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Natural Resources Committee
February 16, 2017

[LB657 LB660]

The Committee on Natural Resources met at 1:30 p.m. on Thursday, February 16, 2017, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB660, and LB657. Senators present: Dan Hughes, Chairperson; Bruce Bostelman, Vice Chairperson; Joni Albrecht; Suzanne Geist; Rick Kolowski; John McCollister; Dan Quick; and Lynne Walz. Senators absent: None.

SENATOR HUGHES: It's 1:30 so we will begin the Natural Resources Committee hearing. We do have overflow in Room 1023 should you like to go there and listen. I believe we have audio of the hearing, so if it gets too hot in here or there are additional people want to come in and sit, 1023 is where we have our overflow. It's good to see a big crowd here today. Welcome to the Natural Resources Committee. I am Senator Dan Hughes. I'm from Venango, Nebraska; I represent the 44th Legislative District. I serve as Chair of this committee. The committee will take up bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on proposed legislation before us today. The committee members might come and go during the hearing; this is just part of the process as we have bills to introduce in other committees. I ask you to abide by the following procedures to better facilitate today's proceedings. Please silence or turn off your cell phones. Please move...oh, probably not going to work. Introducers will make initial statements followed by proponents, opponents, and neutral testimony. Closing remarks are reserved for the introducing senator only. If you are planning to testify, please pick up a green sign-in sheet that is on the table by the back of the room. Please fill out the green sign-in sheet before you testify. Please print, and it is important to complete the form in its entirety. When it is your turn to testify, give the green sign-in sheet to the committee clerk or to a page. This will help us make a more accurate public record. If you do not wish to testify but would like your name entered into the official record as being present at the hearing, there is a separate white sheet on the tables that you can sign for that purpose. This will also be part of the official record of the hearing. Written materials may be distributed to committee members as exhibits only while testimony is being offered. If you have handouts, please make sure you have 12 copies and give them to the page to distribute to the committee. When you are up to testify, please speak clearly into the microphone; tell us your name and please spell your first and last name to ensure that we get the accurate record. If you fail to do so, I will stop you and ask you to do that. How many people do we have to testify today, just a show of hands? Okay. We will be using the light system for all testifiers. You will have three minutes to make your initial remarks to the committee. When you see the yellow light come on, that means you have one minute remaining, and the red light indicates your time has ended. Please wrap up and questions from the committee may follow. No displays of support or opposition to a bill vocal or otherwise is allowed at a public hearing. The committee members with us today will introduce themselves beginning on my far left.

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Natural Resources Committee
February 16, 2017

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

SENATOR GEIST: Suzanne Geist, District 25, the east side of Lincoln and north to Waverly.

SENATOR QUICK: Dan Quick, District 35, Grand Island.

SENATOR WALZ: Lynne Walz, District 15, all of Dodge County.

SENATOR HUGHES: And on my far right.

SENATOR ALBRECHT: Good afternoon, my name is Joni Albrecht, I'm from Thurston, Wayne, and Dakota Counties, District 17.

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

SENATOR BOSTELMAN: Bruce Bostelman, District 23, Saunders, Butler, and most of Colfax Counties.

SENATOR HUGHES: To my left is committee legal counsel, Laurie Lage. And to my far right is committee clerk, Mandy Mizerski. Our pages for the committee today are Heather Bentley from Miller, Nebraska; she is a freshman at UNL, studying agriculture and economics. And also Lee-Ann Sims from Lincoln; she is a sophomore at UNL studying political science and global studies. So with that we'll begin with our first bill, is this the correct order or did we switch them? Okay. LB660. Senator Wayne, welcome to the Natural Resources Committee.

SENATOR WAYNE: (Exhibit 1) Thank you, Chairman Hughes, and good afternoon Natural Resources Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent the 13th Legislative District which is north Omaha and northeast Douglas County. I won't go through the history of public power, all the dates that I have, it's in the handout that was given to you. But the reality is today, public power, which we started in 1887 with Crete, and then 1993 with an enabling act from the then senators back then, it's completely different than the public power and the market that we have today. There have been significant changes in the market and I think it's time that we have a big conversation about public power and the role it's going to play in the future in the market that we are now in. Since 2008, only four states have seen bigger price jolts than Nebraska according to the Omaha World-Herald analysis. And in particular, Nebraska has gone up over 20 percent as far as rates since 2008. Not only are Nebraskans paying more to keep their light on than many other states, the rate increase has cost us the long-time placement of in the top ten for lowest electricity costs. The trends doesn't seem to change and doesn't seem to

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

change any as far as natural gas and some of the things I'm going to talk about don't seem to change as we move forward. From the 1990s to the 2000s, Nebraska consumers had, no doubt, some of the best electricity cost in the country; but that has changed. And the reason it has changed is for three reasons: (1) is the SPP; low natural gases is (2), and (3) is the wind generation footprint within the SPP. So if you'll bear with me real quick, I'll walk through a little bit of the SPP which is the Southwest Power Pool. In 2009, Nebraska entered into the Southwest Power Pool, which means that Nebraska was no longer on an island of its own as far as the electric world, or utilities world. If you look in your binder where it says "market", you'll see a map where you can see where SPP clearly goes through many different states and we are now a larger part of this network. That was a huge change for the industry and public power in Nebraska. But a bigger change occurred in 2014. In 2014, the SPP opened up what they called the integrated market. In an integrated market, they control the balancing of our energy. Prior to 2009, Nebraska utilities controlled how much energy we generated and where that energy went. After 2009, that changed, but more importantly after 2014 it's nonexistent. SPP now dictates where generation comes from and what types of energy we use based off of a price and a cost that is a little complicated, but at the end of the day Nebraska no longer controls that. The market is actually a day ahead market where the price changes hourly and there's a real time market that also changes every five minutes. You can go on-line and literally watch how the cost of energy changes and the production changes. As a market operator, SPP determines which power is bought and sold based off of demand. That means that Nebraska Public Power no longer dispatches power plants or supplies electricities to their customers within their own generation. These functions are all now turned over to SPP. So essentially, today electricity is a commodity that is bought and sold on the market. That is a different world when public power was started and actually through the years that public power has been in existence. What also occurred in 2015 is SPP footprint expanded into North Dakota and South Dakota and parts of Montana. This added over 5,000 megawatts of demand and 9,500 miles of transmission lines, but it also expanded the wind energy market. And that's a big reason why I'm here today. What that means is...I'll come back to that. So natural gas has started to go low. And as natural gases go low, the plants that we have, coal and nuclear, are higher costs which means they're not first in and first out all the time on the market, and it...SPP is driving down the prices using these cheaper fuels. And unfortunately, we have some facilities and assets that are growing and cost more to use. But the bigger issue, I think, is the threat of wind. As wind significantly increases, last year, 2016, SPP installed nearly 17,000 megawatts of new wind. This year, they expect to install another 2,000. As more wind is produced, there is a risk that Nebraska's coal plants will sit idle more often, less able to recover their fixed cost, and dispatch electricity to Nebraska residents which means our taxpayers will have to...our ratepayers will have to pay more. This is also a critical decision...in your handout there's an article from OPPD where this was a decision where they cut down the Fort Calhoun...they decommissioned the Fort Calhoun nuclear site because it's actually cheaper to buy from the market over a 20-year period, which is going to cost a billion dollars, than it is to keep that plant running. That is the changing market that we're dealing with. I won't

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

talk too much about the Public Review Board, although there is some things that I would like to address, but due to time...but I do want to make it clear that the purpose of this bill is to start a conversation. A conversation about the future of public power and what role it will play in Nebraska. The market has clearly changed. Our rates...our customer rates are not as competitive as they used to be. And instead of it being a reactionary Legislature, I hope that we can be a proactive one to have a big conversation about these issues to make sure that our taxpayers and our ratepayers are not getting hit with unnecessary costs. And with that I would ask...I will answer any questions. [LB660]

SENATOR HUGHES: Thank you, Senator Wayne. Are there questions? Senator Bostelman. [LB660]

SENATOR BOSTELMAN: Thank you, Mr. Chairman. Thank you, Senator Wayne. Where do you...what information do you use to determine that we're paying higher electric rates than our surrounding areas? [LB660]

SENATOR WAYNE: Well, a couple of years ago, and it's actually in here, there's a couple of articles that came out. It's in your tab and it's underneath the Omaha World-Herald analysis in which they went through the rate hikes underneath the market changes. There's two articles about rising hikes-Nebraska. They looked at surrounding states, not just there. But also in my personal life, I have family members in Iowa, and their rates are lower than what I am paying right now. [LB660]

SENATOR BOSTELMAN: Are you aware of the U.S. Energy Information Administration's-- Electric Power Monthly that does average price of electricity to ultimate customers by end-use sector by month? [LB660]

SENATOR WAYNE: I'm aware of it. [LB660]

SENATOR BOSTELMAN: And on that it does show Nebraska being at 10.73 cents per kilowatt-hour and in case for Iowa it's 12 cents. And in the west...north central, I'm just curious if you have different...I'm just...find if you have different data than I do. It's showing where Nebraska actually is very low in its price per kilowatt across the board compared to our region and across the country. So I'm just...I'm just trying to figure out, you know;... [LB660]

SENATOR WAYNE: Right. [LB660]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR BOSTELMAN: ...if you've got different information that's fine, I would like to have it. [LB660]

SENATOR WAYNE: No, there's...in your book there's plenty of data. And you have lies, lies, and data; I used to always be told in law school. And the reality is, I can find data that shows that industrial and commercial is significantly higher in Nebraska than in surrounding states. And then there will be data that says, well, the reason our industrial is a little higher because we consider irrigation as part of that. And so we can manipulate data all the time. My point to this is, and my point to this conversation is the market has changed for us in 2009, and in 2014 it's clearly changed because it is now a commodity market in which we operate, and we should have a conversation about that. [LB660]

SENATOR BOSTELMAN: Sure. So I guess my followup to that would be I understand you feel like who are you hearing from that you feel that we need to have this conversation of this change? [LB660]

SENATOR WAYNE: Well, since I have the fortunate of being just south of the OPPD power plant, when that decommission order...or suggestion came out, many people who live in my district work there and had a hard time understanding how do we just invest \$250 million to open it back up and then still decide to close it? We have a coal plant in my district which they are converting over and people are still trying to figure out why are we going to natural gas versus coal which has a lot to do with the next bill. People sometimes don't know information and so they're asking a lot of questions about it. Furthermore, on my campaign trail, I went to many wind farms. And I happen to be at one down by Beatrice where I was standing there and although the wind was blowing, windmills started to be shut down and I couldn't understand it so I asked why. And it was because somebody in Arkansas was looking at the market and said we had too much energy on the market so we're going to shut down the generation in Nebraska to balance out the market. And at that point I realized we need to have a conversation about if they're controlling our generation, then what are we doing proactively to make sure our taxpayers aren't getting hit with anything. So, yes, they literally shut down the wind farm...slow...yeah, shut it down to balance the market. And that wasn't a Nebraska utility's call. [LB660]

SENATOR BOSTELMAN: Understand, understand, I hear you. And...but you say to build...you support more wind generation, but if our wind generation is currently being here...is being shut down by an outside source, I don't know how that's going to help us. [LB660]

SENATOR WAYNE: That's true. That's why it's an interesting position to be in because we have...what they'll say is we have too much energy already on the market. I understand that. But there is going to come a day within the next 20 years where there's going to be a battery

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

available to store power and we have...I mean, we as a state have to decide--are we going to be a part of that conversation with wind or are we not. The fact of the matter is, we rank number three in the country in wind, yet we are far, far behind wind development. And just because there's electricity on the market doesn't stop places like Iowa, Kansas, and our surrounding states from continuing to develop wind and put more energy into the market and the SPP further driving down our cost, but our fixed costs on these plants are there. We have 1.83...or \$1.3 billion in debt on facilities in some of our organizations. That cost...that is a fixed cost on revenue bonds that we are going to have to pay one way or another. If the cost of energy keeps going down, but my bill keeps going up, we have to find out why and we have to have that conversation. [LB660]

SENATOR BOSTELMAN: Okay, thank you. [LB660]

SENATOR HUGHES: Okay, Senator McCollister. [LB660]

SENATOR McCOLLISTER: Thank you, Mr. Chairman, and thank you, Senator Wayne, for your introduction. Isn't it true that wind with no fuel cost is the cheapest form of electricity that goes into the grid? [LB660]

SENATOR WAYNE: It is; but that is a misnomer. There's still a cost, but the way SPP does their market analysis it doesn't include the fixed costs and some other costs that are associated. But the answer is yes, the way our market is, wind would be the cheapest right now and goes into the market. [LB660]

SENATOR McCOLLISTER: And perhaps the declining cost that you talked about are because of wind energy and perhaps some solar? [LB660]

SENATOR WAYNE: Yes. [LB660]

SENATOR McCOLLISTER: Would that be true? [LB660]

SENATOR WAYNE: Yes. [LB660]

SENATOR McCOLLISTER: In those states that have gone to retail choice, is there any indication that it's had a beneficial effect on pricing? [LB660]

SENATOR WAYNE: This goes back to data. I can find you data that says that there is; I can find you data that says that there's not. You'll hear some testifiers behind me who will point to data

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

that says there is. And I don't think their data is wrong; I think every market is different. And that's why I say we have to have conversation about what's Nebraska market going to look like in the future. [LB660]

SENATOR McCOLLISTER: Thank you. When you look at the Nebraska's energy costs over, maybe, a decade, do you still hold that the...that Nebraska is a high-cost state applies? [LB660]

SENATOR WAYNE: It depends on which cost you're looking at. Are you looking at residential, industrial, or commercial? I will submit to you over the last six years industrial and commercial has been a high cost; residential not so much except for the last five years we've seen rate increases, but we don't necessarily know why those rates went up. [LB660]

SENATOR McCOLLISTER: Yeah. Thank you, Senator. Thank you, Mr. Chairman. [LB660]

SENATOR WAYNE: Thank you. [LB660]

SENATOR HUGHES: Okay, additional questions for Senator Wayne? Senator Geist. [LB660]

SENATOR GEIST: I'm just curious as I've read through some of this, you're not using the Nebraska Power Review Board and switching over to having the oversight with the Public Service Commission. And I'm just curious why that is. [LB660]

SENATOR WAYNE: Well, in Urban Affairs, natural gas falls underneath the Public Service Commission, and so I think it would...at the time, I thought it would be easier to have all utilities under one organization. I have talked to Mr. Trexel from the Public Power Review Board and I'm okay with amending it to Public Review Board. That's just from the first draft that I thought about. [LB660]

SENATOR GEIST: Okay, thank you. [LB660]

SENATOR HUGHES: Any additional questions? Senator Bostelman. [LB660]

SENATOR BOSTELMAN: Thank you. Senator Wayne, a question--other states have retail choice, correct? [LB660]

SENATOR WAYNE: Yes. [LB660]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR BOSTELMAN: And in those states, you realize public power is exempt from retail choice. [LB660]

SENATOR WAYNE: Yes. Some...I'm not sure about all of it, some of it, yes. [LB660]

SENATOR BOSTELMAN: Would you be willing to do an amendment to have public power be exempt from retail choice in this state if the bill passes? [LB660]

SENATOR WAYNE: I think it's a worthy conversation to have. I'm not saying no. I'd have to...the lawyer in me says I can't commit without reading it, so sorry. [LB660]

SENATOR BOSTELMAN: I hear you. (Laughter) That's fine. Thank you. [LB660]

SENATOR HUGHES: Okay, additional questions? Seeing none, thank you, Senator Wayne. You'll stay for closing, I'm assuming. [LB660]

SENATOR WAYNE: Yes. [LB660]

SENATOR HUGHES: Okay. Proponents of LB660? Welcome. [LB660]

PHILIP YOUNG: (Exhibit 2) Thank you. I'm going to try and fly through this as fast as I can with three minutes. Chairman Hughes and members of the Natural Resources Committee, my name is Philip Young, P-h-i-l-i-p Y-o-u-n-g. I am here today as a registered lobbyist for Americans For Electricity Choice, which is a non-profit entity whose goal is to educate people about options and benefits for electricity retail choice in their states. We are a group working nationally, but we are based in Lincoln. Electricity service in Nebraska has become an emotional issue because we are the only state that claims to have 100 percent public power. My own grandfather, Charlie Shalla, who was a farmer in southern Gage County, was a long-time board member of the Norris Public Power District, and was very proud of his service. I still remember his stories, talking about how electricity on the farm changed their lives with refrigeration, lights, and powers for pumps. I think every Nebraskan recognizes the contributions public power made to our state in those early days of electrification. We're here today talking about change. For some people and organizations, change is scary. For others, change is an opportunity to improve on what we already have. There's no question there is an ingrained public power establishment in Nebraska. For years NPPD ran ads about them being "always there when you need us," when there was no threat of electricity choice to them whatsoever. Perhaps they were preparing for this day. But conditions and situations and markets change with time. You heard how in the 2000s, the Legislature had a conditions certain report that talked about what had to happen before

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

Nebraska became a retail choice state. Public power representatives were on that committee that produced that study. When they created the conditions that were required before Nebraska could become a retail choice state, I'm sure they couldn't envision a future where those conditions would ever be met. But they have been met, and more. For the first time in memory, we saw REAs and municipalities issue RFPs for their wholesale power, instead of just signing another 20-year contract with NPPD that has no price in it. The RFPs that got those entities cheaper electricity than NPPD could give them, saving their customers money. Nebraskans now get their power from generators throughout the SPP footprint, not just from our in-state generation facilities. If anyone doubts this, I ask where their electricity comes from when Cooper Nuclear Station is down for service, or when Sheldon Station in Hallam goes off-line. OPPD shut down Fort Calhoun nuclear station, yet there's no shortage of electricity in OPPD's footprint. If Nebraska legislators decide to move our state into a retail choice market, giving consumers the power to choose their own electricity plan that works best for them, it won't damage the public power system that my grandfather was a part of. The customers in Norris Public Power District will still have a local entity fixing their outages and delivering their power to them...to their home, the only difference would be where they send their check. To conclude, the lines and wires reliability Nebraskans expect will still be there with retail choice. And the SPP will make sure the electricity is always there when you need it. Nothing in terms of your electric service would change, except that you might get free nights and weekends power, or a free nesting thermostat for your home, the opportunity to buy 100 percent renewable power if you want it, or simply the cheapest power available. Those are changes that are pretty good options for Nebraska ratepayers, and that's why we're here today to support LB660. Thanks, and I'd be happy to try and answer any questions that you might have. [LB660]

SENATOR HUGHES: Thank you, Mr. Young. Are there questions? Senator Quick. [LB660]

SENATOR QUICK: Thank you, Chairman. And thank you for testifying. I know you mentioned that...where the check would be sent. [LB660]

PHILIP YOUNG: Um-hum. [LB660]

SENATOR QUICK: Well, the check would probably go to someone outside the state, I would... [LB660]

PHILIP YOUNG: It could, or there will be...there could be local retail entities that decide to get into the power business; or it could even be sent to another public power entity that's competing for that retail business. [LB660]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR QUICK: Yeah. I just see it as, you know, if we keep the money in our state, it helps the local economy as well and get that power produced at that local facility it helps keep the...grow the economy there and keep the money in place. [LB660]

PHILIP YOUNG: It helps keeping money in our state. But you have to realize it is a commodity for electricity. It's becoming more and more of a regional thing. I mean, keep the money in the state, but yet we buy coal from Wyoming which goes outside the state. Lincoln Electric System bought a whole lot of wind from Oklahoma. I mean, it's becoming more and more...as Senator Wayne indicated, it's much more of a regional type of utility and a regional commodity now and it's not...we're not our energy island like we were for so many decades. [LB660]

SENATOR QUICK: All right, thank you. [LB660]

SENATOR HUGHES: Additional questions? I've got one, kind of following up on what Senator Quick talked about. [LB660]

PHILIP YOUNG: Yes. [LB660]

SENATOR HUGHES: If retail choice comes into play and you get your power from wherever, will there be additional checks that have to be written? I mean, do we have to write one for your electricity, one for the distribution? [LB660]

PHILIP YOUNG: No. [LB660]

SENATOR HUGHES: Who's going to handle that and who's going to regulate to make sure that all of those fees are appropriate? [LB660]

PHILIP YOUNG: And this bill is written, it would be the Public Service Commission who would do it. And if you are a retail provider, and I'm pretty sure this is how it works, but if I'm wrong maybe someone behind me can correct me, but in other states with retail choice, you still send one check to one provider. It's the overall provider who buys the energy, puts it on-line, pays for the...pays the transmission entity for transmitting it; they also pay the distribution entity for distributing it which might be your local municipality or your local REA, in the case of Nebraska, for distributing it. And they're the ones that pay those local entities to perform those functions. But the consumer would still only pay one check to the power provider, if you will, ABC Electric Company, or whoever that might be. That company would be then regulated by the Public Service Commission who would be in charge of overseeing their rates. Any kind of rate increase would have to be justified before the PSC. [LB660]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR HUGHES: Okay. Just one last question: who is Americans for Electricity Choice? I mean, what group is that? Where are they headquartered? [LB660]

PHILIP YOUNG: We're an organization that was started...basically started here in Nebraska, but we're currently operating in states of Kansas, Nevada, where other legislation supporting...well, in Nevada they passed a statewide ballot issue by 73 percent in favor of supporting moving Nevada to a retail-choice state. We've gotten involved in states where we see people interested in exploring this option to try and lower their electric rates, usually because of high increases that they've seen, similar to what our state saw. We try and educate voters, but also educate legislators by going in and talking about the options, talking about the benefits, and as Senator Wayne is doing here, get this discussion going so people can try and learn more. In Nebraska, because public power is...because your bill is so simple and because public power has...because customers don't necessarily understand how everything works. I would venture to guess that 95 percent of Nebraskans don't have any clue that the Southwest Power Pool controls our power plants these days for instance. But because of that, we're hoping to empower citizens by giving them more information through the next bill, for instance, with unbundled bills and providing more information about how the Southwest Power Pool works so they can have a little bit better grasp. I don't think Nebraskans don't know what they don't know because they just haven't had that kind of information or it hasn't been a part of their life. [LB660]

