses that receive energy service from an eligible entity at a building that receives no greater than a one thousand kilowatt demand. The overall purpose of this bill is to expand uses of the fund to reduce the amount of money spent on imported energy sources, and decrease energy demand. By increasing the amount of money available for these energy-saving projects, this bill could greatly reduce the demand for energy in the long term, which could then save utility customers money. Tim Burke, as I said before...somebody will follow after me. Tim Burke from OPPD will follow me with a more detailed description of the bill and will be able to answer any questions that you have regarding the changes found in LB337. [LB337]

SENATOR FRIESEN: Thank you very much. Any questions from the committee? Seeing none, any proponents who wish to testify? [LB337]

TIM BURKE: (Exhibit 1) Senator Friesen and members of the Natural Resources Committee, my name is Tim Burke, T-i-m B-u-r-k-e. I'm the vice president of customer service and public affairs for Omaha Public Power District and I'm here to testify on behalf of LB337, which was introduced by Senator Harr's staff. I'm also representing the Nebraska Power Association as well today. I would like to thank Senator Harr for working with us in bringing this matter forward. Secondly, I hope that you will look

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favorably on this bill and support it. As you know, this bill will change the Low-Income Energy Conservation Act to the Energy Conservation and Demand Reduction Act. This bill, as proposed, is meant to reduce the amount of money spent on energy sources, lessen energy demand, and the need for new power plants in the future, and assist customers with reducing their energy use. These are critical issues to all of us in the utility industry these days, not only across the state of Nebraska but across the Midwest and across the United States. However, just as important to us is the fact that this bill will raise the amount of money that the state will set aside for utilities such as ours to use on certain projects, projects that customers can use for energy conservation. This...making more money available and increasing the number of potential customers that we can assist and as this bill would do, could produce tremendous long-term benefits in the form of energy savings to the public and lowering the demand for electricity. This, in turn, can and will reduce the need for new power plants, as I said before, and will also keep rates competitive in the future. So how will this bill increase the number of potential customers? Eligible customers would be those that don't exceed 100 kilowatts. The previous threshold was customers below 150 percent of the federal poverty level. This bill would not exclude those customers for participating in these programs, and I'll talk a little bit about OPPD's intent if this bill would be to move forward. At that level, at that poverty level, there just were not many customers who could afford to make any kind of energy efficiency improvements, even with some of the assistance that might be given in the past. LB337 would expand the number of eligible participants. It would also include some smaller corporations, including schools, healthcare, retirement facilities, and also not-for-profit organizations. Now, OPPD presented to the board and to the public last month at our board meeting, our proposed Demand-side Management initiatives for 2015 to 2017. And it was really part of a much broader plan that OPPD had, and I'll talk about the Demand-side piece. The three components of our plan was to relook at our future generations. Some of that generation would have needed to have changes based on current regulations that are in place effective in 2016. The Mercury or Toxic Standard Act that we would have to make significant investments in some of our 65-year and older facilities that as we evaluated that, decided not to make those investments, but to look at shutting down three of our units in north Omaha, and then essentially converting the last two units in north Omaha to natural gas in 2023, or look at some other combination as we move forward. It also included us to purchase an additional 400 megawatts of wind. So, as been stated a couple times here, we're generating about 15 percent of our energy today with renewable resources and our plan is by the middle of 2017 to have 33 percent of our energy generated by renewable resources and that's our current plan in place. So, it was a renewable piece, it was to look at our future generation, it was also to reduce 300 megawatts of demand. And so what OPPD plans on doing is to put initiatives in place and the one that we would really focus in on utilizing this program for would be for our income qualified program. That will include home management education. And this is based on our work that we have been doing with the Common Fund agencies in Omaha, Salvation Army, United Way, Together, Inc., and we would also do fully

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subsidized energy efficiency measures to those income qualified customers, those that would be less than 150 percent of the poverty level and that would be our focus as we look at this bill moving forward. So, we believe this is a positive step. We believe this is something that our customers have indicated support to as we have talked with our customers over the past month. And so, we would hope that you would look favorably on this bill and the opportunity to participate in helping customers in the state of Nebraska. And with that, I will take any questions. [LB337]