SENATOR HUGHES: Okay. Thank you. Any other questions? Senator Bostelman. [LB660]

SENATOR BOSTELMAN: Thank you, Mr. Chairman. A question I guess I would have for you is my research I've done in to this...looking in to this has a little bit different outcome than what I'm hearing now where retail-choice states, not all states use some...have some...a little bit, some have a lot. I think there's only four or five states, maybe more, you can correct me on that, that are total retail choice. But there's a big expense in that. And also, when you go to retail choice, a lot of the contracts are short-term contracts, fixed contracts for 3 months, 6 months, 12 months, then the rates continue to change and the rates continue to go up. And what I found is what the average is at first rates are high, there's a lot of movement, but then it comes back to where they started from because they like where they're at before because there's a lot of issues with that, so could you talk to that just a little bit? [LB660]

PHILIP YOUNG: Well, what we've seen in some of the states that have gone, Illinois has a study that their customers through retail choice have saved \$42 million a year over the direction that rate increases were going prior to them becoming a retail choice state. If you look at some other states, there may have been an initial, while they were sorting it out, where rates went up, but then rates came down. And there's going to be someone later who can speak to this...or maybe has a chart that they're going to show, but they studied one area in Texas. And what they found is

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

that when you look at the energy charge, the energy charge for that district has gone down, down, down over the years, but it's the lines and wires part of it that have been raising rates and raising rates and raising rates. And so their actual rate increases...they're able to take advantage of the cheap electricity that's available on the grid. But the rate increases come from the lines and wires entities who are raising their parts of the rate, which is why when you unbundle bills, you can kind of see that. Here in Nebraska, I was in a forum where some leaders...representatives from Lincoln Electric System were trying to explain Lincoln's rate increase...recent rate increase in their fixed costs. And I asked them, I said, well, electricity wholesale rates are at historic lows right now, so if the wholesale price is so cheap, how come consumers can't get that? And it was explained by the person there saying, well, that's not quite how it works because we're getting paid so little money it's costing...we have to subsidize our generation cost because we're not getting paid that much from the market. So then when I asked them, so if the wholesale prices go up and you make more money, does that mean that rates can come back down? And they said, well, no it doesn't really work that way either. And so I asked them if there was any condition where they saw that rates might be able to be lowered in Nebraska. And there really wasn't an answer to that question. But I think it's certainly worth looking at when people think that retail choice would save us. If \$2.5 billion a year is spent on electricity in Nebraska and estimates show you can save consumers at least 10 percent, putting \$250 million a year back in consumers' pockets I think is an interesting idea and it's certainly one worth exploring and we're very thankful for Senator Wayne for introducing the bill to start the conversation. [LB660]

SENATOR BOSTELMAN: So if I understand you right, you said transmission was key and things that...in these other states and causing the prices to go up and those types of things. [LB660]

PHILIP YOUNG: Often...well right now it's the distribution that I think is where the big increases are coming from. And those are from the incumbent utilities, but the energy cost has dropped. So they've been able to take advantage of the cheap wholesale energy price while their lines and wires business...or side of that rate is going up. And what LES, basically, told me is they can't take advantage of the cheap energy because their generation costs are high, but their fixed costs are going up so they're adding a fixed charge to stuff anyway. [LB660]

SENATOR BOSTELMAN: Okay. Can you provide me...you mentioned \$2.5 billion was it...or million dollars... [LB660]

PHILIP YOUNG: Billion, total spent on electricity. [LB660]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR BOSTELMAN: Is there a breakout of that as how that's figured out? Do you have that for us? [LB660]

PHILIP YOUNG: I don't have it with me right now. That's just a number that...I can't remember where that got...someone who follows may be able to provide that number. [LB660]

SENATOR BOSTELMAN: Okay. Okay. Thank you. [LB660]

SENATOR HUGHES: Okay, any other...Senator Kolowski. [LB660]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Mr. Young, thank you for being here today and for your explanation on things. Could you take a minute and talk about the grid, how much has changed in the last couple of decades as to effectiveness and efficiencies and why we're in this changing time as it is? [LB660]

PHILIP YOUNG: There's other people who have much more expertise in that than I do who might be able to answer that question much more completely. But the bottom line is, as Senator Wayne explained is, we don't control our own electricity anymore for the most part. I mean, it's the Southwest Power Pool who calls the shots and who dictates which plants will run, when they run, which is based on load, based on fuel cost input which is why there's more wind. One of the things that happens is even...even if Nebraska doesn't add any more wind farms, or doesn't add any more generation in other states because the Southwest Power Pool...as long as there's transmission available and it's a, generally, low cost fuel, the Southwest Power Pool is saying--come on in; if you want to compete, we're happy to add more competition and bring more electricity into the market. So even if Nebraska doesn't build another megawatt of electricity or add more generation, other states will because there's usually private sector entrepreneurs out there who are willing to invest money and take that risk and think they can build cheaper electricity. The cost of wind is coming way down. The production tax credit for wind goes away in a few years. The cost of solar is really...is coming down quite a bit and they're finding creative uses to do things with that. But the fact of the matter is, the Southwest Power Pool, even though I think the estimate is...there's 136 percent of capacity that they can generate, they're still allowing more generation to come on-line. And whether it's because it's cheaper wind and solar with zero input, it's still being added to the grid. But again, it's up to the Southwest Power Pool to manage that. Nebraska doesn't manage that generation resource anymore, the Southwest Power Pool does. And so you have a situation that is only going to become even more competitive. There was a study done that was released in December by Dr. Ernie Goss that talked about the competitiveness of the generation in that Southwest Power Pool. And one of the findings he had was the difference between the Southwest Power Pool, what they paid for...for instance a coal plant and what that actual generation all-in cost was, was the difference of about

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Transcriber's Office

Natural Resources Committee
February 16, 2017

\$58 million a year. For the nuclear...a large nuclear plant, it was about \$168 million a year which means Nebraska ratepayers, for those various entities, are having to make up that difference because there's a difference in what the Southwest Power Pool is paying. And that's where you're management and overhead and all those things go into it. But in terms of the grid, really, it's a whole new world. I mean, the Southwest Power Pool and what they...how they manage it now has just become a completely different animal from even what it was in the...before 2009 when Nebraska's three major entities joined the Southwest Power Pool. I hope...there may be other people you might want to ask that question to with more technical information later. [LB660]

SENATOR KOLOWSKI: Sure. [LB660]

SENATOR HUGHES: Okay. Any other questions? Seeing none, thank you, Mr. Young. [LB660]

PHILIP YOUNG: Thank you very much. [LB660]

SENATOR HUGHES: Next proponent. Welcome. [LB660]

GARY AKSAMIT: (Exhibit 3) Good afternoon. Good afternoon, Chairman Hughes and members of the committee. My name is Gary Aksamit, G-a-r-y A-k-s-a-m-i-t. I'm the director of Americans for Electricity Choice, a nonprofit organization focused on being an advocate for consumers for retail electricity choice. I'm here to testify in support of LB660. When Nebraska joined the Southwest Power Pool in 2009, the electric world in Nebraska changed dramatically. The conditions for proceeding with electricity choice have been satisfied. We have been talking about retail electricity choice since the 1990s and it is time to stop talking and start taking action. That all being said, today before this hearing, I think Pat Pope probably set the headline for the day. He stated in an interview earlier today that an industrial customers in Nebraska are subsidizing irrigation customers to the tune of 1 cent per kilowatt-hour. That's what I've been talking about for three years. Does that mean public power is a taxing authority? Or is that just redistribution of wealth? Or is it just blatant socialism? So thank you very much. I'd be happy to answer any questions you might have. [LB660]

SENATOR HUGHES: Okay. Thank you, Mr. Aksamit. Any questions? [LB660]

SENATOR WALZ: I have a question. Can you just kind of tell me what your job is again? Like what...I'm sorry. [LB660]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

GARY AKSAMIT: I'm the director of Americans for Electricity Choice. We have under that umbrella a 501(c)(4), as well a 527. We also have a 501(c)(3) called Wind is Water, which is a true non-profit for the purpose of education. My goal is, is to start this conversation about retail choice in a couple of states...or a couple of dozen states across the United States over the next couple of years. We have seen the utility business in the United States become very complacent and lazy over the last couple of decades. And Nebraskans understand competition. [LB660]

SENATOR WALZ: Do you live in Nebraska? Is your company in Nebraska? [LB660]

GARY AKSAMIT: Americans for Electricity Choice is based out of the office over here on 13th Street. I live in Parker, Texas. And...at least I think I do; I travel about 25 days out of the month. But, yes, I live in Parker, Texas. I'm a Nebraska native, fourth generation Nebraskan; product of Child Savings Institute; graduated from Meridian High School near Daykin, Nebraska; voted most unlikely to succeed in my class. I was defined by a Skoal can and a pair of pliers. (Laughter) So, yes, I'm very Nebraskan. My parents live at Bruning; you may have heard of Bruning. [LB660]

SENATOR WALZ: Bernie (phonetic)? [LB660]

GARY AKSAMIT: Bruning. [LB660]

SENATOR WALZ: Oh, Bruning, sorry. I don't know Bernie. [LB660]

GARY AKSAMIT: Bruning, Nebraska. [LB660]

SENATOR WALZ: Yep, heard of it. [LB660]

SENATOR HUGHES: Okay. Thank you, Senator Walz. Any other questions? Senator Albrecht. [LB660]

SENATOR ALBRECHT: Thank you for coming in, for your testimony. So how do you become a member of your organization? [LB660]

GARY AKSAMIT: Donation. [LB660]

SENATOR ALBRECHT: Donation. Do you...can you tell me how many members you have? [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

GARY AKSAMIT: In Kansas we have several that have donated to the 501(c)(3). In Nebraska, this has been predominantly funded by me, by my company, by Aksamit Resource Management. [LB660]

SENATOR ALBRECHT: But would other members become a part of your organization if they would choose another form of electricity? [LB660]

GARY AKSAMIT: I'm... [LB660]

SENATOR ALBRECHT: I mean, I don't know how your (inaudible)... [LB660]

GARY AKSAMIT: Americans for Electricity Choice is a PAC. [LB660]

SENATOR ALBRECHT: Okay, it's a PAC. [LB660]

GARY AKSAMIT: We don't sell electricity. We're an advocacy. [LB660]

SENATOR ALBRECHT: Okay. You don't sell electricity, but I'm asking you how do you get your membership, or do...or you just represent like... [LB660]

GARY AKSAMIT: The consumer. [LB660]

SENATOR ALBRECHT: ...the consumer. [LB660]

GARY AKSAMIT: Yes. [LB660]

SENATOR ALBRECHT: But do you represent the wind... [LB660]

GARY AKSAMIT: No. [LB660]

SENATOR ALBRECHT: ...or do you represent solar or do you represent...so you're a director of Americans for Electricity Choice... [LB660]

GARY AKSAMIT: Yes. I'm completely agnostic about what we produce for electricity in this country. I'm actually very much a free market person. I don't like mandates and I don't like subsidies. I'm not overly amused by the subsidies for wind, and I'm not overly amused by any

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Transcriber's Office

Natural Resources Committee
February 16, 2017

subsidies as far as that's concerned. I advocate that if we had competition and a level playing field that wind wouldn't need a subsidy. I believe Nebraskans overpay for electricity somewhere in the area of about 2 cents per kilowatt-hour. That happens to be in direct correlation with the 2 cent per kilowatt-hour investment tax credit that wind farms get, so therefore...that's irrelevant in my opinion. Once this PTC cycle is over, I think we should have a robust competitive market place. If one consumer wants to buy 100 percent green, that should be their choice. But I don't think that their next door neighbor should have to subsidize them wanting to buy green. [LB660]

SENATOR ALBRECHT: How do you feel if we own our own public power, how do you...how do you marry everything else into that or how do you allow people to have a choice? [LB660]

GARY AKSAMIT: There's two kinds of public power. The lines and wires business is where, in my mind, public power was defined in the Rural Electrification Act and getting that mile of wire to that last consumer out in the far-flung regions of our state. That has morphed itself into public power getting the power generation business. That all was well and good until they chose to join the Southwest Power Pool. When that market dynamic changed, which I think they woefully misread the tea leaves when they joined the Southwest Power Pool, because they joined the Southwest Power Pool at a time when the price of natural gas was already starting to drop in 2007, fracking kicked in in full gear in 2008 and 2009, drove the price of natural gas down in neighboring states to the south of us, and now public power in Nebraska has found itself in a rate death spiral. So I...I...you know, I have no problem with the lines and wires business. In fact, you might be shocked to find that in 1967 my father built my mother her dream home in northeastern Thayer County and he was featured in the Norris newsletter because he had an all-electric home with baseboard heat. I don't have any bone to pick with the guys that go out and fix wires at 2:00 in the morning to restore the electricity. The problem that I think we run into here in Nebraska is the management some of these public power entities, you know, Pat Pope, I think is knocking on nearly a million-dollar-a-year salary. I think we've had a little identity crisis at upper management. Similar to Enron, similar to most organizations, you can't blame the employees for management being out of touch with reality. Recently, I filed a FOIA Request here in Nebraska on public power and we ended up in court in Columbus. I wasn't there, so I'm not going to quote verbatim here, but the chairman of public power...at Nebraska Public Power said that he has no idea how public power sets their rates, that he depends explicitly on management for that and that he just does what they tell him to, basically. In corporate America, there's something called fiduciary responsibility. Just because you're on the board of a public power entity that has antitrust protection and sovereign immunity doesn't mean that you can just turn a blind eye to cost issues. [LB660]

SENATOR ALBRECHT: I'm finished. Thank you. [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR HUGHES: Okay. Senator Bostelman. [LB660]

SENATOR BOSTELMAN: Thank you, Mr. Chairman. I want to follow up with your last comment that you just made, the last statement, and I believe you're talking about unbundling, correct? [LB660]

GARY AKSAMIT: Yes. [LB660]

SENATOR BOSTELMAN: And is Texas a retail choice state? [LB660]

GARY AKSAMIT: Yes. [LB660]

SENATOR BOSTELMAN: Excuse me for a second. Here I have a...my understanding, in Texas they bundle their...when they...on their rates. [LB660]

GARY AKSAMIT: They unbundle. [LB660]

SENATOR BOSTELMAN: Well, it says that... [LB660]

GARY AKSAMIT: Unbundle means it is broke out by (inaudible). [LB660]

SENATOR BOSTELMAN: ...these charges are bundled and included all reoccurring delivery fees imposed by your local regulated TDU. And this is off (inaudible) Energy. So that...so are they bundled or are they not bundled? [LB660]

GARY AKSAMIT: You're close. In Texas, they put transmission and distribution on one line item. They put energy charge on another line item. That's unbundled billing. Prior to that, energy charge, transmission, distribution was all included in one single line item. And in fact, I'm a member of a...believe it or not, as much of a proponent as I am of choice, I'm actually a member of an electric cooperative in Texas that opted out of retail choice. To be perfectly clear, I'm not talking about a retail choice mandate, I'm talking about a retail choice. Not all Nebraskans are going to switch their suppliers; many of them will stay where they are. But as someone who is with an electric cooperative in Texas that opted out of retail choice, I actually am a beneficiary of retail choice because that cooperative manager has to hold his rates accountable to wherever the market is or else he loses his place and it has to go to retail choice. [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR BOSTELMAN: Okay. Thank you. I've got, I guess, I see retail choice in other states from information I got a little bit different than what you're saying, and that's fine. I mean, I just need to get your data where you're at. What I show is that Nebraska is 31 percent below the average of the 16 retail states on this chart; I can show you the chart later. The other...and I'm just looking for your data, what you may have to show me where Nebraska is. The other question, you talk about water foundation, right? [LB660]

GARY AKSAMIT: Um-hum. [LB660]

SENATOR BOSTELMAN: Does that have any correlation, and I don't know is Dr. Goss here, is he going to be testifying today? [LB660]

GARY AKSAMIT: I have no idea. [LB660]

SENATOR BOSTELMAN: What's the relationship with his study that he did and water foundation? [LB660]

GARY AKSAMIT: We put a donation in the 501(c)(3) and paid Ernie Goss. [LB660]

SENATOR BOSTELMAN: Okay. Thank you. [LB660]

SENATOR HUGHES: Okay, any other questions? Seeing none, thank you. [LB660]

GARY AKSAMIT: Thank you. [LB660]

SENATOR HUGHES: Welcome. [LB660]

DARRIN PFANNENSTIEL: (Exhibit 4) Thank you for having me. Hello, my name is Darrin Pfannenstiel, it's D-a-r-r-i-n, and my last name is P-f-a-n-n-e-n-s-t-i-e-l. I'm the president of the U.S. Retail Energy Supply Association or called RESA. And we are an affiliation of...or an association of competitive retailers that serve in different states that have retail choice. Me personally, my company is called Stream or Stream Energy. We started in Dallas and we've been in operation since 2005 in that state, and I'm senior vice president and associate corporate counsel for my company. Prior to that, I used to work for the Public Utility Commission in Texas as an enforcement attorney, and then I was also an energy attorney in that state, and have also participated at ERCOT, which is the equivalent of SPP in that state. So we are simply appearing today in favor of this bill because we believe in competitive choice, that Americans should have

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

competitive electricity choice. We are not taking a position on Nebraska, in particular, as...whether rates will go down or up or whether it's a current state is good or bad, we just simply support competitive electric choice for all Americans, including Nebraskans. The handout that I gave you gives you some core principles that we believe in. Competition, not regulation is really the most effective means for efficiently allocating resources and that they really are best when they're free from distortions caused by regulations. Doesn't mean that competition means no regulations. Certainly you need consumer protection regulations to protect consumers. But we do believe that in terms of price signals and pricing that there can be gains made through innovation, changes to the grid; we've seen that in Texas, we've seen that in Pennsylvania. In fact, I gave you, in the handout, a sample from Pennsylvania to show you the success of that retail market. Who is RESA? As I said before, we're a group of licensed, I think that's an important characteristic, we are licensed in different states and we serve all ranges of customers from residential to small commercial, large commercial, and industrial consumers in those states. So we have a wide swath of company representation. We're diversified; we offer renewable energy. We have energy efficiency programs, demand response programs, and other innovative products that have been brought about by competition. Currently in America, there are over 16.4 million Americans who have retail electricity choice in various states. And if we look at the Pennsylvania market, I gave you a slide with some statistics about residential, commercial, and industrial consumers and the percent of load that has taken...participated in choice in those states and have a made a choice to switch away from the utility to an incumbent supplier. I've also given you some information from a consumer education Web site that demonstrates what the prices are in those states for consumers and how much lower they are than the utility incumbent rate. So savings can be made and they can be gained in a competitively effective market. And just finally, competition delivers choice; it delivers renewable products and innovation. Many of our companies do offer things like Free Nest thermostats, AC checks of your home, they can fulfill many energy efficiency goals that a state may have, renewable energy goals that a state may have. And that concludes my remarks. I'm happy to answer any questions you may have. [LB660]

SENATOR HUGHES: Okay. Thank you, Mr. Pfannenstiel? [LB660]

DARRIN PFANNENSTIEL: Yeah, Pfannenstiel. And I'm from Kansas, by the way. [LB660]

SENATOR HUGHES: Pfannenstiel. Senator Albrecht. [LB660]

SENATOR ALBRECHT: Just a quick question. [LB660]

DARRIN PFANNENSTIEL: Sure. [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR ALBRECHT: Thank you for coming. You mentioned residential, small businesses, and larger; do you go out into the rural areas? [LB660]

DARRIN PFANNENSTIEL: We don't...we do have a presence in rural areas depending on the state. And so residential and small commercial consumers typically are in those states. If there is industry there, we will serve those states. And each state is different. So for example, in Texas there...not all of the state has choice. The electric cooperatives can opt in or opt out of deregulation. If they opt out, then their consumers are able to choose electricity providers. In which case, we can serve the residential and the small commercials, like the hair dresser in town or the dry cleaner. [LB660]

SENATOR ALBRECHT: Okay, thank you. [LB660]

SENATOR HUGHES: Senator Bostelman. [LB660]

SENATOR BOSTELMAN: Thank you. I need to understand retail choice a little bit better. [LB660]

DARRIN PFANNENSTIEL: Sure. [LB660]

SENATOR BOSTELMAN: And I...you're going to be able...I think you're the one that's going to help me out on this a little bit. A little bit on what Senator Albrecht was talking about, are we talking about...when you talk about retain choice, is that an individual person? Is it an area? A group? Is it a business? I mean, if I wanted to have retail choice with company X from state Y, do I...is it just me or is it my town, my community? Could you explain that to me how that works? [LB660]

DARRIN PFANNENSTIEL: Sure, it's everybody. So for example, I used to live in Austin, Texas, and I just moved to Dallas. Austin is a city in Texas that is not in competition. So my only choice was the city of Austin. And so...it doesn't matter what I want to do, my electricity is going to be delivered by the city of Austin and the rate set by the city of Austin, which are double if not more than what I'm paying; currently, I live in Dallas. I have no choice. I can't chose my provider. When I moved to Dallas, I can chose any retail electric provider that I want. The electricity is still delivered in the exact same way it was before; it's delivered over the same wires, it comes through the same lines into my house, I flip on the switch; everything is the same from a transmission and delivery point of view. It's just that the entity that I negotiate the rate with, it's competing against other entities and getting me a cheaper cents per kilowatt-hour rate.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

So in my example, I doubled the square footage of my home, but yet I pay half of what I paid to the city of Austin. I currently have a 5.6 cent per kilowatt-hour rate. [LB660]

SENATOR BOSTELMAN: So when your lights go out, or you pay your electric bill, where does that go to? [LB660]

DARRIN PFANNENSTIEL: So I pay my electric bill to the retail electric provider, or REP in Texas. They receive the money and I pay for everything in that rate including the transmission cost, the delivery cost, any decommissioning fees that might be charged, any nuclear decommissioning fees; all of the fees that are charged by the state are collected by the retail entity and they are remitted to the appropriate utility. So for example, in my territory, Oncor is the utility that owns the wires and the meters and the transmission lines. They collect the money. So my 5.6 cent rate includes all of those charges. My retailer is competing against all the other retailers to give me that rate. So when they collect my rate, they remit that portion of my bill that belongs to the wires company, to the wires company, Oncor, and they retain the part for the electricity, the actual physical commodity, or the electrons. So if there's a power outage, I can call my company, but they work with Oncor to get out and bring the power back on or to read the meters or to repair the infrastructure. [LB660]

SENATOR BOSTELMAN: Okay. Two questions to follow up with that: (1) I could see that would be a nightmare for that utility, for that power provider, because now if we have a whole bunch of different retail choice customers coming from a whole bunch of different companies, that's kind of burdensome, I think, on them potentially; once they get their system set up, maybe not. But now instead of having one place to send for...kind of those fees, now they're going to have several different companies they send it to. So I think that...do you agree that might be a burden on that...like an REA...public power...one of our rural public power districts? [LB660]

DARRIN PFANNENSTIEL: No, and here's why: it can be done two ways. So markets in the U.S. are structured one of two ways: the first is the example I just gave you which is called "supplier consolidated billing", which the retailer is the one that is billing the customer for the electricity and they're collecting all of the charges. The other would be called "utility consolidated billing", that's done in Pennsylvania, so it's the opposite in Pennsylvania. So for example, in Pennsylvania, the local utility might be PPL. So the retailer...PPL will still bill for everyone. The retailer simply sends their rates to PPL and PPL bills on your behalf as a line item on the same bill. So it can be done two different ways; and it is currently in the United States. It depends on what the utility is willing to do. If they want to do utility supplier billing...excuse me, utility consolidated billing or supplier consolidated billing, but it's done in both ways in the U.S. [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR BOSTELMAN: Okay, thank you. [LB660]

SENATOR HUGHES: Any additional questions? Senator Walz. [LB660]

SENATOR WALZ: Yeah, to follow up. I don't think you answered, and being a wife and a mother and the weather is really bad here once in awhile. [LB660]

DARRIN PFANNENSTIEL: Sure. [LB660]

SENATOR WALZ: I don't think you answered...so if we lose power, who do we call and how quickly can we get our power back on? [LB660]

DARRIN PFANNENSTIEL: Actually, that's a very good question. Actually, the utility usually knows before you can even call in. The systems in Oncor are so intelligent, because of the innovation in the market and the smart metering, they know before consumers call in that the power is out and that that feeder in that individual neighborhood is out before our consumers can even call. It's that smart; because of the innovation in the market. [LB660]

SENATOR HUGHES: Senator Bostelman. [LB660]

SENATOR BOSTELMAN: Sorry, I...I'm sorry, I don't mean to belabor this... [LB660]

DARRIN PFANNENSTIEL: No, it's fine. [LB660]

SENATOR BOSTELMAN: I live in the country, and I don't think that's going to happen, because it doesn't happen now. Okay. I don't understand how that's going to happen because, you know, when our power goes out, we're calling in to...so they can narrow down, figure out where in the transmission system, you know, the lines are down, so yeah, you may know...someone may know that I'm out of power, but you're not going to...maybe, but you're not going to have clue where. And I guess that's what we're talking about is a reliability issue for me, where I live, if it's a company in Pennsylvania that I'm buying from, they're not going to have any idea where I'm at or how I get my power and that transmission is coming. I don't understand how...since I live out in the country, you know, I think there's...there would have to be a lot of upgrades to the system in order for them to know that. [LB660]

DARRIN PFANNENSTIEL: Competition won't change. Competition won't change the ability for you to call in and say that you have a power outage. You can have the consumer direct...and

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Transcriber's Office

Natural Resources Committee
February 16, 2017

not like any of us go pull out our electric bill when the power goes out anyway to figure out where to call, and we certainly can't get on the Internet. You know the number that you're supposed to call, you call 911, or you call 311, whatever number you can call. That shouldn't be a barrier to competition. You could create a system whereby 211 is the number you call for a power outage and you educate all Nebraskans that that is the case and they simply call that number and they can get their power restored. So that, in and of itself, shouldn't...that shouldn't be a barrier to competition. [LB660]

SENATOR HUGHES: Senator Albrecht. [LB660]

SENATOR ALBRECHT: Just a quick question. How have these companies built relationships with their public power to get on their billing and how do... and who absorbs that cost if that power does go out and somebody has to come out to the residence and...how do you marry those two together? [LB660]

DARRIN PFANNENSTIEL: Sure. [LB660]

SENATOR ALBRECHT: Who pays the cost? [LB660]

DARRIN PFANNENSTIEL: Do you want me to give the example in Texas, which is probably the one I know... [LB660]

SENATOR ALBRECHT: Give me the Texas example. [LB660]

DARRIN PFANNENSTIEL: The best one. So Oncor would have a set of charges that they...for example, a disconnect charge or a reconnect charge, or they have...they have a mandate also by the state to keep up the reliability of their lines. They're still billing...they're still billing you as the end user for maintenance of that transmission system and that distribution system. So that's built into their rates. If there are nonreferring charges, those are sent through an electronic transaction to the retailer and the retailer then adds it to the bill and collects it. Or the retailer may simply say we're not going to pass that through to you as the consumer, we'll eat it because we want to keep you as a good consumer, so we'll absorb the cost. [LB660]

SENATOR ALBRECHT: So sometimes they do, and sometimes they don't? [LB660]

DARRIN PFANNENSTIEL: Some they do and sometimes they don't. [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR ALBRECHT: And if they don't, what type of a charge will you have? [LB660]

DARRIN PFANNENSTIEL: Like what do you mean? [LB660]

SENATOR ALBRECHT: Like if there was something like a bad windstorm or something that took out the power and they had to go over and above for you to get your power back on. [LB660]

DARRIN PFANNENSTIEL: Well, what they would do is have a rate case and come in for a rate case and collect those costs with a test year. I don't know how it works here. I'm assuming it's similar when the utility wants to adjust its rates, it needs to justify why it wants to make a rate adjustment and how it's going to do that. And so that's what they do in Texas. They come in and they say, we've had a storm outage, we've had a major issue. The northeast had this with Superstorm Sandy and they asked for multi...I think billions of dollars in, you know, system upgrades so that if they ever got hit again, they would be able to withstand that. And they built that into the transmission rates, or the distribution rates. It wasn't a rate that a company like mine would charge. That would only be on the distribution and transmission side of your bill. Which Nebraskans would see currently today anyway even under a unified market. If you have a storm hit the state, somebody is going to have to pay to put those lines back up and consumers are going to pay for it whether there's competition or not. [LB660]

SENATOR ALBRECHT: Very good. [LB660]

SENATOR HUGHES: Okay, any additional questions? Seeing none, thank you, Mr. Pfannenstiel. [LB660]

DARRIN PFANNENSTIEL: Pfannenstiel. Thank you. [LB660]

SENATOR HUGHES: I'll get it right. [LB660]

DARRIN PFANNENSTIEL: And that's fine. Thank you for the opportunity. [LB660]

SENATOR HUGHES: Okay, thank you. Next proponent. Welcome. [LB660]

MICHAEL MATHESON: (Exhibit 5) Thank you. Good afternoon, Chairman Hughes and members of the committee. My name is Michael Matheson, M-i-c-h-a-e-l M-a-t-h-e-s-o-n. And in the interest of time, I've handed out my testimony which deals mostly with the Southwest

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Natural Resources Committee
February 16, 2017

Power Pool, the market generation transmission. But let's set that aside and let me just talk about what the real issue is here. And I'm a little...trying to understand why the Natural Resources Committee would end up with this because if you take public power out of this issue, what we have with retail choice is government control, citizen rights, and the free market. If I want to go buy a Snickers bar, there's a thousand stores out there you can go buy that. Well, with electricity there is no difference in electricity, you know, it's coming out of the grid, you've just got the same electricity. So why is it any different than any other commodity that the individual consumer can have? Once you put public power into the mix, it becomes a real crisis and the sky is falling. Public power has evolved and has been around in Nebraska for so long that...I grew up in Nebraska, and I worked for Nebraska Public Power District for 18 years, so the citizens have become indoctrinated into public power so it's actually become a cult, you might say, in Nebraska. And they're very good at propaganda. And you're going to hear the message time and time again today and you all know the message as senators. We're a 100 percent public power state; we're always there when you need us. Local control, low rates, and then when things really get bad, they bring George Norris out of the grave. So it's time that we have a honest discussion here about what retail choice is, looking at the market and government control or we do it independent. So the sky isn't falling having this discussion and I appreciate Senator Wayne bringing this issue up to the committee for debate. And so with that I'll answer any questions. Thank you. [LB660]

SENATOR HUGHES: Thank you, Mr. Matheson. Are there questions? Senator Quick. [LB660]

SENATOR QUICK: I was just curious, with the retail choice, how many jobs would that create in Nebraska? [LB660]

MICHAEL MATHESON: I don't have an answer to that. But like with any business, the market takes care of that. So I can't say for sure how many jobs it will create. [LB660]

SENATOR QUICK: I actually...just from my point, I see it reducing jobs because if...let's say everybody chose to go with retail choice or buying all of our power outside the state, all the power production in Nebraska would cease to exist. So I'm trying to figure out how we...you know, where that would go? [LB660]

MICHAEL MATHESON: Okay. Your assumption is then that the power generation in Nebraska is expensive generation and can't compete so the citizens are having to bear that cost now. With competition, you've got innovation and technology, you could have new generation built in Nebraska with retail competition. So it may actually add jobs and that would be part of the study that could be done to say, so...I mean, you can't say definitively one way or the other how many jobs would be lost. [LB660]

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Natural Resources Committee
February 16, 2017

SENATOR HUGHES: Okay, additional questions? Senator Bostelman. [LB660]

SENATOR BOSTELMAN: Thank you, Mr. Chairman. I've got...and we talked about this before in my office a little bit, and I've got statistics that show me from the U.S. Energy Information Administration, which I think you're aware of. [LB660]

MICHAEL MATHESON: Yes, I am. [LB660]

SENATOR BOSTELMAN: And Nebraska is consistently is low on their utility costs per...for...across the board. I've got the latest one right here that shows Nebraska is at...and we were talking about Pennsylvania earlier with retail choice, and Nebraska is below the power costs in Pennsylvania again. So I'm just struggling a little bit to understand; we're a public power state. We provide, whether it be...we're getting it off the grid or not. We are successfully, I guess, as a state providing consistent low cost energy. And what I've read is retail choice in other states and that have...has not been the lowest. And so I guess...you know, we talked about that a little bit and that's one thing I'm just trying to understand a little bit better. [LB660]

MICHAEL MATHESON: Correct. And I'm familiar with the EIA data. And again, you're talking averages. And like any data, what goes into that and the retail customer doesn't pay average. He pays the individual prices. The retail price in Nebraska ranges anywhere from 6 cents to 14 cents. So what good is average of 10.48 cents, or whatever that number is. You have to compare rates against competition within the region. And we've seen multiple public power districts in Nebraska that did go out for RFPs in a competitive market get cheaper prices; one from Kentucky and one from Ohio. So what difference does it make what the average is if there's somebody out there that could give you a better price. If you're not number one, then you're able to get a cheaper price and to compare states in the northeast, Hawaii, there's different cost of living, so you have to actually look at the competitive market to see how the rates compare. [LB660]

SENATOR BOSTELMAN: Okay. I feel I am (inaudible). I'm just trying to understand, you know, where I'm missing the mark on that one. So I appreciate your comments that I still...I still feel that looking at what they...I know it's an average, you say 14 cents, but we're still...even at that, we're still doing very well nationally in what we provide for...what I will say the state is...I say we, public power districts provide for our customers...their customers in the state. And they utilize the grid to make that happen, I realize that, but that's all part of an overall energy, you know, portfolio that the state uses. Do you agree? [LB660]

MICHAEL MATHESON: That is correct. And we are good, but doesn't that mean it can't be better? [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR BOSTELMAN: Okay, thank you. [LB660]

SENATOR HUGHES: Any other questions? Senator Geist. [LB660]

SENATOR GEIST: And I'm sorry, I'm still on the Public Service Commission, I'm not sure if you're the one that can answer this, but in our information that we received, it said that the Public Service Commission has refused to respond for request of fiscal impact. So we don't know, as we sit here, how much this would actually cost. And I'm curious if you could respond to that.
[LB660]

MICHAEL MATHESON: I believe you're referring to the fiscal note that came out this morning.
[LB660]

SENATOR GEIST: Yes, yes. [LB660]

MICHAEL MATHESON: I have not seen that yet. [LB660]

SENATOR GEIST: There's not anything to see. [LB660]

MICHAEL MATHESON: Right. And that's why the fiscal note I don't think is providing much value at this point. [LB660]

SENATOR GEIST: Okay. [LB660]

MICHAEL MATHESON: It's going to need further evaluation to dig into what the cost is.
[LB660]

SENATOR GEIST: Okay. Thank you. [LB660]

SENATOR HUGHES: Okay, additional questions? Seeing none, thank you, Mr. Matheson. Additional proponents. Seeing none, opponents of LB660. Welcome. [LB660]

JOHN McCLURE: (Exhibit 6) Thank you, Chairman Hughes, members of the committee, my name is John McClure, J-o-h-n M-c-C-l-u-r-e, and I am vice president and general counsel for Nebraska Public Power District in Columbus. I'm here today testifying on behalf of the Nebraska Power Association. I'm going to visit with you in less than three minutes now to talk about 14 years of history in how the state of Nebraska, through legislative leadership, has looked at these

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

changes in the electric industry and decided to study them and have good information. Back in 1996, the Chairman of this committee, current Mayor of this community brought a legislative resolution to have a comprehensive study of the electric industry; it was done in two phases. And I had the opportunity to be part of the group that worked on that. The first phase looked very comprehensively at the industry in the state: how did it work, all kinds of details. The second part of it, in recognition of all the changes happening nationally, both with wholesale and retail electric markets, did some "what ifs" if you will, about how Nebraska might position itself in a changing market. At no time did it say, you know, throw away the public power industry. So I want to make just a handful of key points; and I've brought four exhibits that I think are helpful. First, in response to some of the testimony I've heard previously, I will assure you the public power industry in this state welcomes an honest discussion about these issues. We believe when you have the facts you will see that there is no reason to pursue retail choice in Nebraska. After the original study was done, there were annual studies done under the leadership of the Power Review Board. And those reports were done annually from years 2002 through 2010 looking at changes in wholesale markets in the region and nationally, and looking at retail choice. And there's a couple of things that were evident throughout that process. And that's all under the LB901 process. Number one, the high-cost states in the country adopted retail choice have continued to be high-cost states. And if you look at the first slide that I handed you, you will see that's the case. The green line are retail choice states. They've been high cost from the beginning and they've continued to be high cost. The red line at the bottom...or orange line is states that are regulated and that would include Nebraska. They've been low cost; they continue to be low cost. When we started this study back in '97, Nebraska had the 11th lowest rates in the country, and in 2015 are the 15th lowest. So it hasn't moved much. In fact, the difference between 14th and 15th is 0.01 of a cent. So Nebraska remains competitive. The next slide shows you in 2010, when we did our last report, how many states had adopted retail choice. The dark blue states have not adopted retail choice. And I see my time has expired. If you have questions about these slides or if I can quickly follow up with them, I'd be happy to do that. [LB660]

SENATOR HUGHES: Okay, thank you, Mr. McClure. Are there questions? Senator Bostelman. [LB660]

SENATOR BOSTELMAN: Thank you, Mr. Chairman. There was a reference to the Ernie Goss report. Was NPPD consulted in that report? [LB660]

JOHN McCLURE: No. [LB660]

SENATOR BOSTELMAN: Were any of the public utilities...I mean power generators in the state? [LB660]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

JOHN McCLURE: No, not to my knowledge. [LB660]

SENATOR BOSTELMAN: Okay. Could you explain...do you know, like in a retail choice environment we're talking about, and I asked, you know, couple questions on this before and I want to ask you the same thing. How the billing is done; how those costs are broke out, you know, and back to the points...we're talking a little bit ago about, you know, I live rural, my power goes out, you know, billing, those types of things, how does that work? [LB660]

JOHN McCLURE: I am not familiar with how that is done. I believe some of the witnesses who will follow me will be able to address that for you, Senator Bostelman. [LB660]

SENATOR BOSTELMAN: Okay, thank you. [LB660]

SENATOR HUGHES: Additional questions? I have one. Senator Wayne indicated that he brought this forward just so we would begin that discussion. What would some of the factors be that the Legislature would have to look at should we decide to move toward a retail choice? [LB660]

JOHN McCLURE: Well, first of all, one of the things that LB901 talked about, and the Power Review Board still has the authority to conduct on-going studies on this topic. It's just not required to be done on an annual basis. And they haven't done it since 2010 because there really hasn't been a push for retail choice. It's been sort of in retraction in a number of states. As you see from the second chart, most states have not followed retail choice; they're like Nebraska. The local utility has a monopoly, that's the dark blue states. So I think one of the things, and the law talks about this today, is to look at what has happened in other states. And here's some of the key considerations, if you look at the map that shows the light blue and the dark blue, some of those states have very limited retail choice, even though it shows they have retail choice. And it's because retail choice blew up in a number of these states. So I'd say the Legislature needs to take a long-term view. You can't just look at where our price is now, because if you look at the last slide that I provided, it shows in Texas what happened over the period from the early 2000s until very recently, and it compares the price for deregulated residential cost per kilowatt-hour with regulated. And in fact, according to this report, the folks who had choice paid \$25 billion, that's with a "B", \$25 billion more than the folks who didn't have a choice. And it's not because choice drove them to higher costs, it was the options they received under choice. That was really driven...if you look at the years in the middle of that graph where they paid much, much more, it was because of high-priced natural gas that they paid a lot. There's been another issue that is extremely important, and it's been alluded to by several of the previous witnesses, it was addressed in the reports, and that's stranded investment. You can't just...and none of these states that have moved to retail choice have said--oh gosh, we required the utility to plan for the needs

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

of these customers to be their sole supplier, to build generation, to issue long-term debt, and now we're going to change all the rules. And they're not obligated to serve these folks, we'll let someone else do it. That's going to shift costs back to the customers who remain. And the reports that were done, and I have copies of them here, both phases for one and two, and you can find all the subsequent reports on the Power Review Board's Web site. You have to deal with stranded investment. How do you pay for assets that have been built to serve the customers if someone says you're not going to be serving them anymore, someone has to pay for that. This is the most capital intensive industry in the country, and investments have been made for 30- and 40-year periods to serve the customers. If the rules are going to change, who are going to be the winners and who are going to be the losers? Those are the kinds of questions that the Legislature would have to deal with. But I can tell you, in a number of the states, there was significant retrenchment, a number of states that initially said retail choice sounds great backed away from it. Today, with low natural gas prices, retail choice in some areas looks much better. But again, if you look at the map, the reality is the northeast part of the United States, those have always been high-cost states for electricity. They don't have the resources to have low-cost electricity and they continue...they've had choice, but their rates are still high. California--very high cost state; they continue to be high out there, but they have retail choice. But California blew up and that's what caused other states to back away. The wholesale price of California, when they first started retail choice, was in the \$5 billion-a-year range. All of a sudden, in two years it went to \$27 billion because of manipulations in the market and other things in the interplay between the wholesale and the retail markets. These are very complex issues. And again, we've been looking at these in Nebraska for many, many years and then reached a point and said, you know, there's not a push for retail choice, let's back away. But if someone thinks this needs to be looked at again, the structure is in place for the Power Review Board to take a look at it. But the facts haven't changed over that entire period. High-cost states with retail choice are...or high-cost states beginning are still high-cost states with retail choice. Low-cost states, where you have no retail choice, continue to be low-cost states on a relative basis. [LB660]

SENATOR HUGHES: Okay, thank you. I'm sure you probably have, as committee counsel, have a copy of those reports in your office and they are also on-line. So if any members of the committee would like to see that last report of 2010 and the ones prior, it's available and we will get you that Web site. Any other questions for Mr. McClure? Seeing none, thank you very much. [LB660]

JOHN McCLURE: Thank you. [LB660]

SENATOR HUGHES: Next opponent? Welcome. [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