SENATOR FRIESEN: Thank you, Mr. Burke. It's kind of unusual that a company wants to reduce its demand for its product. So it's kind of interesting to see. Any questions from the committee? Senator McCollister. [LB337]

SENATOR McCOLLISTER: Thank you, Senator. Thanks for coming, Tim. [LB337]

TIM BURKE: Absolutely. [LB337]

SENATOR McCOLLISTER: The bill envisions giving churches and nonprofits energy audits. Is that correct? [LB337]

TIM BURKE: Well, it's beyond that. It's not just energy audits. It could probably include that, but I think it's really beyond that. I think the way we would utilize it is to actually assist a customer's...our Demand-side Management initiative is really to assist residential customers through incentives to reduce peak demand. And in that reducing of peak demand would also reduce kilowatt hours as well. So there would be some energy conservation component to that. Our income qualified program would be very clear. It would be to help those customers who need it the most who maybe can't afford any kind of improvement in home insulation, duct sealing, air sealing, high-efficiency air conditioner, and so we would work with them to create a program that they would actually install those energy conservation measures, not just an energy audit. The education that we would do with them was to talk a little bit about how energy is consumed in their home. We would look at a variety of ways in which energy is used and educate them on that. But then the second half of that would be to actually assist them, but they have to go through the education piece before they get the support piece. That's the way we envision it. [LB337]

SENATOR McCOLLISTER: Do they get monies to insulate and do other projects from the utility? [LB337]

TIM BURKE: That is correct. [LB337]

SENATOR McCOLLISTER: In other words, they receive a betterment when that occurs. [LB337]

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TIM BURKE: Well, actually, all customers receive a betterment. That's one of the things that we did in the Demand-side Management initiative, is that as we've looked at it across the integrated resource plan, no one customer is negatively impacted by this initiative. And as we've kind of crafted it out, there's some measures that we've put in place across the whole Demand-side Management initiative that we're doing. It's called the Rate Impact Measure and it's a positive measure so that all customers benefit. If we can reduce peak demand, we're able to reduce costs across a wide range. And as we evaluated these options across our Integrated Resource Plan, whether that's retrofit, power plants, new power plants, new generation, whatever that may look like, this came out as one of the most cost effective options for us to do. [LB337]

SENATOR McCOLLISTER: So you're saying it's a dollar for a dollar? [LB337]

TIM BURKE: It's actually better than a dollar, than a dollar. [LB337]

SENATOR McCOLLISTER: So you invest a dollar in somebody's insulation, and you get a dollar's worth of benefit. [LB337]

TIM BURKE: Right. We get that benefit in not having to add additional power plants to defer that power plant in the future. And as you kind of look at the present value of those costs, it's better than a 1.0 cost-benefit analysis. [LB337]

SENATOR McCOLLISTER: In part of that bill there's no income test. So, if you go to a church, no matter how prosperous they are, they get this benefit at no cost to themselves. [LB337]

TIM BURKE: Well, the way we've structured our Demand-side Management initiative is that not all customers would get free...at least in our program anyway, would not get the free benefits of energy conservation. In some cases it's only a component that we would incent for a much broader energy conservation measure. As an example, we may incent higher...higher air conditioning efficiency. So, currently today the normal efficiency for an air conditioner in 2015, the minimum will be a SEER of 14.0, seasonal energy efficiency average. We would incent something greater than that, maybe a SEER 17. And they would get some dollar amount. It wouldn't be 100 percent of the cost of that higher efficiency air conditioner. It would be a component or a part of that incremental cost that they would have to pay. Those individuals would have to pay more than that. The focus that we're really looking at in our program is those that are less than 150 percent of the poverty level, which is like \$1,400. [LB337]

SENATOR McCOLLISTER: Yeah, I understand the energy efficiency test that you're looking at, but... [LB337]

TIM BURKE: Sure. [LB337]

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SENATOR McCOLLISTER: ...I think those...those folks, churches and other nonprofits, they get a benefit after you put the insulation in or replace the air conditioner. Why don't they have some skin in the game too? [LB337]

TIM BURKE: They would in the programs that we've developed and that we have shared with our board that we would implement, they would have skin in the game. [LB337]

SENATOR McCOLLISTER: At least 20 percent? [LB337]

TIM BURKE: I would say at least 20 percent. It would be far greater than 50 percent probably. Very similar to that in what they would have to provide and the incentives that we would provide. It's that...less than 150 percent poverty level folks that we're really looking at focusing and doing more of those energy conservation measures to reduce that bill impact. [LB337]

SENATOR McCOLLISTER: Well, I have no problem providing them help, but those folks can provide the...some money themselves, shouldn't receive a benefit here and I know the old program that you had, I think was at least 20 percent. [LB337]

TIM BURKE: I think that was a provision in the program. And we actually did use that program for a number of different initiatives that we've done, and we would continue to use those kind of provisions. I think in our Demand-side Management initiatives, customers would pay more than 20 percent of the overall cost. It's actually probably greater than 50 percent with those incentives on that air conditioner example that I just provided. So we would incent that, but they would still have to pay the remainder of that piece to go to that higher efficiency air conditioning unit, as an example. [LB337]

SENATOR McCOLLISTER: I know in the past, both MUD and OPPD enabled customers. You fronted the money on some of the improvements that they made for their utilities and they could pay for that over time in their bills. Do you intend to continue that? [LB337]

TIM BURKE: I think we'll see that. We are working on that right now. It's probably the second half of the year that we would look at doing some on-bill payment back and we would look with...work with local financial institutions to be able to do that. And so, that would be our plan on how we would move forward on those kinds of initiatives. [LB337]

SENATOR McCOLLISTER: The state is currently providing half a million dollars a year? [LB337]

TIM BURKE: I think currently it's \$250,000 a year in the current bill. And this would be

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increasing that to about a half a million dollars a year for two fiscal periods, or two years. [LB337]

SENATOR McCOLLISTER: Are you using the money that you have? I understand the fund is not being fully utilized right now. [LB337]

TIM BURKE: It's not, but I think as we would...we have budgeted in 2015, \$8.5 million to use on our Demand-side Management initiatives. And that essentially increases over a period of the next seven or eight years to significantly higher than that. [LB337]

SENATOR McCOLLISTER: Is that utility money or is that coming from a federal source? [LB337]

TIM BURKE: We will look for it. It's utility money but we also look for other grants and other opportunities for us to leverage those dollars. And obviously for the program that we're looking at here, these are tough programs to fund for this, less than 50 percent poverty level group and those...maybe landlords that provide some of those federal housing subsidies to really get to. And so, we believe it's going to create a little bit more need and incentive for us to get to those kinds of programs. And we're working with the local agencies to be able to do that through the Common Fund of Omaha. [LB337]

SENATOR McCOLLISTER: Have you set up a protocol for the income test? [LB337]

TIM BURKE: We're kind of going through that right, exactly how we would qualify that. We're looking at qualifying that like we would any of our energy assistance. It would be through the Common Fund agencies and there would be a Common Fund protocol that we would go through. So, they would actually be screened by either Salvation Army or United Way or Together, Inc., or whoever of those agencies end up being in that Common Fund, and then they would say, yes, they meet the income qualifications and then we would have them go through the educational piece and then essentially work with them to do the energy conservation measures through local contractors and folks like that. [LB337]

SENATOR McCOLLISTER: Yeah. Thank you, Tim, and thanks for your indulgence. [LB337]

SENATOR FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Senator Johnson. [LB337]

SENATOR JOHNSON: Thank you. You've identified churches, nonprofit, and that, can you help me understand a building or a business that would fall above or below, whichever is easier, the thousand kilowatt demand. [LB337]