KEVIN WAILES: Thank you. Mr. Chairman, members of the committee, my name is Kevin Wailes, that's K-e-v-i-n W-a-i-l-e-s. I'm the CEO of the Lincoln Electric System. I would be happy to address comments made about Lincoln Electric System later, if you all wish to do that. I also ought to point out that I think my wife and family are being a little surprised I'm the leader of a cult when I get home tonight, so I'll just have to see if they can get over that particular issue. (Laughter) A recurring theme that you're going hear is what solution...or what problem are we trying to solve with this? We've talked about low rates, high reliability, customer access; we have all of that. But we probably ought to talk about some of the other ramifications of the bill. The Public Service Commission reference was very appropriate because it's going to cost a lot of money to set this up. And the question is, is there going to be return of investment on that money. So whether it's setting up the structure to go to it originally, whether it's to monitor it, or whether it's the compliance pieces of it--millions of dollars will be involved. John's reference to the potential with respect to stranded investment is one that could be hundreds of millions of dollars. And the divestiture issue where some states require divestiture of assets; by the way, those are your assets, you own the electric utility. If that the case, and we're in a market like we have now, that may be a significant hundreds of millions of dollars lost as well. As was pointed out, there's retail competition in 16 states. Public power was not...was exempt into all those states for good reason because it's the locally controlled, locally governed, and you, in fact, can make those changes in your utility if you'd like. I think that one of the key things that came out of a meeting we had with our...one of our large business councils last week is we had one of our large customers, who operates factories in different states, and he said--if you think that retail competition saves money, he said, don't realize that. He was telling the business group that. He said, not only is it extraordinarily confusing and not necessarily save us money, he said, but we have to hire a consultant to figure out how that works. Now, that's a company like that that has the resources, and, typically, even has, if you will, the knowledge. But if you talk about a residential customer, and for example here in Texas, you have 184 different choices as a residential customer, and this is the term sheets that go with those, then it's going to be like if you were...if any of you...you all look too young, but if you happen to have elderly parents that you were dealing with that were looking at Medicare, it's like trying to go through that. I know I got completely confused when I was trying to do that for my father earlier this year, but it is amazing. So then we're going to try to confuse our customers as well about what their options are. I think that is a problem that our customer is going to have with a relationship with us. In essence, I think one of the things that I'm looking at, as I look at what we do for our customers compared to what a third party would do, in effect, what we're interested in saving our customers money. I think what the third parties are going to come in as they are going to be interested in making their shareholders money. By the same token, I think what we're interested in is planning for our customers for the long term to try to give them reliable, economic service. I think other companies are going to come in and they're actually looking at trying to protect their shareholders over the next quarter. I'd be happy to answer any questions. [LB660]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR HUGHES: Okay. Thank you, Mr. Wailes. Questions? Go ahead. Senator Bostelman. [LB660]

SENATOR BOSTELMAN: My question day, I guess. Texas keeps coming up. [LB660]

KEVIN WAILES: Yes. [LB660]

SENATOR BOSTELMAN: Why? [LB660]

KEVIN WAILES: I think that it's probably the most...one of the most successful retail competition states, if you look at where it is, it revolves on a competitive rate basis. So rather than picking on a state that is much higher, we want to make sure that we are acknowledging what's happening in a state that has had some level of success with respect to it. [LB660]

SENATOR BOSTELMAN: And is Texas part of the SPP? [LB660]

KEVIN WAILES: Parts of Texas are. [LB660]

SENATOR BOSTELMAN: A large part or a small part? [LB660]

KEVIN WAILES: A fairly small part. [LB660]

SENATOR BOSTELMAN: Okay, thank you. [LB660]

KEVIN WAILES: I might...it might be interesting, I was a little surprised about the reference made to Dallas and Austin, because Austin is considered a pretty competitive and very progressive utility. I grabbed a quick...all I had were three cities in Texas that I could grab on-line real quickly, and had Austin for a thousand kilowatt-hours at \$101.03; El Paso at \$107.33; and Amarillo at \$103. I do not know why that would be so dramatically different than...one of the testifiers previously talking about a difference of 50 percent between Austin and some other utility. [LB660]

SENATOR BOSTELMAN: Thank you. [LB660]

SENATOR HUGHES: Okay. Any additional questions? I guess getting back to the estimate that we got from the PSC to implement this ranged from \$2.7 million to \$5.5 million, any ideas? Is that (inaudible) truth at all? [LB660]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

KEVIN WAILES: I haven't seen it, but it would not surprise me that that would be the implementation cost, but I would be surprised if that included ongoing costs either for the regulatory agency and/or for the utilities trying to comply. [LB660]

SENATOR HUGHES: So there would be additional costs regularly beyond that point? [LB660]

KEVIN WAILES: Good question, because if you think about it, if you have to...somebody has to monitor all these entities that are going to be coming in and offering in the state, there's got to be some protection for that. And in fact, New York has had some cases where they've had to ban companies because folks got scammed in their retail competition. So somebody has to vet those companies to make sure they're real and that they, in fact, are providing some consumer protection. They can't tell them what to charge, but they can try to make sure that, in fact, they have, in many cases, a standardized form that they provide data, for example, as well as have the financial background to provide service. [LB660]

SENATOR HUGHES: Okay. Thank you. Any additional questions? Thank you, Mr. Wailes, we appreciate your testimony. [LB660]

KEVIN WAILES: Thank you. [LB660]

SENATOR HUGHES: Next opponent. Welcome. [LB660]

DAN SCHMID: Afternoon, Chairman Hughes, members of the Natural Resources Committee, my name is Dan Schmid, D-a-n S-c-h-m-i-d. I'm a...I reside in Butler Public Power District, so I represent one of those who live out in the country. I'm not industrial, I'm not commercial, I would be your rural consumer. I'm opposed to LB660 for the following reasons. To me this bill appears to be driven by outside interest and money, not something which local customers, like myself, are requesting. I haven't heard any talk around the coffee in the mornings about any of what we're talking about today. It's not coming from the customers, rural customers at least. Number two, this bill leaves questions for me unanswered--who would be responsible for providing the baseload and who bears the cost of maintaining that capacity? Who would bear the cost of transmission and other supporting facilities? Number three, to me this bill appears to expand the use of eminent domain for land acquisition stating that, and I quote out of the bill: the exercise of eminent domain to provide needed transmission lines and related facility for a privately-developed renewable energy generation facility is a public use, which would mean they could use it for eminent domain. I want to broaden out just a little bit, real quickly as I end here, we were talking about changes...wind energy has been supported for the last eight years by federal dollars, billions of federal dollars. Well, there's a change maybe coming. Things have changed at the federal government. If the clean power plan is tied up in courts, and who knows

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

where that will go, and the SPP put out their first reaction to the clean power plan was that they could not abide by it. Later they came out and said they could but at great cost, so I would say slow down, maybe discuss it, but kill the bill, I'm opposed to it, until we figure out what's going to happen federally. And I thank you for your time. [LB660]

SENATOR HUGHES: Okay. Thank you, Mr. Schimd. Are there any questions? Seeing none, thank you for your testimony today. [LB660]

ROBERT HANSON: Take my coat off, it's warm in here. [LB660]

SENATOR HUGHES: Welcome. [LB660]

ROBERT HANSON: Thank you so much for allowing me to testify today. My name is Robert Hanson, R-o-b-e-r-t H-a-n-s-o-n...s-o-n, and I'm the founder and COO of Monolith Materials. We're a specialty chemicals company with offices in San Francisco, Boston, and now Lincoln. We manufacture two products: one is called carbon black, which is a raw material for tires; another one is hydrogen, which is an industrial gas used in petroleum refining, ammonia production, and power generation. We're currently building a plant about 20 miles south of here in Hallam, Nebraska. That plant is under construction. It will employ roughly 50 people in the first phase, and then we're going to build the second phase which will employ an additional 75 people, coming on-line roughly 2020, 2021. In that project, we're partnered with Nebraska Public Power District, their wholesale provider; Norris Public Power, our retail provider; Northern Natural Gas; Union Pacific; and TENASKA. From a financial perspective, we're backed by two of the country's leading private equity firms--Warburg Pincus and Azimuth Energy Partners. So that's the background; now why am I here today? We are a huge user of electricity. When our plant is fully built, we will be the largest electricity consumer in the state of Nebraska, accounting for roughly five percent of the state's electricity demand, similar numbers as the amount of electricity the city of Lincoln uses. It's our biggest cost, so you can imagine that when we were picking a site for this plant we were very deliberate. We spent about a year, we went around the country and we looked both at what current prices were, but also what we thought prices would be over the next three decades, the length of our plant. And the short list we came up with was as follows: Louisianan, Texas, Wyoming, Iowa, New York state, Washington state, Oregon, and Alberta, Canada. Ultimately, we chose Nebraska and here's why: number one, the current rates for new industrial customer are unmatched in the country. There's a five-year economic development rate that is extremely attractive. Number two, we have a view that electricity in Nebraska is going to remain competitive for the next three decades. We think public power has a lot to do with that. Rates and cost of capital are very much tied. So when you have NPPD, Norris, they both have A1 credit ratings--that matters and that's important to us. There's also, obviously, a great mix of assets, great access to fuel--Powder River Basin, good

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

natural gas that's probably not going to be affected by L&G exports as much; great wind, and so those two things really were what solidified our view that Nebraska is going to have low-cost electricity for the next 30 years. So we made this selection back in 2015. And we really made it based on a view that the Nebraska electricity markets would remain stable as they have for the past eight decades. And so I would say to this committee that you should be very deliberate prior to making anything that would shift a stable electric industry; and I would really challenge the proponents to this bill to show how it would save consumers money. We have a saying--you're allowed to have your own opinions, but you're not allowed to have your own facts. And I think Senator Fullseman-(sic, phonetic) you showed a lot of facts, which were the same things we were looking at, BIA, really good data. And so with that I will stop and I'm happy to take any questions. [LB660]

SENATOR HUGHES: Thank you, Mr. Hanson. Are there questions? Senator Albrecht. [LB660]

SENATOR ALBRECHT: Not a question, but thank you for coming to Nebraska. Thank you for your testimony. Sitting on a city council, as I did for like eight years, it was very important to us to be able to partner with our public power, and we would have contracts up to 25 years just because we knew that we could rely on it and it was something that we wanted to have around for a long time. So thank you for your testimony. [LB660]

SENATOR HUGHES: Thank you, Senator Albrecht. Any other questions? Thank you, Mr. Hanson. [LB660]

ROBERT HANSON: Thank you. [LB660]

SENATOR HUGHES: Next opponent. Welcome. [LB660]

CODY WICKHAM: (Exhibit 7) Thank you and good afternoon. My name is Cody Wickham, C-o-d-y W-i-c-k-h-a-m, and I represent D.A. Davidson and Company out of Omaha, Nebraska. My role with the company, I'm a senior vice president of fixed income capital markets; I'm a public finance banker and an underwriter of tax exempt municipal securities. I've worked with a number of public power districts across the state of Nebraska and assisting them through the issuance of electric system revenue bonds. I'm here today to comment on LB660 and the potential negative impact that it could have on public power districts, specifically with their ability to access the tax exempt bond market. Compiled some data that, in your handouts there, of a ten-year lookback of all the outstanding public power bond issues within the state of Nebraska. My lookback only went ten years as it would be atypical for a public power district to have outstanding bond and indebtedness that is older than 2007. This is due to call features that are put place on bond issues which allow the issuer the ability to refinance every five to ten years without penalty, and in the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

last few years in the interest rate environment, most districts took advantage of that. So it may not be 100 percent exact, but I'm confident that it's very, very close. Now in my sample size, I took the 24 public power district, rural and otherwise, excluding Omaha Public Power District and Nebraska Public Power District to try and paint a picture of more the rural community and the county PPDs that is spread across the state. As of February 15, 2017, these 24 districts have \$353,160,000 of outstanding electric system revenue bonds in the marketplace. And over the last three years, all but one of these districts has accessed the market with a new issue of tax exempt electric revenue bonds totaling \$224,260,000. In each of these issuance, the marketing piece, the official statement that is used to sell the bonds you'll find language similar to the following: The principal of and interest on the bond are payable solely from, and secured by a pledge and assignment of the net revenues derived by the district from the ownership, operation, and management of its electric system. The bonds are not obligations of the state of Nebraska nor any or its political subdivisions other than the district, nor shall said state or any other political subdivision thereof be obligated for the payment on the bonds. The district has no taxing powers. So in recent history, in Nebraska particularly, the pricing of electric system revenue bonds has been very competitive. While they did not have any taxing authority, it's not uncommon for us and our competitors to price a Nebraska public power district bond right on top of or possibly five to ten basis points higher than a general obligation tax-backed deal. This is because the banks and buyers in Nebraska have come to accept that Nebraska public power districts are very good credits. The majority of these existing bonds issues have additional bond covenants that require a minimum annual debt service coverage ratio of anywhere from 1.1 to 1.5 times coverage. Many bond issues are marketed without a debt service reserve fund in place in order to provide liquidity to the districts. Mr. McClure mentioned stranded investments--obtaining interest rates at or near these tax-backed levels is attributable to the strong history and stability that these districts have shown in the bond market. The alarming concern would be the potential for significant decrease in net revenues which could vastly impede the ability of these districts to repay existing obligations. I see my red light is up here, so I'll take any questions if you have some. [LB660]

SENATOR HUGHES: Okay. Thank you, Mr. Wickham. Are there questions? Seeing none, very good job, thank you. [LB660]

CODY WICKHAM: Thank you. [LB660]

SENATOR HUGHES: Next opponent. Welcome. [LB660]

TOM KENT: Thank you, Chairman Hughes, members of the committee. My name is Tom Kent, T-o-m K-e-n-t, I'm the vice president and chief operating officer for the Nebraska Public Power District. I also currently sit on the Southwest Power Pool Members Committee. I'm testifying

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Natural Resources Committee
February 16, 2017

today on behalf of NPPD in opposition to LB660. Public power has served Nebraskans well for many decades and continues to serve Nebraskans well today. Public power accomplishes this through consumer ownership and local control. Consumers elect their peers to represent their interests on the governing bodies of public power organizations. This governance model continues to ensure that prudent long-term decisions are made to ensure reliable, stable, and low-cost power supply that is critical to the Nebraska economy. And as Senator Bostelman mentioned, the statistics from the EIA support how Nebraska does in terms of their ranking nationally. NPPD as well as other generating utilities in Nebraska participates in a regional electric energy market--the SPP integrated market--that's designed to bring the lowest-cost energy resources to the consumers within the constraints of ensuring reliability. Retail choice is not available anywhere within the SPP footprint. The SPP integrated market sets the price of electricity, which is referred to as a locational marginal price, based on the marginal cost to produce the next megawatt hour of electricity to serve load. In other words, the integrated market is an energy-only market designed to compensate for the fuel and very low maintenance costs associated to produce the electricity. No other cost associated with generating electricity--for example, debt service, taxes, licensing, permitting, depreciation, insurance, materials for labor and maintenance--are expected to be recovered in the L and P. Yet all of these costs, which are critical for reliably providing electricity, they have to be paid for. And they're typically paid for from the utility's consumers. Utilities that can compete effectively in the SPP integrated market are able to return margins from their market activities backed off to offset some of these costs to their consumers. NPPD's power plants continue to be very competitive in the SPP market. In 2016, we sold approximately 4 million megawatt hours of electricity into that market above what was needed to serve our consumers, returning approximately \$30 million of margins that we could use for our customers. The market, in simple terms, and the way SPP operates, in simple terms, it's just setting a supply and demand, a commodity market. So they look at the next day. And every generator says, this is what I'm willing to bid for the next day, based on their price of fuel. And then every load-serving entity says, this is the load I'm going to have to serve the next day and they do it on an hourly basis. So the market stacks up all that load and it says, okay, tomorrow at 10:00 a.m. if I need to serve 10,000 megawatt hours a load, they take the generators from low-cost up on fuel only and say, that generator that provides that 10,000 megawatt hour, what did they bid in? If they bid in \$30, that's what all the generators get paid is \$30. That's what all the load has to pay is \$30. All SPP is doing is setting the market price in a commodity-market fashion that's open and transparent. The determination of what generation gets built, where generation gets built, that doesn't get done by SPP. That resides in the states and in the states' regulatory processes. And it's something that's done not just on the price, but they have to ensure that reliability is maintained. They call it a security-constrained or reliability-driven economic dispatch. With that, I'll stop and ask if you have any questions. [LB660]

SENATOR HUGHES: Thank you, Mr. Kent. Are there questions? I just have one. And when Senator Wayne gave his opening, he talked about being down by the wind farm down at Beatrice,

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Transcriber's Office

Natural Resources Committee
February 16, 2017

I think he said, and someone from Arkansas said, shut it down. We keep hearing how wind is the lowest-cost provider. Can...being part of SPP, why would that have happened? What other factors determined...other than cost, that would cause that wind generation to be shut down? [LB660]

TOM KENT: It's an excellent question and it gets to the reliability function. SPP acts as a regional reliability coordinator, which is a federally mandated function to ensure that electricity delivery is maintained from a reliability standpoint. So they work with the utilities in the region to manage the system such that the lights stay on. And so what happens sometimes and what may have been happening that day is because the wind is blowing so much, there is an oversupply of energy and there's nowhere to go with it because the load is not there. The wind and the load don't match up. So in order to maintain the reliability of the system they will dispatch back generating units. And if it's a reliability issue and they have to evaluate transmission...it's not just about the generation, but it's about how the transmission network is working at that time. They may say, okay, wind farm, you can't generate right now. We need to ramp you back from a reliability standpoint. They may say that to another generating unit. That's probably what was going on. It's more than just the price of the energy that ultimately determines which generator is running at a given time. It's a combination of finding the best overall price for energy and managing the reliability of the network. It's a lot more complicated than buying a Snickers bar. [LB660]

SENATOR HUGHES: Okay. Thank you. Senator Kolowski. [LB660]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Mr. Kent, how would you describe the future of wind in the entire pool of what's going to happen in our state? [LB660]

TOM KENT: Well, in the Southwest Power Pool footprint I would agree that there is still a lot of interest in developing wind. And they have a process that they go through to evaluate new generation resources. And we'll use wind as the example, because the Southwest Power Pool manages the interconnection to the transmission grid within this entire 14-state region. So part of that process is: one, they have to provide for open access and federal regulations require an open access process, so everyone has to have open access. So they will take those generators that might be coming and evaluate those and look at the reliability associated with interconnecting that generator. And then that may drive transmission investments to ensure that that generator can be reliably interconnected. Okay? So then the developer is going to look at those costs and say, okay, does my business case work or not. To date, because of the subsidies, there's a lot of money available to facilitate those business cases and that may change over time. Solar and wind costs are certainly coming down. They're certainly heavily subsidized. The Southwest Power Pool is very concerned about the proportion of their total footprint that's becoming intermittent resources, like wind and solar, because it's harder and harder to manage it reliably. And you see

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Transcriber's Office

Natural Resources Committee
February 16, 2017

events like was referenced by Senator Wayne, where you actually have to tell one of those low, marginal-cost generators like a wind resource to turn off. So it's a complex problem that the Southwest Power Pool is trying to solve right now. What's that mean for long term? Wind will be part of the mix, but it can't be the only answer. In order to keep the lights on, you need those traditional resources that can run when the wind isn't blowing. [LB660]

SENATOR KOLOWSKI: But it may be blowing somewhere. [LB660]

TOM KENT: Yes. [LB660]

SENATOR KOLOWSKI: And my concern is, within that problem, as you're applying a formula to solve it, where does the climate issue come in as far as the possible impact upon what we're doing in our own earth? How do you figure that in? [LB660]

TOM KENT: It's part of the equation. You have to balance the environmental benefits to society against the economic benefits to society against the reliability of the system and keeping the lights on. The United States enjoys and western countries enjoy a very robust economy. And a lot of that is tied to the fact that energy, electricity, is very low cost and very available. You have to address all these questions. And these are questions I think that are being struggled with here and in Southwest Power Pool offices and in our utility board rooms and in the Legislature and in the nation. But one...putting all your eggs in one basket doesn't solve the problem; it may make it worse. [LB660]

SENATOR KOLOWSKI: I understand multiple baskets, but I'm also trying to understand where do you think we stand at the current time then in wind, when we have the third...about the third best state in the Union for wind possibilities and it's not been built up? [LB660]

TOM KENT: There is an oversupply of energy in the SPP footprint. Right? So people that want to invest in new resources, whether it's wind or solar or whatever have to have a business case that allows that resource to make money for them or to break even or whatever their business model is. We don't need...NPPD, we are not in a position where we need wind. And building more wind will continue to lower prices and create shifts in the marketplace. But yet, because those prices are low, our consumers are benefiting, because overall the electric prices are low. Nebraska has got a very favorable environment for building wind resources right now. This Legislature has passed bills to make it easier to do. [LB660]

SENATOR KOLOWSKI: Yes, they have. [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

TOM KENT: But the business case still has to make sense for the investors. [LB660]

SENATOR KOLOWSKI: Can the pool sell it to other locations across the country? [LB660]

TOM KENT: The Southwest Power Pool right now is looking at how can they export some of the excess wind in the Southwest Power Pool to other areas. They have what's called an export pricing task force and that's what they're focused on. And how do they accomplish that? And how they do that in a way that benefits their membership, that doesn't cost their membership. So it's something that they're evaluating right now because the Southwest Power Pool is the Saudi Arabia of wind. If you look at the whole footprint, Nebraska is in the middle of that. But the challenges of getting it to another part of the country are difficult challenges. And it is being worked on at the Southwest Power Pool to see if there's a way to facilitate that. [LB660]

SENATOR KOLOWSKI: But it's more than them, isn't it, the grid and the entirety of how things are connected across the country? [LB660]

TOM KENT: Yes. Yes, that's correct. And again, it's something that's been studied and will continue to be studied. There are potential projects that are being discussed across multiple states to add extra high voltage transmission at the DC level to interconnect states to help facilitate that. And those projects can deliver large amounts of energy from one place to another, but they come with financial costs, they come with environmental costs, they come with land use costs, they come with individual property right costs. And all of those things have to be balanced in order to get those projects done. [LB660]

SENATOR KOLOWSKI: I drive Route 80 a lot, back to Illinois. I've been doing it for 50 years. And when I see what I see in Iowa and northern Illinois, the amount of wind farms that have gone up and solar might be the next thing on the horizon that might have impact in that way. Berkshire Hathaway, as one example, doesn't invest in things they're going to lose money on. They want to invest in winners. And it seems like we've really slipped and we're behind and I'm asking, how do we catch up as a state? If it's good for them, why isn't it good for us? And you've explained the business model, and I certainly understand that, but. [LB660]

TOM KENT: Yes. Berkshire Hathaway is certainly doing it because of the money and that they can make money. And they are making money on a \$23 per megawatt hour production tax credit. That's why they're doing it, in my opinion. [LB660]