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TIM BURKE: Well, I think schools districts would be a great example of that, would fall below that typical thousand kilowatts. So, it would be a thousand kilowatts of demand. Most all elementary schools, most junior high schools, most high schools would fall underneath that. So it's an opportunity for us to work on those kind of organizations, organizations such as Child Saving Institute, Siena/Francis House, those kinds of organizations that help the very needy and the organizations would fall underneath that threshold level. So it would be those kinds of organizations that we would reach out to to help participate in our program. [LB337]

SENATOR JOHNSON: So you're talking...you focused on organizations, so this does not apply to businesses or...? [LB337]

TIM BURKE: Oh, it does too. It does too. I was just giving an example. [LB337]

SENATOR JOHNSON: What would be a business that would be over a thousand, in general? [LB337]

TIM BURKE: Over a thousand would be a hospital, would be a large manufacturer, meat packer facility would be over a thousand kilowatts. Those kinds of things. Now, we have other...we have other programs that we've designed in our initiative that allows them to participate, we provide incentives. But it's this less than 50 percent of the poverty level group that we would look at, but that's where we would focus in this program. But certainly we would be able to expand that if we couldn't get the participation that we wanted to include funds to help support those kinds of things as well. [LB337]

SENATOR JOHNSON: Okay. Thank you. [LB337]

SENATOR FRIESEN: Thank you, Senator Johnson. Any other questions from the committee? Senator Kolowski. [LB337]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Tim, just to clarify on the thousand that you mentioned, would that be the accumulated thousand in the schools the size of Millard or OPS? Would all the buildings added up together or are you talking about individual buildings? [LB337]

TIM BURKE: Yeah, the way that we, I think, can envision this in the bill would be an individual building. It would be an individual premises. [LB337]

SENATOR KOLOWSKI: That's a lot different than 45 or a buildings. [LB337]

TIM BURKE: Much different. Exactly. If we looked at the whole school district, it would be significantly more than a thousand kilowatt, but it's really benefiting that building, that

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thermal envelope of the building, the heating and cooling systems within the building. And Senator McCollister talked a little bit about MUD. We have had conversations with MUD as well about participating in the program. One of the packets that we had in our income qualified program was to look at water restriction and shower restriction devices to lower cost and to help those customers lower their bills as well. And I think MUD is very supportive and will have those discussions. And we've had discussions with Mark Doyle and Dave DeVore and will continue to have those conversations to see how we can do this together in Omaha for sure. [LB337]

SENATOR KOLOWSKI: I just wanted to clarify that. Thank you. Appreciate it. [LB337]

SENATOR FRIESEN: Thank you, Senator Kolowski. Any other questions from the committee? Couple questions. Your program is probably targeted toward a season, the peak load, summer? [LB337]

TIM BURKE: That is correct. That is correct. [LB337]

SENATOR FRIESEN: So school districts, do they tend to run year-round in Omaha or...? [LB337]

TIM BURKE: Well, there's programs that typically go on during most of the schools during the year, whether they're summer programs, and certainly there are schools that are required to stay air conditioned full year-round. You have to remember, you know, those schools operate through June and they operate through, you know, they start in August, so they're still in that high air conditioning part of the year. And if there's an opportunity for us to reduce that demand, but if you put in a high efficiency air conditioner or rooftop unit or those kinds of things, that helps the overall demand as well. And that happens year-round and that's a benefit for all of our customer owners as well. [LB337]

SENATOR FRIESEN: The biggest benefit to you is reducing peak demand and that would be in the summer. [LB337]

TIM BURKE: Certainly that's the way our large future generation plan was developed and set up was to reduce that peak demand. So, you know, typically today we may be at half of our summer load, right, just because it's that time of the year. And we have relatively low energy in this part of the year, but in the summer it's at higher. So how do we lower that down and, therefore, if you do that, you don't need future generation and you don't have to add additional generation. [LB337]

SENATOR FRIESEN: Okay. Thank you. Any other questions from the committee? Thank you, Mr. Burke. [LB337]

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TIM BURKE: Very good. Thank you very much. [LB337]