SENATOR HUGHES: Are there any other questions? Seeing none, thank you, Mr. Kent. We appreciate it. [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

TOM KENT: Thank you. [LB660]

SENATOR HUGHES: Next opponent. Welcome. [LB660]

TROY BREDENKAMP: (Exhibit 8) Thank you. Chairman Hughes, members of the committee, my name is Troy Bredenkamp, General Manager of the Nebraska Rural Electric Association. So on behalf of our 34 rural electric member systems that I... [LB660]

SENATOR HUGHES: Excuse me, Mr. Bredenkamp... [LB660]

TROY BREDENKAMP: I'm sorry? [LB660]

SENATOR HUGHES: Would you spell your name, please? [LB660]

TROY BREDENKAMP: Did I not spell that? [LB660]

SENATOR HUGHES: You did not spell your name. [LB660]

TROY BREDENKAMP: Oh, my. It's a major error. Troy, T-r-o-y, Bredenkamp, B-r-e-d-e-n-k-a-m-p, testifying in opposition to LB660. While it's unclear exactly why some states have chosen to allow retail choice, it appears high retail rates play a huge role. Fortunately for us in Nebraska, our public power model has done a great job keeping rates low by comparison. My testimony will focus on retail rates. And let's start with the rate that retail choice proponents continually ignore, and that's Nebraska's residential rates. You'll see in this handout lots of exhibits, so I'm going to fly through them fast. Exhibit 1--According to the Energy Information Administration, Nebraska's average retail choice per kilowatt-hour for residential customers, 10.7 cents. That's first in our region. That's tenth lowest in all states and 31 percent lower than residential rates in states with retail choice. Exhibit 2 in your packet looks at the commercial rate class. And note that Nebraska's statewide average, 8.9 cents per kilowatt-hour, 14th lowest in the nation. Exhibit 3--The rate that retail choice proponents constantly point out is our industrial rates. The speaker following me will address this issue, but suffice it to say that there is much more in that situation not reflected in this table. Hopefully, that will be explained. Exhibit 4 in your packet looks at Nebraska's rates and how they compare to states that have chosen retail choice. In comparing Nebraska's energy rates for all customer classes you can see Nebraska's current rates are better than all but two of the retail choice states. Exhibit 5 is just another way to view that same rate class information. Note that Nebraska's rates begin low and remain low and are lower than all but two retail choice states. Where am I at, Exhibit 6? Exhibit 6 is Nebraska's residential rate compared to all other states. And note that our rate again is better than all other retail choice

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Transcriber's Office

Natural Resources Committee
February 16, 2017

states. Lastly, retail choice proponents will bring up the rate of increase in Nebraska's rates as a reason that choice should be allowed. I would draw your attention to Exhibit 7. This compares the percentage of change in retail rates between 2006 and 2015 and corresponding ranking for each state. It's important to note that regardless of the percentage change, when your state's rates start high they typically remain high and when your rates start low they typically remain low. For example, Wyoming with a 51 percent increase has had their overall ranking change in those ten years from third lowest to fourth lowest. West Virginia, 61 percent increase has moved comparatively state ranking from second to sixth lowest. Nebraska's increase being 46.7 percent has changed our ranking from 6th best to 15th best. While public power is not satisfied with that rate increase and are constantly striving to keep our rates low and reliability high, a top 15 ranking is still very respectable. To close, LB660 is not even a good solution looking for a problem that doesn't exist. And NREA would urge the Natural Resources Committee to indefinitely postpone this bill at your earliest convenience. Thank you and I'd be happy to answer any questions. [LB660]

SENATOR HUGHES: Thank you, Mr. Bredenkamp. Are there questions? Seeing none, thank you for your testimony. [LB660]

TROY BREDEKAMP: Thank you. [LB660]

SENATOR HUGHES: Next opponent. Welcome. [LB660]

RON TODD-MEYER: (Exhibit 9) Chairman Hughes and members of the Natural Resource Committee, my name is Ron Todd-Meyer, R-o-n T-o-d-d-M-e-y-e-r. I'm a retired farmer from south-central Nebraska and now reside in rural Lincoln. I'm a veteran of the Vietnam War, but I am here representing Nebraskans for Peace and opposing LB660. Nebraskans for Peace has worked with some public power entities in the state for affordable, reliable, and renewal energy sources. We stand foursquare behind public power that has served Nebraska very well for decades. From time to time we may not have agreed with all the decisions made by our public power boards, but the people of Nebraska do have a voice in the decisions by the choice of people we elect to serve on these various public power boards. By allowing privately owned utilities into the state we will open ourselves to the cherry-picking of the most lucrative markets and leaving the more remote areas bearing the higher cost. Nebraskans will have no voice in the decisions that are made by privately owned companies. There are good reasons why Nebraska became a public power state. When private energy companies were in the market, prices were manipulated to serve the interest of private investors at the expense of the public good. There are examples of this in other states: California, for example, in the 1990s and Connecticut in the past decade where shortcuts to infrastructure led to prolonged power outages. We should remember

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Transcriber's Office

Natural Resources Committee
February 16, 2017

the lessons of the past so that we do not have to relearn the same lessons again. We urge you not to advance this proposed bill to General File. [LB660]

SENATOR HUGHES: Thank you, Mr. Todd-Meyer. Are there any questions? Seeing none, thank you for your testimony. Next opponent. Welcome. [LB660]

RICHARD HEDRICK: (Exhibit 10) I am Richard Hedrick, H-e-d-r-i-c-k. I am against LB660. As part owner of Lincoln Electric I do not want a conservative company putting their foot in the door of my Lincoln co-op competition, a competition (sic: corporation) that is run by a 1 percent-owned company to have any part of what I own. When Ricketts is paying for Platte Valley Institute to find what he wants to find they find what Ricketts wants them to find. You should consider the source of the information you get. I was at the farm equipment dealers show at the Event Center this past spring. And a co-op exhibit I was at, I said that the co-op was a liberal organization. One of farmer group didn't like what I said. I told him that it didn't make any difference if he was a liberal or a conservative, the co-op was a liberal. That's our electric light company; they're liberal and we own them as the people that use electricity. This bill and others like it forcing conservative companies and liberal companies to marry will not work. Corporations and co-ops are formed by different state laws for different purposes. Senator Groene stated on the floor of the Legislature when complaining about food stamps that he never took a subsidy in his life. Groene does not consider the subsidized county roads or the subsidized rural electric lines that are serving people in the country. Anyone that knows anything about how conservatives think would also be against this bill. It is easy to explain why our 1 percent Governor is a supporter of this cash cow bill. My wife's ancestors were in the Colonies in 1776. Some went to Canada, some went back to England. If alive today they would be supporting "King" Trump and this bill. [LB660]

SENATOR HUGHES: Mr. Hedrick. [LB660]

RICHARD HEDRICK: When promising the world when campaigning Trump said, what do you have to lose? Three weeks later, "King" Trump with the GOP king's men we are finding out. Well, I guess that doesn't matter. [LB660]

SENATOR HUGHES: Mr. Hedrick, thank you. Any questions for Mr. Hedrick? Seeing none, thank you for your testimony. Next opponent. Welcome. [LB660]

NEAL NIEDFELDT: (Exhibit 11) Good afternoon, Senators. My name is Neal Niedfeldt, spelled N-e-a-l N-i-e-d-f-e-l-d-t, I'm the president and CEO of the Southern Public Power District. We serve 27,000 customers in seven counties in south-central Nebraska. After listening to the testimony from the gentleman from Monolith, I think most of us could probably just stay

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Transcriber's Office

Natural Resources Committee
February 16, 2017

in our chairs, because I thought that was a great testimony. We've heard a lot of reasons to kill this bill today. I'm going to shorten my comments up to two points. One point is in LB660 there's some language that indicates that our rates have increased to the point that it's not competitive and they've increased from 2006 until 2016. I disagree with that statement. I think we're still competitive. And beyond that, we did have rate increases from 2006 till about 2012, and there was a lot of reasons for that. Since 2012, the Southern Public Power District has had one increase and that was early in 2013. So we've gone four years since that point without a rate increase to our customers. And we've actually reduced rates to two of our customer classes during that time period. If you looked at our average cents per kilowatt-hour that we sold to our customers in 2016, we're actually 5 percent less than we were back in 2013. So I think the presumption that our electric rates are maybe out of whack and that they continue to rise, that's not a true statement. I'd also like to point out the other point that there's an impression out there that our industrial rates are not competitive with other states. I want you to, if you could, turn to the very back of my packet of testimony. And in the way EIA does their data compilations, they require that we include our irrigation information with our industrial information. That's been said before, but no one has really put some numbers to it. So on that table I've shown you information from Southern Power for 2014, '15, and '16. And it shows that the irrigation rates during that time period are running 14 cents to 18 cents. And that's a very high cost customer that we have to serve, lots of infrastructure. That load occurs during the high-cost summer months and it's a very short time period from about end of June till September. So those rates are always going to be higher than the other customer classes. You can see our true industrial rate is about 6.2 cents to 6.5 cents in those three years, but unfortunately with the requirement that we combine those for EIA reporting, you can see the total that Southern had to report was over 8 cents. And that is really unfair to Nebraska. And, unfortunately, we worked with EIA and tried to get them to change the reporting. It's just the way that we fill out their paperwork, but they've not made any changes for us. So until we can get that done, we're still going to have that unfair advantage as far as the data that's being used in comparison. So with that, I'll end. [LB660]

SENATOR HUGHES: Okay. Thank you, Mr. Niedfeldt. Senator Bostelman. [LB660]

SENATOR BOSTELMAN: Thank you, Mr. Chairman. I just have a question on the irrigation rates. Since that's high-use time, high-volume time, summertime, air conditioners work, everything, is there any way that that would be lowered? [LB660]

NEAL NIEDFELDT: Well, the irrigation rates will vary from summer to summer a lot based on weather. So all of us charge a--what we call a fixed charge, a horsepower charge in the spring and the fall. If you have a large energy usage summer period, it offsets some of that horsepower charge to the point that it reduces the cents per kilowatt-hour down to a lower number. So if you look back in 2014, that was not a very dry year and so we didn't have a lot of usage that went

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Transcriber's Office

Natural Resources Committee
February 16, 2017

along with that horsepower charges, so those costs per kilowatt-hour was higher than the other two years. [LB660]

SENATOR BOSTELMAN: I guess follow up to that, would there be any difference, whoever is supplying that power, would they still have those cost increases potentially? [LB660]

NEAL NIEDFELDT: Most of our cost that's in that rate, it's a combination of the demand charges that we...and energy charge that we get from NPPD but we also have large facility charges in there, because we're trying to recover that investment over such a short window. So there would be...there could be some changes. I would say though that there's not going to be many companies wanting that kind of load. When you're talking about a load that only runs six to eight weeks, I think it would be really hard for them to find a choice from other utilities that would actually want to serve that load. [LB660]

SENATOR BOSTELMAN: Okay, thank you. [LB660]

SENATOR HUGHES: Okay. Any additional questions? Thank you, Mr. Niedfeldt. Next opponent. Welcome. [LB660]

ALBIN ZIEMBA: Good afternoon, committee and Senator Hughes. My name is Albin Ziemba, it's A-l-b-i-n Z-i-e-m-b-a, and I farm with my two sons in Merrick and Nance County, Nebraska. We have a highly irrigated crop base and dependent on electricity. And I'm concerned about this LB660 being approved or whatever to allow foreign or out-of-state companies to go and kind of cherry-pick bigger businesses then left us hanging out to dry and pick up the cost. I'm concerned about that. And then I don't understand why, if we're one in the lowest 15 percent in the country, why we have to go ahead and change something. My motto always is, if it's not broke, you don't have to fix it. You know, if there's a problem we can work on it and fix it, but I don't really see a problem here. Thank you for your time. [LB660]

SENATOR HUGHES: Okay. Thank you, Mr. Ziemba. Any questions? Seeing none, thank you for testifying today. Welcome. [LB660]

BRUCE PONTOW: (Exhibit 12) Good afternoon. Chairman Hughes and members of the committee, my name is Bruce Pontow, B-r-u-c-e P-o-n-t-o-w. I'm general manager of Nebraska Electric G&T in Columbus, Nebraska. I'm going to shorten up mine--I'm sure you'll all be happy about that--just simply because some of it has been covered. But there are a couple of items I would like to hit on in a little different way and in a little different fashion. This idea of LB660 is commonly known as retail choice. But I come to this body and look at that bill and say, really,

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Transcriber's Office

Natural Resources Committee
February 16, 2017

who has that choice? Is it really the retail customer or is it the vendor that comes in? He's got a certain amount of flexibility in accepting, as I understand it, and denying. He doesn't have to take a customer, unlike public power as it is today. We have an obligation to serve. That doesn't seem to be going the other direction now. And if we continue to have that obligation, then it seems to me you're saddling public power with a never ending...or I should say, being a never ending safety net. And if that responsibility is ours, we've got to have some facilities to back it up. I don't see any of this discussed. The other item...you've mentioned irrigation. My membership probably has about 500 megawatts of load...irrigation load under control. That's nearly one unit out of Gentleman Station. We've done that over the past 45 years and got it woven into the resource mix so to speak, and have done so, so that we efficiently use that generation and delivery facilities night and day. You let someone in that offers up this power to be used at any time, suddenly we've got people moving on top of a peak we already have and don't necessarily have all the facilities we need to serve them, in some cases. That would be an extra irrigation cost that you were just visiting with a couple of testifiers ago. Regulation, you've touched on. The other item that hasn't been touched on is, as power suppliers in the many municipalities, we pay lease fees into those towns. Those lease fees, I'm not sure how they're going to get picked up if someone else is paying that or providing that power. I'll guarantee you this. Under the current mood, I'm sure the electorate wouldn't want their taxes raised to make up that difference. Likewise with the regulation and everything else we're talking about, it's probably not going to fall on, I guess, receptive ears to have added regulation, if you will, loss of control, and added costs; loss of local control. So realistically in the end, I think they come under the guise of the concerned citizens and that pack group. But the individuals that have come forth before you today also have another entity that is looking to compete in this market in this state. So let's really call this what it is. And it is...I got to say, it's an opportunistic attempt by a few to reap much at the cost and risk to many. That's the way I'll leave that. I appreciate it. Thank you. [LB660]

SENATOR HUGHES: Thank you, Mr. Pontow. Questions? Seeing none, thank you. [LB660]

BRUCE PONTOW: You bet. [LB660]

SENATOR HUGHES: Welcome. [LB660]

RICHARD MICHEL: Good afternoon, Mr. Chairman and members of the committee. My name is Richard Michel, R-i-c-h-a-r-d M-i-c-h-e-l, and today I'm testifying in opposition of LB660 as a ratepayer and former employee of a public power district. I believe we can all agree that public power has served the state of Nebraska very well in the past and will continue to do so by providing reliable and affordable power to all ratepayers. As a ratepayer, I'm very concerned that by allowing private utilities to do business in Nebraska, that it will not be in the best interests of

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

the ratepayers. For example, private utilities will come in and cherry-pick the largest customers and/or the largest cities. I have a hard time believing that a private utility would care much about rural Nebraska and the thousands of miles of line that we service out there. I would also be surprised if a private utility would have much interest in building new or buying existing generation facilities in our state as the profit margins on generation have been greatly reduced over the last few years. So if the public power district is cherry-picked of their larger customers, how do they survive? If public power were deregulated, as a ratepayer I would have grave concern as to how the current public power districts would recover the costs that they have invested in their current systems by building generation plants and miles of line to serve all the customers. I believe that these costs would fall back on the remaining ratepayers of each individual power district. Currently, as a ratepayer I also have the opportunity to vote on who represents me, the ratepayer, on each public power district board of directors, so that I have a choice. As a former employee of a public power district, I can tell you from firsthand experience that there are no more dedicated employees in the power industry than that are employed by our public power districts. The fact that the employee is servicing his/her hometown has a big impact on their dedication. If a generation plant goes off-line, no matter when, why, or how, the employees respond and get the plant back on line as soon as possible. And that result of this dedication is the fact that the utility does not have to buy power from the open market and the savings to the ratepayer are tremendous. I'm sure you're all familiar with the weather in Nebraska. At times it can be very challenging. We have all seen the line techs out in terrible conditions making sure the power to your house or business is back on, no matter what, rural or metro, in the shortest duration possible. This all happens because employees generally are a resident of their respective power district that are working to take care of their friends, neighbors, and ultimately the ratepayer. So then the question becomes, if we take out of the equation a number of the largest users, how can the revenue be made up? Will we have to cut back on various employees that currently take care of the service to their neighbors? In closing, I request that you do not advance LB660 out of committee, as it is not in the best interest of ratepayers of Nebraska. Thank you for allowing me to speak and I will take any questions if you have any. [LB660]

SENATOR HUGHES: Thank you, Mr. Michel. Are there any questions? Seeing none, thank you for your testimony. [LB660]

RICHARD MICHEL: Thank you. [LB660]

SENATOR HUGHES: Welcome. [LB660]

BRIAN NEWTON: (Exhibit 13) Good afternoon, Mr. Chairman, members of the committee. My name is Brian Newton, B-r-i-a-n N-e-w-t-o-n. I'm currently the general manager of utilities at the

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Transcriber's Office

Natural Resources Committee
February 16, 2017

city of Fremont and also the interim city manager. I have 38 years in the electric industry. In fact, I spent the first 18 years in Nebraska in Seward and in Creighton and north-central and then moved away, foolishly, and then now find myself back in Nebraska, so I'm really glad to be back. Fremont built its first generation in 1895, and we're one of the oldest utilities in the state. Our generation resources consist of three coal units. We also have one natural gas fired peaking unit. I'm not going to talk about my testimony that I turned in. Instead, in 1997, I foolishly moved from Nebraska and I took a job in Ohio. Okay? It wasn't two years later when Ohio adopted SB3; that was the deregulation bill in Ohio. I lived in Ohio from 1997 to 2007 and so I have firsthand some experiences of what Ohio's customers went through. And here are some of the things that happened. First of all, it only deregulated the eight investor-owned utilities in the state. It did not mandate any of the electric cooperatives or the municipal utilities. It gave them the choice, but none of them have chose to go in. And today, also none of them chose to go into deregulation. It took a five-year transition to get implemented. During those five years, it sat at froze rates. It did. But what happened was, is those stranded costs were millions and millions of dollars that the customers paid for during those five years. In other words, they divested of all the assets, all the generations, and the customers paid for those while those transitions occurred. Okay? Today...when you look at those rates today, they finally have gotten back down to where they started before deregulation occurred. And so there's really five things that I've seen happen in Ohio while I was there and since I've left. First one, the law did not require cooperatives and public utilities to opt in. They should not. This bill is incorrect, it should not require us to do that. Public power is serving Nebraska well. Second of all, electric retail choice is a lot to do about nothing. Many of my friends and colleagues that live in Ohio, they don't want to choose. They go in and try to choose, they may sign up for six months and only find, they saved a few handful of dollars in the year. It's not worth it. The time and effort they spend is not worth it. Third thing, no one is looking out for residential customers in Ohio. It's caveat emptor; that means buyer beware. There's no planning being done. Nobody looks out for them. No future generation is being built. They're living off the margins of the market. Okay? Not true. In the city of Fremont, we've planned generation units for 30 years and plus. We look out for our customers and we will continue looking out for our customers. Four, supposedly...I'm sorry, time is up. [LB660]

SENATOR HUGHES: Finish your last two points. [LB660]

BRIAN NEWTON: Okay. Two things: One, investment in renewable energy. We are investing in renewable energy. We've added wind, we're trying to add solar. It's what our customers want and of course we're going to add renewable energy. And the last thing, it says, electric choice drives economic development. If that was true, Costco would not be looking at Fremont or the state of Nebraska. So we are competitive and our rates are very competitive. Thank you. And again, Fremont is advocating in opposition. We'd ask that you not advance this bill. [LB660]

SENATOR HUGHES: Thank you, Mr. Newton. Are there questions? [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR WALZ: I have a question. [LB660]

SENATOR HUGHES: Senator Walz. [LB660]

SENATOR WALZ: Because Mr. Newton and I live in the same community, have you heard anybody complain or want something different? [LB660]

BRIAN NEWTON: No. [LB660]

SENATOR WALZ: Okay. I didn't either. I just wanted to make sure. And... [LB660]

BRIAN NEWTON: And I'm on the radio, as you know, every week. Nobody has ever asked the question, give me choice. They're very happy with the rates. [LB660]

SENATOR WALZ: Right. And since we both serve the same constituents, I really just want you to lay it on the line for me and just tell me how would this impact our consumers and how would this impact our community? [LB660]

BRIAN NEWTON: Well, first of all, you have to get around the stranded costs. We just invested \$50 million in our coal plant. Right? Okay. If we're going to transition to choice, who's going to pay for that \$50 million? If I'm going to lose customers, then I'm going to--like Ohio--I'm going to have to include that in the transition period to make sure there's no stranded assets left for those that are left behind to pay. So I'm going to have to raise my rates dramatically to get that asset paid. Once those are paid we would be agnostic. I mean, honestly, it would be up to you as the consumer to figure out what's best for you. I can't plan for you anymore. You have to plan for yourself. You have to do what's best for you. Will it affect the rates? Absolutely, it will affect the rates. Will they go down? No, they will not go down. We're going to add probably \$2 million to \$3 million a year just in regulation costs from the Public Service Commission. We will all pay for that. [LB660]

SENATOR WALZ: Thank you. [LB660]

SENATOR HUGHES: Okay. Thank you. [LB660]

BRIAN NEWTON: Thank you. [LB660]

SENATOR HUGHES: Any other questions for Mr. Newton? Thank you. [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