SENATOR FRIESEN: Any other proponents wish to testify? Welcome. [LB337]

CAROL WINDRUM: (Exhibit 2) Good afternoon. My name is Carol Windrum, C-a-r-o-l W-i-n-d-r-u-m, and I'm here today speaking on behalf of Omaha Together One Community, a faith-based community organizing in the Omaha area. This was referenced to before and I am slowly making my way through the UNL study on the implications on Nebraska due to changing climate. The graphs and charts can seem daunting to fully comprehend, but I'm beginning to get the picture. We humans need to take more concrete steps to limit our greenhouse gas emissions. I want to bring it though, very, very close to home and I want to talk about my next-door neighbor who lived in a house probably 15 feet from our house. She works full-time. She enjoys working in her yard. She's raised children and she even delivered a delicious tray of cookies to me at Christmastime. She's a great neighbor. So when I saw one day moving boxes on her front porch, I was alarmed. She is a good neighbor and I didn't want to see her move. So we chatted a bit and I found out that she couldn't afford the increase in rent that was coming, and she also shared that her heating bill in the winter was sometimes over \$300 a month. She needed to find another place more affordable and with better energy efficiency. Perhaps my neighbor could actually afford home ownership if there were adequate state funds to put energy efficiency programs in place so that the money that she would save on these outrageous utility bills could maybe help pay a monthly house payment. So my neighbor is part of the working poor. She's conscientious. She works hard, but she still can't seem to get ahead. So I support LB337 for two reasons. I support it for the big picture. The United States is the major contributor of greenhouse gas emissions and we absolutely have to change our ways, and I support LB337 because of my next-door neighbor, or my former neighbor, because she had to move, and for all those who struggle to pay bills and have a modest sense of security. I want my tax dollars to help provide at least \$500,000 in state funds to be matched by utilities for energy efficiency programs which can help energy customers reduce their utility bills. I hope the bill continues to focus on low-income residents like my neighbor. Thank you. [LB337]

SENATOR FRIESEN: Thank you, Ms. Windrum. Any questions from the committee? I will agree with your statement. I would like to see it focused more on the low-income and see that they get those efficiencies increased. That would be a good target. Thank you very much. Any other proponents? Welcome. [LB337]

KIM MORROW: Good afternoon. Thank you. My name is Kim Morrow, K-i-m M-o-r-r-o-w. I am the director of Nebraska Interfaith Power and Light and minister of sustainability at First Plymouth Church here in Lincoln. Two years ago I worked as a sustainability advisor on the reEnergize Program, a project in Lincoln and Omaha that helped homeowners, businesses, and houses of worship obtain energy assessments of

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their buildings and helped with the cost of certain energy savings upgrades. Through my experience in doing that work, I learned of the tricky problem of energy efficiency programs for multiunit dwellings. The building owner doesn't pay the utility bills and so has no incentive for making energy saving improvements. And the tenants who do pay the utility bills do not have the ability to make improvements to their building, thus nothing tends to get done in the way of energy efficiency in multiunit dwellings. A lot of energy is wasted and residents' utility bills are needlessly high. As a person of faith, it is both the environmental conservation issues and the economic justice issues involved that concern me. Where the two overlap, we have what's known as an environmental justice issue. Low-income folks are the ones who are always the most adversely affected by poor planning. Many people struggle to pay their heat and electric bills every month and when they're living in an apartment with poor insulation and leaky windows, they are going to use more heating and cooling to make it livable, or they will simply go without. At my church, people come and call us every week with honest requests for financial help to simply pay their utility bills. We help, as we can, sending checks directly to the utilities on their behalf, but what we also see is how an undue financial burden in the form of higher than normal utility bills can unravel a family's life. They have to choose sometimes between heat and food, or between heat and gas for their car to get to work, or between heat and Christmas presents for their children, or cooling, as the case may be in the summertime. If the buildings these folks live in were properly insulated, their utility bills would drop. Energy would be conserved, lightening the load on our electric utilities. Less load for the utilities means they can delay building their next power plant, saving their customers money, and curtailing emissions to our atmosphere. So for these reasons I urge you to support LB337. It is the right thing to do for our people and for our planet. Thank you. [LB337]