GARY HEDMAN: (Exhibit 14) Senator Hughes, members of the Natural Resources Committee, my name is Gary Hedman, that's spelled G-a-r-y, last name is H-e-d-m-a-n. I am one of a group of directors who serve on the board of Southern Public Power District out of Grand Island. We share something in common in that we are elected at the very same elections that you are, the very same general election. If you'll look down there, you'll see public power district directors there. I even had to run a campaign and win in the primary to get my job, so I worked hard to get to where I am today. I'm going to throw away a bunch of my testimony today. You've got copies of it and you're wanting to get out of here, so I'm going to save you a little time and hit on two points that I believe have not been brought up. And one thing that is missing in all of these discussions is that of local control and transparency. That is something that we provide in public power that you just don't simply get anywhere else. And by local control, it's people like myself and my counterparts that are elected. We're elected as representatives of our customers just as you're elected as representatives of your constituents to act in their behalf. We act in their behalf and best interests on power. So we attempt to balance price, reliability, and service to give the customer the kind of service they want. We look at all three sides of that. Recently our board and a number of other boards that were served wholesale by Nebraska Public Power District had the duty to consider a choice. Right now you might be thinking, we don't have a choice. But we had a choice of signing a new 25-year, all-requirements contract with Nebraska Public Power District. And doing the due diligence that I think directors are supposed to do, we didn't simply just sign that right away. We actually went out and looked at the market. We looked for proposals. We were actually being contacted at that time by these very same people that are pushing this bill and the one that will follow, saying that they could save our customers money. We asked a few simple questions that any reasonable person would ask. And that would be: Who else are you serving? Where would the power come from? Who's your source? And we couldn't get any answers on those things. And we kind of come to the conclusion that they were just simply looking for a commitment that they could take out into the power markets and look for a contract. So in our judgment, having a reliable source that plans for long-range power supply for our customers and is not motivated by earnings per share of a stockholder, gives us the best chance of a balance of reliability, dependability, responsiveness, reasonable cost electric service. And we've heard a lot about the Southwest Power Pool. By signing that, I believe that gives us a voice in the Southwest Power Pool, because NPPD can go out into that market and find the best options for us. And, in fact, I've heard that last year they were a net exporter, bringing those savings back to our customers and keeping those jobs in our power plants in Nebraska. In short, I believe public power is just the best form of utility service there is. We have directors that are publicly elected, easily accessible, customers have a real voice. At our board meeting we have a customer report section on every agenda. They can walk in and tell us what they don't like or do like. Decisions from a public power district board are made by local customers for local customers. And they're certainly not made for profit and definitely not for the benefit of stockholders. Thank you. I realize my red light came on, you allowed me to continue. I appreciate it. [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR HUGHES: Thank you, Mr. Hedman. Are there any questions? Seeing none, thank you for your testimony. Welcome. [LB660]

NANCY BRYAN: (Exhibit 15) Thank you. Good afternoon. I'm Nancy Bryan, N-a-n-c-y B-r-y-a-n, I am the city clerk/treasurer in Stromsburg and I'm here to represent the city of Stromsburg, the League of Nebraska Municipalities, and the Nebraska Municipal Power Pool. I just wanted to formally state for the record that we are opposed to LB660. We believe that this is a threat to public power in Nebraska, which is the best case scenario that we could have, where you have it owned by the people, the people elect people that are running the districts or the cities and are held accountable by them. If you have any questions, I'd be happy to answer them. [LB660]

SENATOR HUGHES: Thank you, Ms. Bryan. Any questions? Seeing none, thank you very much. Welcome. [LB660]

CURTIS KAYTON: (Exhibit 16) Good afternoon. Chairman Hughes, members of the committee, my name is Curtis Kayton, C-u-r-t-i-s K-a-y-t-o-n, I'm the general manager of Southwest Public Power District located in Palisade. What you're receiving now is facts. And rather than be lazy this morning in Palisade, I decided to come do something about these bills, testify them. I started my thought process on the 27th of January, got with my staff, said we need to survey our customers, which we did. This is a survey of our residential customers that actually are human beings with a house that we serve on our system. We asked them three simple questions, sent them a self-addressed, stamped envelope, and we asked them to return them, which they did. Generally, surveys if they go 3 percent, 5 percent, 8 percent response, generally is considered a win. I don't know what the word to describe a 53 percent of our customers responding. These are surveys that have been returned to our office. We sent it on the 27th of January, asked for them back on the 14th of February, slightly over two weeks. This is a direct indication we have an engaged customer. Our customers listen to us, they know who we are, and we know who they are. If we need help, they respond. And I don't know how to substantiate that in any other form. Obviously, we asked if they had a favorable rating of us. We'd like to think we have a good relationship with our customer. I think that's confirmed. I'd like to skip over cost. Down to the third question, what do you think of the local control? You can see their response there. The deciding factor, obviously, the factor is going to be cost of whether they would choose another power supplier or not. I want to talk about that just one little bit. Our cost of service study is right here. It's what we use to substantiate the rates that we charge for retail electrical service. We recover costs in two ways, in a customer charge and in addition to what we're charged for wholesale power for the use in the kilowatt-hours that we sell. If the total cost of service and remaining affordable for everyone is this and we divide the rate in a customer charge and we'll collect the rest here, here's how everyone is affected with retail choice. If we're not going to sell energy, then we don't recover this part. This part must go onto here. So if we have a customer charge here in order to open up our state and our ratepayers to retail choice, this

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

customer charge will go that way. There are a lot of customers that will get nailed with retail choice. I can answer any questions you may have. [LB660]

SENATOR HUGHES: Okay. Thank you, Mr. Kayton. Are there questions? Seeing none, thank you for your testimony. Welcome. [LB660]

DARREL HAYEK: Good afternoon. My name is Darrel Hayek, D-a-r-r-e-l H-a-y-e-k. I'm going to go at this a little different. I'm going it, the landowners who are going to be having these wind turbines on the ground. There's nothing in the bill about decommissioning until the tenth year. What happens when these companies go broke at year five? Now you've got wind turbines sitting on landowners' ground they can't do anything with, because they rent the ground. Landowners don't own them. And everybody says the salvage value is going to be involved. The new monopole wind turbines are using concrete. And what's the salvage value of used concrete? That's what I wanted to say. Thank you. [LB660]

SENATOR HUGHES: Okay. Thank you, Mr. Hayek. Any questions? Seeing none, thank you. [LB660]

JOHN HANSEN: Mr. Chairman, members of the committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n, I'm the president of Nebraska Farmers Union. Our organization has been around since 1913. We took a great deal of pride in the necessary work of helping create the public power system in the first place. And it is a system. And so you look at how it functions. We know what it produces. It produces a very reliable system, at very affordable costs, and it affords us the ability to be able to make adjustments in the system as we, the owners of that system, can give direction to it through elections and representation and public involvement. So it is a system. So this bill and two other bills that you're going to hear this year are, in my opinion, about the business of deconstructing the system for private commercial advantage at the expense of the whole. And I think we have to be clear about where that goes and what the likely outcome is. And, yes, we're going to have stranded costs. And, yes, we're going to have a weakening of the system. And when the system is deconstructed, it causes a whole host of downstream consequences. I was in Colorado several weeks ago and did a presentation at the Colorado Farm Show. And I had two Colorado farm leaders come up to me after my presentation--and these are folks I've known and worked with--and they said, you know, there's three things that we hope you Nebraskans are rightly aware of and proud of and don't take for granted, because when you don't have them you really appreciate it. And first of all, you guys have a natural resource management system through the NRDs that we wish we had. It is an amazing structure. So you guys are ahead of the rest of us. You have a 100 percent public power system and we are at the mercy of private companies who do what they will in a lot of cases. And three, you have a nonpartisan Unicameral system. And those are the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

comments that I hear as I travel around the country and I represent agriculture in my capacity as treasurer of National Farmers Union. The time to recognize the value of water is before the well goes dry, and the time to appreciate the virtues and the benefits of our public power system is before we go down the road to talk about deconstructing it. Thank you very much. And I'll be glad to answer any questions. [LB660]

SENATOR HUGHES: Any questions for Mr. Hansen? Seeing none, thank you. Welcome. [LB660]

DAVID VAVRA: Good afternoon, Senator Hughes, ladies and gentlemen of this long process and hearing. My name is David Vavra, that's D-a-v-i-d V-a-v-r-a. The reason I didn't hand anything else in is because that's the end of my presentation. Everybody has already talked about that. So...but I have some background. I'm the chairman of the Saline County Wind Association. We are a landowners' group that formed from a grass-roots effort to protect landowners against developers that had unscrupulous terms. And I'll guarantee you, there's a lot of them out there. We have negotiated contracts, we've spent tens of thousands of dollars of landowners' money to be able to protect the landowners. The one gentleman that just spoke about...a little bit about the decommissioning is a major concern, because these companies form LLCs in the state of Nebraska, while they're big, billion dollar companies worldwide, they form an LLC and it's very easily to dissolve that LLC and leave the landowner hanging with turbines left on their property, substations. Now, you think, well, that doesn't happen. California is the poster child for wind farms. They are also the poster farm (sic: child) for the most abandoned wind turbines in the United States. In Palm Springs area, it happened that my son was stationed at Twentynine Palms 20 years ago and I marveled at all of the wind turbines that were there. And when I asked the service station attendant, I said, your electric rates must be terribly cheap with all those wind turbines. And he said, you better take a look at them again. And when I looked at them I notice that over half of them were not running. And the reason they weren't running is because the California tax rate had expired and so the developers and the operators failed to do any maintenance and they allowed the wind farms to disintegrate and just fall apart and abandon them. So the idea of...I know we got another bill that is coming down the line here, LB547, that talks about not having the Power Review Board approve of wind farms. If we're going to go that route, we need to have decommissioning money up front, not ten years down the road when the PTC goes away. But I also had a little bit of other inside information. I'm a former employee of NPPD. I work for them today as a temporary technician. I was not ever involved in the wind industry. From that standpoint, I also was a...because of my position with the Saline County Wind Association, Tim Texel, the general counsel of the Power Review Board, asked me to sit on the committee that was LR1115. We investigated why Nebraska was falling behind. My time is up. I do have a good answer for your question, Senator. [LB660]

SENATOR HUGHES: Thank you, Mr. Vavra. Are there questions? Senator Kolowski. [LB660]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

DAVID VAVRA: You'll ask the question. Thank you very much. [LB660]

SENATOR KOLOWSKI: Could you answer that question? [LB660]

DAVID VAVRA: Yes. You made mention of the fact that when you drive down I-80... [LB660]

SENATOR KOLOWSKI: Yes. [LB660]

DAVID VAVRA: ...into Iowa and all those wind turbines, and none over here. And having been on both sides of the table, I used to blame NPPD because they were slow to wanting to accept wind, because it does...it is hard for them to maintain. I worked on the technical side of making sure the lights stayed on. I didn't climb poles, but I worked on the technical side. But there's another issue. Because they joined SPP, which gave them the power to work together with other neighboring utilities, SPP does not go to the east. MISO is to the east. So for us to ship power out of the state of Nebraska, we have to spend \$35,000 per megawatt per year to license a hole to put it into the MISO region. Well, when you're in Iowa, you're already in the MISO region and there's no \$35,000 charge to take that energy to Chicago. That is where the load is. So until we have a load, it doesn't...it don't work. Now to be fair, we also have an SPP split that costs \$40,000 to come from MISO to this way, but that's because of the way the regional transmission organizations are set up. I learned this not because I worked at NPPD, but because I was on the LR114. I was also an active member of the Heartland for Reliable Transmission in the central SPP area. So I hope I answered your question. Why we're not building here is because we've got no place to go with the electricity. [LB660]

SENATOR KOLOWSKI: That's all human decided. [LB660]

DAVID VAVRA: You're correct. We've got the rules and regulations, but the Legislature...unless you're able to get MISO and SPP to lower those tariffs, there's no way we're going to send power. And why do I go power to the east? We have a continental divide in electrical industry that is our frequencies are different, so we're not able to go west of Scottsbluff, west of Benkelman, so. [LB660]

SENATOR HUGHES: Okay. Any other questions? Thank you, Mr. Vavra. [LB660]

DAVID VAVRA: You're welcome. [LB660]

SENATOR HUGHES: Any other opponents? Welcome. [LB660]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

ERVIN PORTIS: Good afternoon, Mr. Chairman. My name is Ervin, E-r-v-i-n, Portis, P-o-r-t-i-s, I'm the city administrator in Plattsmouth. One of the last proponents said that you'd hear a lot about local control. You did. I ask you, maybe the right question is what's wrong with that? Senator Allbrecht, you served on a city council for a long time. I think you know the weight and gravity of that local control. All of you do. Plattsmouth has been an NPPD retail community our partnership with NPPD is 50...more than 50 years. We're a bedroom, residential community. The city council recently--very recently--approved an extension...a 25-year extension to our retail agreement with NPPD. And city council doesn't make those kind of decisions lightly. But it really gets down to three critical variables in making that decision: rates, reliability, and relationship. And that relationship is as important, I would argue it is, as the rates and the reliability. And let me contrast something here, public power and the private enterprise. Like Mr. Newton from Fremont, I was foolish enough one time to move out of the state of Nebraska, but smart enough to come back. So I have some experience with the private companies. Now let me tell you a story about two experiences with NPPD during my tenure in Plattsmouth. Several years ago they did a strategic plan and they invited a lot of stakeholders from across the state, me included. Fifteen or eighteen months of multiple meetings, a very transparent process that involved a lot of stakeholders; transparency with stakeholders involved. Will the company from Texas or from Kansas do the same? I suggest not. Then I sat on the sidelines and watched as NPPD during the last couple of years negotiated--in a very public and transparent process--its wholesale contracts. And we know fully well that some of the proponents were sitting on the sidelines watching that also; a very public and transparent process. Will the companies from Texas, Kansas, and anywhere in America do the same? I suggest not. Thank you. [LB660]

SENATOR HUGHES: Thank you, Mr. Portis. Are there any questions? Seeing none, thank you for your testimony. [LB660]

ERVIN PORTIS: Thank you, Senator. [LB660]

SENATOR HUGHES: (Exhibits 17 - 68) Additional opponents. We've got a couple of letters to read into the record as opposition to LB660: Nathan Johnson, city manager, Scottsbluff; Paul Neil, board president, Dawson Public Power; Chad Waldow, general manager, Stanton County Public Power District; Mark Kirby, Butler Public Power; Gwen Kautz, Dawson Public Power; Robert Beatty, KBR Rural Public Power; Gordon Sorensen, village of Cairo; Joan Eastman, village of Giltner; Deb Cottier, Chadron, NE; Duane Hovorka, Nebraska Wildlife Federation; David Custer, Twin Valleys Public Power; Bruce Vitosh, Norris Public Power; Keith Harvey, North Central Public Power; Judy Rieken, Polk County Rural Public Power; Clay Gibbs, Cornhusker Public Power; Richard Erwin, Cedar-Knox Public Power; Phil Burke, Polk County Rural Public Power; Lisa Scheve, Gateway Development Corporation; Don Kraus, Central Nebraska Public Power and Irrigation District; Timothy Burke, Omaha Public Power; Chet McWhorter, Cuming Public Power; Jordan Rishel, Blair Area Chamber of Commerce; the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

village of Campbell; Detta Holscher, Elwood; A.J. Dahlgren, village of Axtell; James Ulrich, York General; Dennis Smith, city of Norfolk; village of Doniphan; Chad Anderson, city of Pierce; Ryan Reiber, Panhandle Electric Membership Association; Sue Fuchtman, Daycos of Norfolk; John Green; Michelle Coolidge, Western Nebraska Economic Development; Matt Spanjers, York Cold Storage; Andrew Rainbolt, Sarpy County Economic Development Corporation; Michelle Coolidge; city of Bayard; Jeff Foley, Winnebago; Bluestem Energy Systems (sic: Solutions); Jeffrey (sic: Jerry) Crouse, Tenaska; Chris Beutler, Mayor, city of Lincoln; Thomas Rudloff, Elkhorn Rural Public Power; Diana Reich, Chimney Rock Public Power District; village of Kenesaw; Donald Suda, Palisade, Nebraska; Reverend Mark Beran, St. Augustine Indian Mission; Rick Kubat, government relations attorney, Metropolitan Utilities District; Larry Umberger, Midwest Electric Cooperative; board of directors, Omaha Public Power District; Barry Kennedy, Nebraska Chamber of Commerce; Lincoln Chamber of Commerce and the Greater Omaha Chamber; James Cavanaugh, Nebraska Sierra Club; and Steve Nelson, Nebraska Farm Bureau Federation. Are there any who wish to testify in the neutral position? Welcome. [LB660]

SCOTT HOFELING: (Exhibit 69) Thank you. Hello. My name is Scott Hofeling, spelled S-c-o-t-t H-o-f-e-l-i-n-g. Hofeling Enterprise is a Lincoln-based company that's been operating in Nebraska since 1993. Our wood waste recycling facility accepts tree debris and dry wood waste and grind it into various wood products. My situation is a little bit different. In 2012, LES provided an electrical cost estimate for us to switch from diesel to electric for our wood grinding to be \$21,000 per year for electricity, if the system was not operated between 2:00 p.m. and 8:00 p.m. Monday through Friday during the months of June, July, August, and September. That was the best program available from LES. Based on that quote, we spent about \$400,000 going to electric. In 2016, our electrical costs went to \$78,000, a difference of \$57,000 because of a mistake typing in the horsepower of the machine. More importantly, the amount that I use is very small. It is the amount of demand that is costing us so much. This our only option we have. Norris Public Power has a plan called Schedule 23 rate that removes demand cost from the billing. Cost is approximately \$12,000 per year. Seventy-eight thousand minus twelve thousand is sixty-six thousand dollars that I pay more. If LB660 passes, I'd be able to choose who my electrical provider would be, which would be Norris Public Power which is an in-state electrical provider, not out of state. My option is that we have considered moving outside the LES coverage area. However, a lot of city entities, departments dump at our location at no charge, saving the city a lot of money. All Lincoln arborists, as well as public schools, the state highway department, recycle their wood waste at our facility. I cannot move three miles to Norris Public Power territory, basically a borderline, because LES could come in and assume that territory and then I'd be back in the same situation I'm in now. I'd have to move clear back into the Norris territory to not get taken over. This is a huge difference, depending on what side of the street you're on, Norris versus LES. LB660 would save me money, would save the residents. Passing LB660 would allow me to operate within our original business plan in furnishing the much-

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

needed service. Being a public power state, it has created a monopoly, forcing a take it or leave it situation in my situation. So with that, any questions? [LB660]

SENATOR HUGHES: Okay. Thank you, Mr. Hofeling. Any questions? Seeing none, thank you. Any additional neutral testimony? Welcome. [LB660]

TIM TEXEL: Thank you, Chairman Hughes, members of the committee. My name is Tim Texel, first name is T-i-m, last name is T-e-x-e-l, and I'm the executive director and general counsel for the Nebraska Power Review Board. As I believe the committee is aware, the board is the agency with primary jurisdiction over the electric industry and electric suppliers, both public and private in the state of Nebraska. The board reviewed LB660 during its public meeting on January 27, and the board is aware that Senator Wayne's intent with the bill was to initiate a dialogue. And I did speak with him, as he mentioned, so I won't go on through the substance of the bill as you would normally see me do and talk about any issues with the bill on the substance side. The board would like to make clear that its role, as it sees it, is a policy implementing agency and normally does not take a policy position on an issue, such as retail choice. And that's why we are in a neutral capacity today. That's a policy determination for the Legislature and not for us. The board would be glad to be part of any interim study or anything else that the committee would want us to be to help on that side of things, but the board does want to raise one concern it has with LB660. The bill as drafted delegates the oversight for the implementation of electric choice program to the Nebraska Public Service Commission and the board would respectfully submit that as the state agency with primary jurisdiction over the electric industry, the board believes it would probably be the appropriate agency to take that over if it were to be the Legislature's prerogative to move forward on that. That is nothing against the Public Service Commission. It is because of our longstanding relationship, since 1963, with the utilities, with the industry, with the Southwest Power Pool, and it's based on that. As I said, nothing negative about the Public Service Commission, but that's our role and our area in the state of Nebraska. I might mention, with the Conditions Certain report that the board issues--you heard that mentioned several times--the board does have that on its Web site and I have one copy, we don't have very many hard copies left. But if you'd want to see it, I can make that available. All the reports are available on our Web site, www.powerreview.nebraska.gov, from 2002 through 2010. So they're all available on our Web site if you'd like to take a look at them from the first one through the last one we did. I would like to mention one thing about the hearings we held in conjunction with those. We held hearings in the first couple of years there were people that came to the hearings. The last six years or so we had no members of the public that appeared that wanted to comment on retail competition. That was one reason we asked the Legislature, do you want us to continue doing this annually, because it was a lot of work and there wasn't any indication there was a huge public interest in moving that direction. And as the bill indicates, some of the measures had already been met with the RTO and the market in Nebraska. So with that, if you have any questions, I'd be glad to address those. [LB660]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR HUGHES: Thank you, Mr. Texel. Any questions? Seeing none, thank you for hanging around. [LB660]

TIM TEXEL: Thank you. [LB660]

SENATOR HUGHES: Any additional neutral testimony? Seeing none, Senator Wayne, you're welcome to close or waive closing. [LB660]

SENATOR WAYNE: I'll be brief. Thank you, Chairman and the committee. And thank you, everyone, for testifying. I think it is insightful and I think this is a start of a great conversation. I do want to just mention a couple of things. We can move power west, although it's a different frequency; those can be changed. And we just haven't built that conversation and that relationship. But what's also important and I think I need to put on the record for this conversation is, there is a article in your binder that I handed out. And it regards the city of...and it's called competition, in that section and it's the one regarding the city of Beatrice. I believe in local control. And the city of Beatrice decided they wanted to build a plant and public power decided they should be opposed to it. It's those kind of conversations we have to decide that maybe if Fremont wants to expand their ability to generate, that should be up to them and the people in their district. And public power shouldn't necessarily come in and dictate that across the state. That's the conversation I want to have in addition to the conversation that Senator Kolowski was not here about wind and what are we going to do in the future. The fact of the matter is, as long as wind keeps developing in Iowa, which doesn't have the restrictions we have and Kansas that doesn't have the restrictions we have, Oklahoma, Texas, we are still going to have stranded assets. That's not going to move away because the fact of the matter is, is wind power goes first into the input, goes first into the market. That means our coal plants could be running at 40 percent or 50 percent, 60 percent in the future. We're still going to have that stranded asset and we're still going to have to figure out how to pay for it. And I look forward for this committee to help along in this conversation to make sure as a state we are protecting the ratepayers in the future. And with that, thank you. [LB660]

SENATOR HUGHES: Thank you, Senator Wayne. Are there questions? Seeing none, that will close our hearing today on LB660. We will go right into LB657. If committee members need to take a break, by all means. Just make sure you come back. Ladies and gentlemen, if we could move out quietly, we're going to begin the next hearing immediately. I appreciate everybody being here. I scheduled these back to back because there was a lot of people that wanted to talk on both of these issues. So please move out quietly, and Senator Wayne, the floor is yours. [LB660 LB657]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR WAYNE: Thank you, committee Chairman and thank you, Natural Resources Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I think what we heard in the last hearing with all the testimony, Nebraska should be the staple when it comes to public power and unbundling their bills. We heard a lot about generation. We heard a lot about transmission lines. We heard a lot about costs. Yet as a consumer we don't know those costs. And this is a simple bill to be transparent, to make sure voters, when they get to pick and elect their members of a public body, they know exactly what they're voting on and why, whether rates are going up because we have decommissioned things, whether rates are going up because of generation, or whether rates are going up because we have transmission line problems. This is just a transparency bill, which I heard a lot on the floor about already about transparency, to make sure every person who receives a statement gets an itemized statement. We get it for many other things. As Chairman of Urban Affairs, we had a presentation on natural gas. Natural gas provides unbundled billing. And all I am asking is that, not necessarily the public entity of natural gas, but the bills that I see from Black Hills Energy and others provide some form of unbundled statements. And I'm simply asking that our public power match what we already ask and what our consumers have already asked of some other, like natural gas entities, and what I think we as a state should do. It's good public policy that if we have public power, they should be transparent as possible. I'll answer any questions. [LB657]

SENATOR HUGHES: Thank you, Senator Wayne. Are there questions? Seeing none, you'll stay for closing? [LB657]

SENATOR WAYNE: Yes. [LB657]

SENATOR HUGHES: Okay. Proponents of LB657. Welcome back. [LB657]

MICHAEL MATHESON: (Exhibit 1) Thank you. Good afternoon; could be evening, we're on the borderline here. Chairman Hughes and members of the committee, my name is Michael Matheson M-i-c-h-a-e-l M-a-t-h-e-s-o-n. I am a ratepayer and registered lobbyist. I'm here today to testify in support of LB657. As a ratepayer required to purchase my electricity from only one electricity provider, I am entitled to know what I'm being charged for when I receive my electric bill. Right now, my electric bill shows me how much electricity I use, the rate, and what I'm being charged. For every other commodity I purchase, I receive a detailed breakdown of the charges so I can see what I'm paying for. When I take my car to the repair shop, the bill just doesn't show, fix car and pay this amount. When I go to a restaurant the bill doesn't simply show a total amount due, it shows the clear line items that add up to create the total. So why shouldn't an electricity bill be the same? Since Nebraska ratepayers currently don't have a choice on where they get their electricity, it is imperative that the ratepayers know exactly what they are being charged for so they are able to understand whether their electricity provider is charging a

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Transcriber's Office

Natural Resources Committee
February 16, 2017

reasonable amount for electricity and their services. Since 2005, electricity rates in Nebraska have gone up almost 50 percent. Without having unbundled billing, as a consumer I have no way of knowing why I'm being charged and be able to question it. Other industries that provide services and commodities such as gas, phone, and cable provide unbundled bills for their customers so the customer knows exactly what they are being charged for. The electric industry should be no different. Requiring electric entities--public or privately owned--to provide unbundled bills as proposed by LB657 would not place an undue burden on electricity providers and would provide critical information to consumers. Mandating electric providers to provide unbundled bills in Nebraska would be no different than in any other parts of the country where electric companies are already providing unbundled bills to their customers. In fact, at least one public power district in Nebraska is already providing unbundled bills to their customers according to the 2002 Condition Certain Report, so if one can do it, all of the electricity retail providers can do it. The Condition Certain Report also stated that 70 percent of the utilities would not do unbundled bills unless it was mandated by the state. Back in 2002, most of the software could handle unbundled billing and they already have the information, so 15 years later they should be able to even do it easier. You can see the attached handout with the Certain Condition samples. The charges identified in LB657 are independent, specific costs unrelated to each other. That's the end, I'd be happy to answer any questions you might have. [LB657]

SENATOR HUGHES: Thank you, Mr. Matheson. Are there questions? Seeing none, thank you for your testimony. [LB657]

MICHAEL MATHESON: You're welcome. [LB657]

SENATOR HUGHES: Next proponent. Welcome back. [LB657]

DARRIN PFANNENSTIEL: Thank you. Hello again. My name is Darrin, D-a-r-r-i-n, Phannenstiel, P-f-a-n-n-e-n-s-t-i-e-l, and I'm appearing today as president of the North American or United States Retail Energy Supply Association, also known as RESA, in support of this bill. One of our core principles, as I shared with you when I testified on the prior bill, is that consumers should have the ability to make informed decisions. And even in a market that's not competitive, we still stand for the principle that when a consumer receives a bill they should have the information in front of them to know exactly what the components are on that bill and what charges they're being charged. In states that have competitive choice this is true as well, whether the utility is billing the customer or whether the retailer is billing the customer. In states like Texas we're required to itemize the invoice and to make sure that we use the exact same terminology...every provider must use the same terminology for the same item so that consumers know what it is that they're paying and if there are changes in the rate, that those are accurately

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Natural Resources Committee
February 16, 2017

reflected. I have nothing more to add and I'm here to answer any questions you might have.
[LB657]

SENATOR HUGHES: Thank you, Mr. Pfannenstiel. Any questions? Senator Bostelman.
[LB657]

SENATOR BOSTELMAN: Thank you, Mr. Chairman. Maybe I'll...when Senator Wayne comes back I'll ask him the question that maybe is more appropriate to ask him or the previous testifier. I don't have an example of what you would...what (inaudible) suggested for Nebraska Public Power to, if they're unbundled, what would that look that on a bill? Do you understand what I'm saying? What information do they do not receive currently or have not been explained through the board of directors or through the media and newspaper would we have access to is what I'm...see where I'm going at? [LB657]

DARRIN PFANNENSTIEL: I do. And I wouldn't be the person to answer that question.
[LB657]

SENATOR BOSTELMAN: I realize that now. The question has come to my mind, unfortunately. Maybe we can catch back at the end. So thank you. [LB657]

DARRIN PFANNENSTIEL: Sure. [LB657]

SENATOR HUGHES: Any other questions? Thank you, Mr. Pfannenstiel. [LB657]

DARRIN PFANNENSTIEL: Thank you. [LB657]

SENATOR HUGHES: Next proponent. Seeing none, opponents of LB657. Welcome. [LB657]

LAURA KAPUSTKA: (Exhibit 2) Thank you. Chairman Hughes, members of the committee, my name is Laura Kapustka, that's L-a-u-r-a K-a-p-u-s-t-k-a. I am vice president and chief financial officer for Lincoln Electric System and I'm here to testify today in opposition to this bill on behalf of the Nebraska Power Association. I've provided you my written testimony. And in light of the time and I think there's a few more people behind me, I'm just going to try to hit one point in each area and then any questions you have when I finish, I'd be more than welcome to answer. So who is the NPA? The NPA is a voluntary organization made up of about 160 public utilities in the state, really representing all different aspects and various segments of the power industry. There are several parts about the bill that we oppose. We believe that the way the bill is written as far as dictating unbundling is not clear. We had discussions at the NPA members and

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Transcriber's Office

Natural Resources Committee
February 16, 2017

as many people as are in the room were as many interpretations as there were, especially on one provision which would require a line item on our bills to be for a kilowatt-hour charge for use of electricity using average market price or costs. None of us were clear on what that meant. We think if we could clarify it, that it would require a significant investment in equipment in order to comply with that provision. The next point is that...and you've heard it before on the other bill, is that there would need to be a regulatory infrastructure put in place in order to administer and enforce this bill. Without that, the unbundling would not be comparable between the utilities. We've talked about cost today. An estimate from 2004 from 160 Nebraska utilities estimated that it would be a \$8 million implementation for the unbundling--one-time cost--with \$1 million each subsequent year. That was in 2004 dollars. Many Nebraska utilities have already begun to unbundle, but we've been doing it in a way that makes sense to our customers. Unbundling does not necessarily mean transparency, it does not necessarily mean better understanding of the bill. I've provided you a number of bills that we've collected from different utilities that have unbundling and I'd encourage you at some point to look at them. A couple line items that I would just point out is a merchant function charge, a system benefit charge. On the Tucson bill there's a charge for an LFCR EE and a separate charge for an LFCR DG. Now, I would bet that most average customers are not going to have any idea what that means. And even if they do get an understanding of it, there's not much they can do with it. It does not explain to them what is changing in that cost. It's just that that's the cost at that point in time. The premise of this bill is that our customers...Nebraska customers don't have a way to challenge rate increases and get answers. And we do not believe that that is the case. Nebraska utilities proactively outreach to our customers. There's many channels of communication that are used with our customers before we change our rates. I see my light is on. Can I have...just finish up? [LB657]

SENATOR HUGHES: Sure, go ahead and finish up. That would be fine. [LB657]

LAURA KAPUSTKA: All right. Okay, let's see. So finally and I think this is the most important point, we are not having customers coming to our board asking for unbundling of our bills. When they come, our board members listened. The solar plant just west of town is an example of that. Customers wanted to be able to participate in solar. We provided them that opportunity and two different ways to participate in it. In conclusion, we do not feel that there's a well-articulated need or benefit for the unbundling and the cost that our customers would have to pay to support this. You've heard a lot about our local ownership, our local government. We have a place for our customers to come and ask questions, to challenge us. I conduct I can't tell you how many meetings every rate increase to reach out to our customers to explain to them what is changing. Finally, I ran across a New York Times article that was written just a week or so ago and it was talking about how New York City gets its electricity. And the thing I found interesting in it is the author stated that it required a Ph.D. for someone to understand a Con Ed bill. And we also know how confusing our cell phone bills can be. We don't want, Nebraska utilities don't want to wind

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Transcriber's Office

Natural Resources Committee
February 16, 2017

up in that category. So thank you for your time and I'd be willing to answer any questions. [LB657]

SENATOR HUGHES: Thank you, Ms. Pakupska (phonetically). [LB657]

LAURA KAPUSTKA: Kapustka. [LB657]

SENATOR HUGHES: Kapustka. [LB657]

LAURA KAPUSTKA: Yes. It's a tough one. [LB657]

SENATOR HUGHES: Senator Bostelman. [LB657]

SENATOR BOSTELMAN: Thank you, Mr. Chairman. First question would be if I wanted...if I was one of your customers, if I wanted to have an unbundled billing statement or explanation for my monthly usage, what would happen? [LB657]

LAURA KAPUSTKA: There is no information we would withhold from you. We would welcome you to come in. We do this with our customers all the time to sit down with them and explain them. We will take through our entire cost of service and explain to them what the costs are of each component. [LB657]

SENATOR BOSTELMAN: And if you had a large group of people come in, would the same type of a process work? I mean... [LB657]

LAURA KAPUSTKA: Right, in the past we have actually produced and put on our Web site a series of videos that explain how cost of service is calculated and how we allocate our bills...our cost to different rate classes of customers. [LB657]

SENATOR BOSTELMAN: So you think that would perhaps help people more by having the access to something like that versus a line item on their bill? [LB657]

LAURA KAPUSTKA: I completely do because the line item on the bill only tells you that cost. It doesn't tell you what it's for. You can't put enough words on your bill to explain it. [LB657]

SENATOR BOSTELMAN: Okay. Thank you. [LB657]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR HUGHES: Okay. Any other questions? Senator Walz. [LB657]

SENATOR WALZ: A quick questions and I think you were about to answer it but I don't...I'm not sure that you did or maybe I didn't hear it. But when your utility has a rate increase, how do you communicate that to your customers? [LB657]

LAURA KAPUSTKA: Lots of different ways. So we have public meetings. I'm going to speak on behalf of LES right now, but I know the other utilities are very similar. We have a public meeting where we invite all of our customers in. We make one-on-one requests with each of our large customers to go out and meet with them one on one. We put information on our Web sites. We put materials in our bill. We have information sitting in our lobby. Our customer service reps are all educated on the rate increase so they are able to answer questions when they get calls. So there is so many different channels for communication. [LB657]

SENATOR WALZ: All right. Thank you. [LB657]

SENATOR HUGHES: Okay. Any other questions? Thank you for coming today. [LB657]

LAURA KAPUSTKA: All right. Thank you. [LB657]

SENATOR HUGHES: Next opponent. Welcome. [LB657]

TIM LUCHSINGER: Good afternoon. My name is Tim Luchsinger, T-i-m L-u-c-h-s-i-n-g-e-r. I'm the utilities director for the city of Grand Island and I promise to keep my testimony brief unless you ask me questions. (Laughter) First of all, you asked earlier this information that is required in LB657, we do not have that information available. We would have to create that. Frankly we haven't because we haven't had any requests from our customers. I did a budgetary number on what we might have to do as far as the cost-of-service study and reprogramming our bill. And it would be about \$40,000-50,000 as far as initial costs. Some people might not think that's a lot of money, but tell that to my city council next time I buy a pickup truck. We adjust our rates monthly based on kind of a rolling average of what the market energy costs are. So we would have to adjust...we'd have to monitor these costs and we would have to make changes to our billing on a monthly basis. And I figure that would be about a half of a full-time equivalent. And again, adding staff in our environment is not pleasant to do as far as going before the council. We also had questions with some of the definitions that were in the bill. For instance, it asks for the cost of generation. As you've heard earlier this afternoon, our generators respond SPP. So if we're generating, we're responding to SPP. If we're generating, we're probably receiving a benefit back to that that's going back to our customers. We also participate a lot of

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Transcriber's Office

Natural Resources Committee
February 16, 2017

other generating units, so what is the cost of generation? Lastly, I'd like to say that Grand Island as a community makes decisions on what they'd want to do with their utility. They make long-term decisions on the type of energy they want to use, the type of service they want to provide, and it's a big picture rather than just looking at a single line item on something like this. And that's all I have. [LB657]

SENATOR HUGHES: Okay. Thank you, Mr. Luchsinger. [LB657]

TIM LUCHSINGER: Yes, very good. [LB657]

SENATOR HUGHES: Any questions? Senator Quick. [LB657]

SENATOR QUICK: I don't really have a questions. I just wanted to thank Mr. Luchsinger for coming down. I worked with him for a long time. So I appreciate him coming down and testifying. [LB657]

TIM LUCHSINGER: My pleasure. [LB657]

SENATOR HUGHES: Any additional questions? Seeing none, thank you for your testimony. Welcome. [LB657]

KRISTEN GOTTSCHALK: (Exhibit 3) Thank you. Chairman Hughes 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 Electric Association and I'm here to do just two things very quickly because I know that the afternoon is dragging on. First is to register our opposition on behalf of the Nebraska Rural Electric Association and on behalf of Loup River Public Power District. Neal Suess, the CEO and president of Loup River Public Power was supposed to provide you testimony on cost-of-service rates and cost-of-service studies. And I think as you have to consider whether or not we should unbundle our rates and what that means, having an understanding of the cost-of-service studies that are done is important and his brief written testimony will do that for you and I wanted to be sure it was in the record. With that, I'd conclude my testimony. [LB657]

SENATOR HUGHES: Thank you. Senator... [LB657]

SENATOR ALBRECHT: Albrecht. [LB657]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR HUGHES: Albrecht. Yes, I know. [LB657]

SENATOR ALBRECHT: Thank you. It's been a long day. Sorry. [LB657]

SENATOR HUGHES: I was getting there. (Laughter) [LB657]

SENATOR ALBRECHT: You know, here's my question. I appreciate you being here. And you're with the Rural Electric. [LB657]

KRISTEN GOTTSCHALK: Rural Electric. [LB657]

SENATOR ALBRECHT: So say we have a small community that's decided they're going to reduce their electric bill...or their...by 30 percent by getting it from Nebraska Public Power. This town decides it's going to be 30 percent less. So would they just...they can't come to you and reduce without...somebody has got to...so they would have a separate billing, I suppose right, because they...if they're not buying it from you but they've decided to buy it from someone else at this time like right now, would they have to have a company that would let their consumers know how much they're using? I mean do they have to have a whole new...? [LB657]

KRISTEN GOTTSCHALK: Now are you going back to the retail choice situation and how that would...? [LB657]

SENATOR ALBRECHT: Well, yes. So I'm saying so there...so these people currently think that all of their electricity is coming from Nebraska Public Power. [LB657]

KRISTEN GOTTSCHALK: Okay. [LB657]

SENATOR ALBRECHT: Okay, this city has decided to reduce their cost...or the ability... [LB657]

KRISTEN GOTTSCHALK: They want to buy cheaper electricity? [LB657]

SENATOR ALBRECHT: Yes, somewhere else. [LB657]

KRISTEN GOTTSCHALK: Okay. [LB657]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR ALBRECHT: So how would that play out? I mean who would...would they just get...would the city just get billed for...? [LB657]

KRISTEN GOTTSCHALK: Well, now this going to be...happen over a long term because if the city is currently a wholesale customer of Nebraska Public Power District, at least under the current conditions of their contract, the city is buying all of their energy from them. In order to get out of that contract--somebody from NPPD would have to give you the terms and conditions--but it would take at least five years if I'm not mistaken, if not longer, because of... [LB657]

SENATOR ALBRECHT: To get out of the contract. [LB657]

KRISTEN GOTTSCHALK: Right. [LB657]

SENATOR ALBRECHT: So they can say to their city that they would like to do this. But if they can't get out of the contract that they're currently in, they probably wouldn't be reducing it by 30 percent because they need to stay in that contract until... [LB657]

KRISTEN GOTTSCHALK: And I believe it's a gradual, you know, each year it's going to be a little bit less that you have to get from NPPD, and less and less. It's kind of a gradual phaseout as you make a switch to a different energy supplier. And I really hope I got that right. [LB657]

SENATOR ALBRECHT: Okay. [LB657]

KRISTEN GOTTSCHALK: But there is somebody who can fix that if I didn't. [LB657]

SENATOR ALBRECHT: Okay. Very good. Thank you. [LB657]

SENATOR HUGHES: Okay. Senator Bostelman. [LB657]

SENATOR BOSTELMAN: Thank you, Mr. Chairman. How would this bill enhance transparency, I guess, on billing within the utility on my bill? [LB657]

KRISTEN GOTTSCHALK: It's difficult for me to see that this bill enhances transparency. I think it makes the bill more complex because we're putting different categories in there that, as you heard when Laura Kapustka was speaking, that even the industry had a hard time deciphering what those nine line items meant on a bill. And if you put those on a bill, the

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Transcriber's Office

Natural Resources Committee
February 16, 2017

customer is...it really isn't telling him anything...them anything more other than that components have charges. It doesn't explain to you why a component increases or decreases. Or what the reason behind those charges are. [LB657]

SENATOR BOSTELMAN: So I'm trying to understand how much different is the bill that I receive now. I'm rural so it's a little bit maybe different than what a city--Lincoln, Omaha, LES, whatever--would get. How is that different, and I don't know if you can speak to that, than what we would see in, say, Iowa or Kansas or those places? [LB657]

KRISTEN GOTTSCHALK: Since they're not retail choice states, those would be substantively similar. [LB657]

SENATOR BOSTELMAN: To what we're receiving now? [LB657]

KRISTEN GOTTSCHALK: Right. [LB657]

SENATOR BOSTELMAN: So there's no difference...there may not be a difference in that billing? And I'm trying to understand why then if there's not a big difference, why we would want to move to this? [LB657]

KRISTEN GOTTSCHALK: That's a good question. I have the same question. [LB657]

SENATOR HUGHES: Senator McCollister. [LB657]

SENATOR MCCOLLISTER: Thank you, Mr. Chairman, and good to see you again, Ms. Gottschalk. How many members do you have in your association? [LB657]

KRISTEN GOTTSCHALK: We have 34 rural electric providers in the Nebraska Rural Electric Association. [LB657]

SENATOR MCCOLLISTER: And each one of them is represented...or has a board of directors elected by the customers? [LB657]

KRISTEN GOTTSCHALK: Yes. We have both public power districts and electric cooperatives. But the...they are all elected by the consumers in their districts. So PPDs on the general election ballot, co-ops at the annual meeting of the members of the co-op. [LB657]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR McCOLLISTER: And the financial statements for your companies are all published? [LB657]

KRISTEN GOTTSCHALK: Yes. [LB657]

SENATOR McCOLLISTER: And available for their customers to review? [LB657]

KRISTEN GOTTSCHALK: Yes. Public power districts are subject to all open records laws. [LB657]

SENATOR McCOLLISTER: You've reviewed a number of power district financial records over the time you've done this job, correct? [LB657]

KRISTEN GOTTSCHALK: I'm not a numbers person, so I would not even begin to profess to be an expert on those reviews. [LB657]

SENATOR McCOLLISTER: Would it be an exaggeration to say that there's probably over 50 elements of cost that a utility would put on to their income statement? [LB657]