SENATOR FRIESEN: Thank you, Ms. Morrow. Any questions from the committee? Seeing none, thank you very much for coming in. [LB337]

KIM MORROW: Thank you. [LB337]

DUANE HOVORKA: Good afternoon. My name is Duane, D-u-a-n-e, Hovorka, H-o-v-o-r-k-a, and I am executive director of the Nebraska Wildlife Federation. We're a statewide organization devoted to Nebraska's wildlife and wild places, and we're here to support LB337 for several reasons. Certainly, energy production and distribution has a huge impact on wildlife and wildlife habitat, so this whole issues of...around energy are important to us. We are here particularly to support the increase in state funding for...from \$250 to \$500,000 dollars to support energy efficiency projects. We think it makes sense to broaden the language that's in the current law because the utilities have not taken full advantage of this fund in the past, and we think that probably the existing language is a little too restrictive in how they can use it. We also appreciate the language that broadens the measures, the energy efficiency measures that the utilities could use to deliver to customers. So we appreciate that and support that. We would

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prefer to keep the focus of the state funding on at the low-income level, and that's the language on page 3 in (5) that's stricken from the current law, is to strike the income test for the recipients. And so that energy efficiency, certainly utilities are finding that it's both cheap energy and cheap capacity and if you look at utilities in Nebraska and utilities elsewhere, you're looking at purchasing...when you purchase a new power plant, a new gas power plant, you're going to spend about \$1.2 million per megawatt to build that power plant. You can get through energy efficiency and conservation measures that same megawatt for about half the price and you don't have to pay fuel that you have to burn later. It's also cheap kilowatt hours. If you're looking at coal or gas-fired electricity that's three...two, three, four cents a kilowatt hour to generate, with the energy efficiency measures you can often get that same megawatt, I guess, for one to two cents a kilowatt hours. So it's cheap energy, cheap capacity. But again, some...an alternative to focus it on the low-income side, but still give the flexibility to the utilities to design programs that meet their standards, that meet their needs of their customers might be to funnel the money rather than first-come first serve, which is in the current law and would remain in the bill, maybe to funnel the money through the Nebraska Energy Office to ask utilities to apply for the money, tell the Energy Office how they're going to spend the money and how they're going to meet the need of low-income folks in their communities, in their service territory. And then if it's oversubscribed, if there's more demand from our utilities than there is \$500,000 state funds to pay for it, the Energy Office could award that to those utilities based on using that energy...or using that low-income test as a guideline. So I think that might be a way of providing some language that would keep the focus on the low-income folks. And the reason that that's important is because, you know, as Mr. Burke said, those are the folks that have the least capacity to invest in weatherization. And if you say, hey, we're going to pay half the cost of putting insulation in your home, if they don't have the other half of the cost, it really doesn't matter. So those homes are never going to get weatherized. And so, when you're trying to meet the needs of low-income renters, there's even more difficulties there because typically it's the renter that's paying the utility bill so they don't really have an incentive if they're only going to be there six months, for a year, to make multiyear investments in a building they don't own, whereas, the landowner also may not have any incentive to make it more efficient because they don't pay the utility bill. So there are some special circumstances. I think that's our suggestion for helping this program remain focused on low-income folks to help provide more support for the kinds of cost effective energy efficiency measures. So thank you for your time. [LB337]

SENATOR FRIESEN: Thank you, Mr. Hovorka. Questions? Senator McCollister. [LB337]

SENATOR MCCOLLISTER: Yeah, thank you, Senator. Isn't the Nebraska Energy Office, don't they currently administer all of the federal funds that come into the state with regard to energy assistance? [LB337]

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DUANE HOVORKA: I think they do, yeah. [LB337]

SENATOR McCOLLISTER: And that's fairly big money, is it not? [LB337]

DUANE HOVORKA: It's...I don't know the numbers, but I think it's in the millions. [LB337]

SENATOR McCOLLISTER: Yeah, I believe you're right. I like your idea of running it through the energy system and I also like the idea of the priority protocol that you established. And that's...I think those are great ideas. I hope we can incorporate them into the bill. [LB337]

DUANE HOVORKA: And I've seen OPPD's plan that they put forth, the 300 megawatts, and I think certainly the piece of their plan that focuses on low-income targeting, I think would more than meet whatever standard you could, you know, in terms of prioritizing. So I love the things that they're doing with that piece of it. [LB337]

SENATOR McCOLLISTER: Thank you very much. [LB337]

DUANE HOVORKA: Sure. [LB337]

SENATOR FRIESEN: Thank you, Senator McCollister. Any other questions? Seeing none, thank you very much, Mr. Hovorka. [LB337]

DUANE HOVORKA: Thank you. [LB337]

SENATOR FRIESEN: Any other proponents? [LB337]

KEN WINSTON: (Exhibit 3) Good afternoon again, Senator Friesen and members of the committee. My name is Ken Winston, K-e-n W-i-n-s-t-o-n, appearing on behalf of the Nebraska Sierra Club in support of LB337. I enjoyed hearing what Tim Burke had to say this afternoon and we would strongly agree with the approach that Mr. Burke laid out. We think that...well, as I indicate in my letter to the committee, we were involved in the passage of LB1001 back in 2008, which set up the original program. We thought that was a good idea, but we also recognize it hasn't been used very much because that was targeted to low-income homeowners and one of the problems that you have is that many low-income people don't own their own home. And so, so it's a very limited access to the program and so expanding the definition makes a lot of sense. We also think that appropriating state funds to support utility energy efficiency programs is a good investment and that it will pay dividends. And one other thing, as Mr. Burke noted, they did do a cost evaluation of their efficiency programs that they're planning and overall, they believe that their projections are that every dollar they will invest will return \$1.66 to them. So, it will be a return on investment as opposed to just spending money

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and not getting money back. So that is their projection. And would agree with the suggestion that Mr. Burke made, and as also suggested by a couple other testifiers, that it be targeted to low-income residents. I like the idea that Mr. Hovorka, that Duane suggested. He's always got great ideas and I thought that was a good suggestion, a way to allocate the money. And then also...also was pleased to hear Mr. Burke talk about the on-bill financing programs and Senator McCollister mentioned that, because I think that's been used in a number of communities in the state and it's been very effective. And we'd like to see more of that because if there's a way that you can use private sector financing and private contractors to work with our public power districts, or maybe our natural gas providers, but however it's done, oftentimes if it isn't easy, people don't do it. And setting up something like that makes it a lot easier. The financing is provided and then rather than having to write a separate check every month, it just comes out of the utility bill and it makes a lot of sense. So, we'd like to see more emphasis on those kind of programs as well. So, we think that's a great idea, and I would encourage folks to look at OPPD's Demand-side Management Program. I'm sure it's on the Web site. I don't know, maybe Mr. Burke handed it out today, but I think it really has a lot of good information on it. I'd really encourage folks to look at it because it has lots of good information and particular their residential income qualified program was what he was talking about earlier, and it describes how they plan to do that and has lots of great...great charts and graphs as well. So, I encourage folks to look at that. And we'd recommend advancement of LB337. [LB337]

SENATOR FRIESEN: Thank you, Mr. Winston. Any questions for Mr. Winston? Seeing none, thank you very much for your testimony. [LB337]

KEN WINSTON: Thank you, Senator. [LB337]

SENATOR FRIESEN: Other proponents? [LB337]