KRISTEN GOTTSCHALK: I would say that that's not an exaggeration. [LB657]

SENATOR McCOLLISTER: So to unbundle some of those costs, you'd simply be combining them in some way that made sense. [LB657]

KRISTEN GOTTSCHALK: To maybe fit into some of those categories that were explained, yes. [LB657]

SENATOR McCOLLISTER: And moreover, those utilities buy energy from other companies and then they, in some cases, NPPD, they generate electricity. So they would make money from that generation. So all I'm...my point is that the financial statements are pretty darn complicated. [LB657]

KRISTEN GOTTSCHALK: They are complicated. And as I said, for public power systems, they're an open record. [LB657]

SENATOR McCOLLISTER: Open record. So, yeah, thank you very much. [LB657]

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Transcriber's Office

Natural Resources Committee
February 16, 2017

KRISTEN GOTTSCHALK: Sure. [LB657]

SENATOR HUGHES: Senator Bostelman. [LB657]

SENATOR BOSTELMAN: Sorry, I just wanted to go back to my previous question. [LB657]

KRISTEN GOTTSCHALK: Okay. [LB657]

SENATOR BOSTELMAN: It wasn't a...I mean I'm really trying to understand, you know, if we do this, if other states, other places are doing it, I just really was trying to understand and maybe Senator McCollister kind of led...answered a little bit further. It's really, I'm trying to understand, if we have statements here from other utilities, why isn't it...how is that different than what we're providing already? So I just... [LB657]

KRISTEN GOTTSCHALK: Well, and my answer to this, the premise or the purpose behind, in my belief, LB657, because it's a package bill with LB660, is that in order to take the next step towards retail competition you have to separate out the components and the primary one being the energy component that other power marketers would need to have that separated out in order to make an offer to offer retail choice. [LB657]

SENATOR BOSTELMAN: And I guess part of that question I'm going to is, does that give an advantage to another generator, another supplier? Is there any information that would be given out and...by unbundling that is not already out there that other utilities already do not provide? [LB657]

KRISTEN GOTTSCHALK: I think in some circumstances, energy contracts are confidential. So if you were forced to put...and again, I'm not an expert on that I'd probably defer to somebody who handles those wholesale-type contracts. [LB657]

SENATOR BOSTELMAN: Okay. Thank you. [LB657]

SENATOR HUGHES: Okay. Any additional questions? Thank you, Ms. Gottschalk. Next opponent. Welcome. [LB657]

JOHN HOKE: (Exhibit 4) Thank you. Good afternoon, Senators. My name is John Hoke, J-o-h-n H-o-k-e. I'm here to testify as an opponent of LB657. I have been the manager of Niobrara Valley Electric Membership Corporation, a cooperative in O'Neill, Nebraska, for 27 years. I'm

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Transcriber's Office

Natural Resources Committee
February 16, 2017

going to dispense with this. I'll let you read it. The two primary points I wanted to make were this. The first one is that our directors are more accessible to anybody than you might be able to imagine. Coming from Venango, I'm sure you know what I mean. Our guys are at church, grocery store, library; I don't care where you are. If you're one of our directors, you're going to get asked questions about the cooperate and what it's done. Our employees get questions. I get questions, anything we do. We had a board meeting yesterday. We're building five miles of line. We actually had a couple of directors start asking questions that they got from the members about the five miles. Why are we building it? What's it going to do? Who's going to hook onto it? That's the level of detail and transparency that we have as a rural electric cooperative. The other piece I wanted to talk to you briefly was this bill would require us to put in an automated meter reading system, something frankly I've wanted to do now for about 15 years. The reason we haven't is it would cost us about \$2 million. It has an estimated life of 7-10 years. We have 2,700 members on our lines. I can't pay for the first one before we'd need to replace it with the second one. That's why we haven't done it. It would result in about a 5 percent rate increase just to be able to read the bills and respond in the way that was kind of easily thrown around here as a cost earlier. So those are the two points. The rest of the details are kind of in my testimony. Are there any questions that I can answer for you all today? [LB657]

SENATOR HUGHES: Thank you, Mr. Hoke. Any questions? Seeing none, thank you for your testimony...Senator Geist. [LB657]

SENATOR GEIST: Just a quick one. I'll make it quick. Would you think that the...with the size of your co-op and I'm sure there are others that are similar size, maybe larger, maybe smaller-- but would you estimate that \$2 million cost to be similar for each of those or is that going to be greater for a larger co-op? [LB657]

JOHN HOKE: What drives the cost really of an AMR system is the replacement of all the meters on the system. So a larger system is obviously going to wind up...if you've got 6,000, 10,000 meters, you're going to pay more than a system with 4. The backbone communications system is going to be a little marginally more expensive for a larger system. So, yes, there's going to be a substantial investment. The key is the density, you know, how many customers you have per mile. In our case we're down...I mean realistically we have about two meters per mile of line but it's really one customer per mile of line. With that low of density we can't afford. If we could, I would. [LB657]

SENATOR GEIST: Are you about in the middle for size? [LB657]

JOHN HOKE: We're an average size. [LB657]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR GEIST: Okay. [LB657]

JOHN HOKE: I mean especially for rural Nebraska. I would say that's...two meters per mile is probably a pretty accurate figure. [LB657]

SENATOR GEIST: Thank you. Thank you for waiting. [LB657]

JOHN HOKE: No problem. [LB657]

SENATOR HUGHES: Okay. Any additional questions? Thank you, Mr. Hoke. [LB657]

JOHN HOKE: Thank you. [LB657]

SENATOR HUGHES: Next opponent. Welcome back, Mr. Kayton. [LB657]

CURTIS KAYTON: I have a way of... [LB657]

SENATOR GEIST: Breaking the ice. [LB657]

CURTIS KAYTON: Yes, somehow. Chairman Hughes, committee members, yes, you all know who I am now. [LB657]

SENATOR HUGHES: Could you spell it. [LB657]

CURTIS KAYTON: Curtis Kayton, C-u-r-t-i-s K-a-y-t-o-n. I am in opposition to this bill, but I just have picked up on a couple of questions that I would like to answer that have been voiced already. But I...and for the main reason I'm opposed to this, this is our cost of service, okay? The rates we charge for retail electric service, they're substantiated with this very document right here. We hire rate consultants to scrutinize our rates to see that they are charged fairly, equitably, and nondiscriminatorily. And it's..in a way of saying, the rate part of it and the complexity, it's 37 pages in making the sausage. So the recipe to the sausage is 37 pages long. That's what it is. Senator Geist, to your question, would a similar investment, I, like Mr. Hoke, we just did deploy a very sophisticated metering system to...for increased operational readiness, outage restoration, efficiency. We have a lot of...it's neat technology. It really is. I can see my entire system on my iPad. And when we have an outage, I have an indication of where that thing is, okay? So it is expensive. We spent \$2.5 million. We have \$2.5 million invested in that, okay? That's enough of the questions. I had to get those out of my head before I forgot them. The main reason that I'm

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

opposed to this, by virtue of our open meetings law. This entire document our customer can make a written request for it. They come in. They can talk to us. We can take them through whatever part of it that they want to see in what makes up...what breaks down the cost components of their rate that they pay and it's all substantiated right here. If they don't like that, furthermore, they can come to our board meeting. They can contact our board members and come in and ask any question they want to of their local elected officials. And I really have nothing more say than that. I'll answer any further questions if anybody would have them. [LB657]

SENATOR HUGHES: Thank you, Mr. Kayton. Senator McCollister. [LB657]

SENATOR McCOLLISTER: Thank you, Mr. Chairman. What's the purpose of the study that you generated there? Is that something you do every year, every other year, every five years? [LB657]

CURTIS KAYTON: It should be done about every other year. We've stretched this one about four. And we are in the process of updating it right now. We put the money in the budget and we are going to have our rates studied again. [LB657]

SENATOR McCOLLISTER: So the purpose of that study is to guide you in the rates that you charge. [LB657]

CURTIS KAYTON: Yes, it is. [LB657]

SENATOR McCOLLISTER: And that would tie in then to your income statement I would guess. [LB657]

CURTIS KAYTON: It's substantiated with the financial statements, yes. Form 7 is the term that we use that breaks down all of our...all of the costs of our classes of customers that we served and all of the cost components that go with those, what our expenses for depreciation interest, O&M, long-term debt, wholesale power, insurance benefits, salaries, all of that. They're all identified in here. [LB657]

SENATOR McCOLLISTER: So that document would be given to your governing board. [LB657]

CURTIS KAYTON: Oh, it is, yes. [LB657]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR McCOLLISTER: And then they would look at that and make a judgment on that. [LB657]

CURTIS KAYTON: Oh, yeah. [LB657]

SENATOR McCOLLISTER: Thank you very much. [LB657]

CURTIS KAYTON: If we're adjusting rates, yes. I mean usually we have the study done. We'll have our consultant come out, present the findings to our board. And again, that's that can get above my head and they sort of like to have a third-party authentication to authenticate the study. [LB657]

SENATOR McCOLLISTER: Would it be safe to assume that all companies like yours do a similar kind of thing? [LB657]

CURTIS KAYTON: I would say the vast majority of them do, yes. By state statute our rates must be fair, equitable, and nondiscriminatory. Well, very few general managers, very few of us that work in either large systems, big....small systems. It's...you know, it seems the big systems hire outside expertise to substantiate the rates. And the small ones just because of staffing, it's...obviously we're going to hire it done. [LB657]

SENATOR McCOLLISTER: Thanks very much. Thank you, Mr. Chairman. [LB657]

SENATOR HUGHES: Okay. Any additional questions? Thank you, Mr. Kayton. [LB657]

CURTIS KAYTON: Thank you. And thank all of you for...(laughter). [LB657]

SENATOR HUGHES: Welcome back. [LB657]

DAVID VAVRA: (Exhibit 5) Good afternoon again, Senator Hughes and members of the National Resource Committee. My name is David Vavra, D-a-v-i-d V-a-v-r-a. This time I'm speaking to you as a consumer. And what the young lady is handing out is what I happen to believe will be the most important document you're going to see all afternoon and that is because I have over 12 rental units, I take care of the utility bills. And these...this is one of my utility bills. The first page is my Perennial electric bill. I am a customer of Perennial, Norris, NPPD, and Southern. So I cut across to a lot of different companies. And as I...I want to point out that very easily I can see the facility charge. And when I call Perennial, they say this pays for...this is

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

what our charge is for the transmission lines. And then purchased energy, that's pretty much self-explanatory and then the distribution is what do have to do to get that power to your house, to your unit. Now if you go to the next page this is my Black Hills Energy gas bill. And you will see there is almost 12 items that I have only control of one thing and that is the item that has just the single arrow to it: the commodities charge for the number of therms. And when I have to go through that every year or every other year, my total range of choice is about 2 cents. So if we look at that, that total range of choice of 2 cents at 108 therms is not very much. But yet that \$65.77 portion of the bill is less than...or almost just about half of what the total charges are that all this unbundling does that the company has no choice but to charge me that because it costs that to do their business. Now as a consumer, I mean do I need to know what the pipeline charge is? Do I need to know with the state regulatory assessment, the safety and integrity charge, the distribution charges, the GS-E-I-E-I-O charge? (Laughter) No, I don't think so. So I speak in a opposition. This does nothing but every year when I've got to choose this I go...I spent more time trying to figure out which gas supplier I'm going to go with than what I save. So why fix something that's not broke? I have no other comments, if any questions. [LB657]

SENATOR HUGHES: Thank you, Mr. Vavra. Any questions? [LB657]

DAVID VAVRA: Yes, sir. [LB657]

SENATOR HUGHES: Senator McCollister. [LB657]

SENATOR McCOLLISTER: Yeah, thank you, Mr. Chairman. Do you have a choice on your gas supplier? [LB657]

DAVID VAVRA: I have a choice on my gas supplier. [LB657]

SENATOR McCOLLISTER: Explain that to me if you would. [LB657]

DAVID VAVRA: Okay. In Nebraska, because several years ago they went to unbundling, there was several companies that came out or decided, there was one called Pace which is a public power conglomerate that was buying gas on the open market. There is Constellation. There's Black (Hills) Energy. There's about five or six and they all send you hundreds of fliers telling you got to hurry up and choose or else you're going to lose your right. And then when you look at it, it's only about two cents difference from the highest to the lowest. [LB657]

SENATOR McCOLLISTER: But you chose Black Hills? [LB657]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

DAVID VAVRA: No, I didn't. I chose Constellation... [LB657]

SENATOR McCOLLISTER: Okay. [LB657]

DAVID VAVRA: ...because they were...it was because of the they did in donating dollars back to my community. [LB657]

SENATOR McCOLLISTER: Okay. Thank you. [LB657]

DAVID VAVRA: You're welcome. [LB657]

SENATOR HUGHES: Any additional questions? Seeing none, thank you for your testimony. [LB657]

DAVID VAVRA: Thank you very much, folks. Have a good afternoon. [LB657]

SENATOR HUGHES: Next opponent. Welcome back. [LB657]

NANCY BRYAN: (Exhibit 6) Thank you. My name is Nancy Bryan, N-a-n-c-y B-r-y-a-n, I'm the city clerk-treasurer for the city of Stromsburg and I'm representing the city, the League of Nebraska Municipalities, and Nebraska Municipal Power Pool. I don't want to go over a lot of the details of the bill as far as the unbundling. Just to reiterate what has already been said, that it sounds easy on paper to do but it's not as easy to implement. It's somebody in my position that has to figure out how to make that work. (Laugh) In preparing for today I contacted different city clerks and one of them actually said that they do unbundle their bill to some extent and she gets comments stating they wish they just had a single line item. So I don't think the customer out there, as a general rule, is wanting this. I know in my office I've had a handful of people over the years that have asked, well, how is my electric bill calculated. So I really don't think this is something that the public wants. Moving on to Section 5 where it indicates the different things that are required to be on the bill, I contacted most of the 119 municipalities that operate their own electric system in Nebraska. I heard back from 58 of them, so that's about right at half. It was a good cross-section of first-class cities, cities of the second class, and villages. For the most part, the information that's being required in LB657 is already being done and you can see that. I submitted a copy of one of the city's bills. So I really feel like that whole section is nothing more than making a law for the sake of making a law. Why make a law for something that's already been done? That doesn't make sense to me. That section also mandates that we would need to mail notices when there's rate increases. I feel like that is not necessarily the most effective and efficient way to contact your customers about...with this information. Why not give us the option

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

of putting it on a Web site? We've done handouts at the office when they come in and pay their bill, which if they have a question they can ask us right then and there. So I really feel like that is not necessary and I think that should be left up to the local utility to decide how best to contact our customers. In summary, this bill, all it would do is add cost to our operations and ultimately those costs get paid by the consumer. With that, if you have any questions I'd be happy to answer them. [LB657]

SENATOR HUGHES: Okay. Thank you, Ms. Bryan. Any questions? Seeing none, thank you for your testimony. Next opponent. [LB657]

JOHN HANSEN: Chairman Hughes, members of the committee, for the record, my name is John Hansen, J-o-h-n H-a-n-s-e-n. I am the president of Nebraska Farmers Union. We are in opposition to LB657. We are a longtime supporter of transparency in a whole bunch of different arenas. And as we read this bill and we look at it, several things jump out at us. One is when we look at it in conjunction with this other bill that you've heard today and other bills that you will hear, this is in our opinion, not a good-faith effort brought by consumers in order to get more appropriate information they need in order to be able to make...have the information they need as a customer for...to whatever end. This was not brought by customers. This was not brought by consumers who need additional information. This was brought by folks who have a particular financial interest and they want to be able to unbundle our public power system. And this helps them do that. That's the point of this exercise. We call it transparency but it's really a particular set of vested interests trying to help undo our public power system. It will incur costs. Those costs will have to be borne by consumers and at the end of the day what it will do is...you know, if you can't beat them, confuse them. We've all heard that phrase. Well, this will be if you can't beat them, confuse them, put all this stuff on a bill and when people start working their way through that they'll just finally go, yeah, well, whatever. This will not this will not lead to a better, more informed public. But it will help, in our view, certain vested interests carry out their economic interests and we would encourage the committee to do as Nancy Regan said and just say no. Thank you. [LB657]

SENATOR HUGHES: Are there any questions for Mr. Hansen? Next opponent. Welcome back, Mr. Texel. [LB657]

TIM TEXEL: Thank you, Chairman Hughes, members of the committee. My name is Tim Texel, T-i-m T-e-x-e-l, and I'm the executive director and general counsel for the Nebraska Power Review Board. As the committee is aware, the board is the agency with primary jurisdiction over the electric industry and electric suppliers both public and private in the state of Nebraska. The board reviewed LB657 during its public meeting on January 27 and the board members would like to make clear that the board is neutral on whether unbundling electric bills in Nebraska

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

should be mandated, but we are opposed to Sections 6 and 7 of the bill which turns over implementation and oversight to the Public Service Commission. For the same reasons I mentioned on LB660, it is not a negative comment on Public Service Commission. We believe we are the entity that longstanding has relationships with the utilities, with the private entities over the electric industry. And we believe if there were an agency to do this, we'd respectfully submit that the Power Review Board would be the entity as a state agency to have the oversight, accept complaints, and do what this bill, if the Legislature decides to move forward on it, would want to implement. We very much appreciate Senator Wayne's comments on LB660 and this one, that he'd be open to entertain that. We're hoping he would be on this one too. I didn't speak with him specifically on this bill on that topic. With that, that's what the board wanted to convey. I had one technical comment that I'd like to point out in the bill that's not dealing with (Sections) 6 and 7. But the use of the term "sustainable energy" in Section 4(6), and this is on page 3, line 14 of the green copy, that requires the charges for, "sustainable energy, renewable energy, energy efficiency, or other similar programs" be separated out on electric bills. I'm not familiar with that term in Nebraska law. I did a quick search of Nebraska law in my office. I did not find that term in existence. So under the rules of statutory construction if you use that term and "renewable energy," I'd see those as similar or synonymous. Well, they're not if you use them both. And so I'm not sure what that term would mean so I think you'd need to define that term in this bill so that it's not confusing to whatever regulatory body and to the entities who have to do this to unbundle so they would know what means...or what is meant by rather a sustainable energy program. So with that technical comment, I'd be glad to answer any questions. [LB657]

SENATOR HUGHES: Thank you, Mr. Texel. Any questions? Seeing none, thank you for your testimony. [LB657]

TIM TEXEL: Thank you. [LB657]

SENATOR HUGHES: Additional opponents? Seeing none, any neutral testimony? Seeing none, we will give...I'm sorry, opponent letters I have a couple. (Exhibits 7-50) Nathan Johnson, Scottsbluff, Nebraska; Paul Neil, Dawson Public Power; Chad Waldow, Stanton County Public Power; Mark Kirby, Butler Public Power District; Gordon Sorensen, village of Cairo; Duane Hovorka, Nebraska Wildlife Federation; Bruce Vitosh, Norris Public Power District; David Custer, Twin Valleys Public Power District; Joan Eastman, village of Giltner; Deb Cottier, Chadron, Nebraska; Clay Gibbs, Cornhusker Public Power District; Richard Erwin, Cedar-Knox Public Power District; Lisa Scheve, Gateway Development Corporation; Chet McWhorter, Cuming County Public Power District; Timothy Burke, Omaha Public Power District; Jordan Rishel, Blair Area Chamber of Commerce; the village of Campbell; Detta Holscher, Elwood, Nebraska; AJ Dahlgren, village of Axtell; James Ulrich, York General; Dennis Smith, city of Norfolk; the village of Doniphan; Chad Anderson, city of Pierce; Ryan Reiber, Panhandle Rural Electric Membership; Gwen Kautz, Dawson Public Power; Sue Fuchtman, Daycos of Norfolk;

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

John Green, former OPPD member; Michelle Coolidge, Western Nebraska Economic Development; Matt Spanjers, York Cold Storage; Andrew Rainbolt, Sarpy County Economic Development Corporation; Michelle Coolidge, city of Bayard; Jeff Foley, Winnebago, Nebraska; Jerry Crouse, Tenaska; Jennifer Adams, Elkhorn Rural Public Power District; Larry Umberger, Midwest Electric Cooperative Corporation; the village of Kenesaw; Donald Suda, Palisade, Nebraska; the Reverend Mark Beran, St. Augustine Indian Mission; Board of Directors, Omaha Public Power District; Barry Kennedy, Nebraska Chamber of Commerce; Judy Rieken, Polk County Rural Public Power District; Lincoln Chamber of Commerce, the Greater Omaha Chamber; James Cavanaugh, Nebraska Sierra Club; and Steve Nelson, Nebraska Farm Bureau Federation. Those were opponents. And any neutral testimony? Seeing none, Senator Wayne, you're welcome to close on LB657. [LB657]

SENATOR WAYNE: The only why I'm sitting down is because I just ran all the way down here for this. I don't have any closing. I will just answer any questions while I catch my breath. [LB657]

SENATOR GEIST: I do have a question just following up on... [LB657]

SENATOR HUGHES: Senator Geist. [LB657]

SENATOR GEIST: Oh, I'm sorry. [LB657]

SENATOR HUGHES: That's for the record. [LB657]

SENATOR GEIST: I do have a question just following up on what I asked you on the first bill. If you would be open to entertaining moving this over for oversight out from under the Public Service Commission to the Power Review Board? [LB657]

SENATOR WAYNE: Yes. [LB657]

SENATOR GEIST: Thank you. [LB657]

SENATOR HUGHES: Okay. Any additional questions? Seeing none, thank you, Senator Wayne. [LB657]

SENATOR WAYNE: Thank you all. [LB657]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
February 16, 2017

SENATOR HUGHES: Thank you, everyone, for staying. This will conclude our hearing on LB657...(recorder malfunction) [LB657]