DOUG GRANDT: (Exhibit 4) Well, I didn't intentionally follow Ken again, but I just didn't want to be last. Again, I'm Doug Grandt, D-o-u-g G-r-a-n-d-t. Thank you very much for this opportunity. It's a pleasure to be here. Again, I sent an e-mail to everybody with this testimony which I don't intend to read, but there's a few things in here I may want to read just so I get the words right. I may be, in deference to Kim Morrow, I may be preaching to the choir, here. (Laugh) But I...in...pardon me, in 2006, December 29, I heard Amory Lovins make a statement. It was a Friday night. I had to go back and check the date because I remember that date. It was the first time I ever heard Amory Lovins and he talks so fast, it's like drinking out of a fire hydrant. There's so much information. He...Amory Lovins is the founder of Rocky Mountain Institute and he makes a living out of retrofitting factories and facilities to improve their efficiency and basically piping to make long-sweeping bends instead of right angle bends and to insulate and that sort of thing. But he has espoused energy efficiency from the time I heard about him in 2006. He coined the phrase "negawatts," n-e-g-a-w-a-t-t, negawatts, as in

negative. In other words, those are watts that are saved. The cheapest fuel is the fuel that is not burned was something that I remember him saying. I'm not going to go into all the reasons why I support this bill. Everybody else has already said it, but improving access to funding for technology that reduces energy demands will make our limited supply of energy go farther by creating more and more energy not burned. Creating more and more energy not burned will reduce the amount of capital expenditures required to replace outdated technology because less energy will be needed. Just a few days ago, there was an article that appeared in the Economist, January 17, 2015. The heading, or the title was, Invisible Fuel. The biggest innovation in energy is to go without. But it caught my eye because, you know, we really don't want to go without, we just want to use it more wisely. The first sentence said: The cheapest...the cheapest and cleanest energy choice of all is not to waste it. I think that's what we're talking about here. We don't want to waste it. And I'm going to give you a real life example in a second, but I want to read the first paragraph of that article. Progress on this has been striking yet the potential is still vast. Improvements in energy efficiencies since the 1970s in 11 IEA member countries that keep the right kind of statistics (America, Australia, Britain, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands and Sweden) saved the equivalent of 1.4 billion tons of oil in 2011 worth \$743 billion. The savings amounted to more than their total final consumption in that year for gas, coal and any other single fuel. And it goes on. I'll let you read the rest. It's really an amazing article. But I want to put a pitch in for something I learned about, I think it was 2007. The chief of staff for the mayor of Berkeley, California came up with an idea and he actually turned it into a business after he left and it's called PACE, Property Assessed Clean Energy. And the idea was, they...he went out and he got \$30 million in bonds. He arranged...and that's been his job, organizing bonds. Thirty million dollars in bonds and he would give it to a family who wanted to put solar on the roof or hot water heating or insulation or whatever they wanted as long as it made sense to do it. The collateral was the roof. They didn't have to qualify as an individual as on their income. The roof was the collateral and the idea was that the roof would stay with the house even if you moved or got divorced or died or somehow left or couldn't afford it. The equipment that was put on the roof stayed with the roof and it was paid for in your property tax. So there was an assessment, special assessment district that was created that would amortize that bond over 20 years and it would pay it off, and immediately the people would start saving money. Now, one caveat, and I'll be done in a second, is that every house had to have an energy efficiency audit. You couldn't get the solar on the roof, or the windmill or whatever you wanted, until your house qualified with tight ventilation and walls and doors and seams and all the rest. So I just want to say, \$30 million for one town and just to round that out. Berkeley, of course, is very liberal. There's a town in southern California called Palm Desert, very conservative. They did the same thing. And then it started going across the country and then there was some lawsuits and it kind of faltered a little bit, but it's coming back. PACE, P-a-c-e, Property Assessed Clean Energy. And I think if Senator Harr, or somebody could endorse that and go forward with that, \$500,000 is a drop in the bucket. Thank you very much.

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[LB337]

SENATOR FRIESEN: Thank you, Mr. Grandt. Any questions from the committee?
Seeing none, thank you very much. [LB337]

DOUG GRANDT: Thank you. [LB337]

SENATOR FRIESEN: Any other proponents wish to testify in favor? Any opponents
wish to testify? Anybody wish to testify in a neutral capacity? Thank you very much for
attending. We'll now close the hearing on LB337. Thank you very much. [LB337]