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CORNHUSKER ECONOMICS

UNIVERSITY OF
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University of Nebraska–Lincoln Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
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Energy Issues in 2009 Unicameral

Market Report	Yr Ago	4 Wks Ago	6/26/09
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$98.00	\$84.45	\$80.92
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	127.05	117.45	117.00
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	117.10	102.86	101.60
Choice Boxed Beef, 600-750 lb. Carcass.	164.25	145.60	137.71
Western Corn Belt Base Hog Price Carcass, Negotiated.	72.78	59.22	57.28
Feeder Pigs, National Direct 50 lbs, FOB.	33.25	*	35.27
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	79.77	59.18	54.85
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	115.50	*	106.00
National Carcass Lamb Cutout, FOB.	271.49	253.15	261.28
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	8.45	6.46	5.10
Corn, No. 2, Yellow Omaha, bu.	7.17	4.26	3.62
Soybeans, No. 1, Yellow Omaha, bu.	15.08	12.25	11.76
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	12.13	6.86	5.86
Oats, No. 2, Heavy Minneapolis, MN, bu.	4.29	2.59	2.12
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	190.00	*	*
Alfalfa, Large Rounds, Good Platte Valley, ton.	77.50	*	*
Grass Hay, Large Rounds, Premium Nebraska, ton.	85.00	*	*
Dried Distillers Grains, 10% Moisture, Nebraska Average.	195.00	152.50	117.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	72.50	49.50	44.75
*No Market			

Net metering and wind leases were two important energy issues addressed in the 2009 Nebraska Unicameral legislative session.

What is net metering? Net metering is when you generate your own electricity and sell some of it back to the grid.

How does that work? Well, up to now it was up to your local electricity district whether they would buy power from you or not. And many did not want to do it, although some have established net metering programs on their own.

So what happened in the Unicameral? The Unicameral decided that power districts would have to buy power back statewide if you were a smaller generating facility.

How small? 25 kilowatts. For comparison, most rural residential or farm windmills would have a power rating of 10 kilowatts or less. But dairies and other livestock facilities generating electricity from livestock waste could have a power rating of 100-250 kilowatts (kw). So they aren't covered by the statewide net metering program in Nebraska unless the local power district agrees to do so. But the smaller farmstead windmills will be covered by the statewide net metering program.

How does net metering work? If I generate less power than I consume, I only have to pay for my net consumption. So, if I use 100 kw hours and generate 60 kw hours, I only pay the power district for 40 kw hours (kwh).

But if I generate more than I consume, the power district has to credit my account at the wholesale power rate. If I use 100 kwh and generate 150 kwh, I have a 50 kwh wholesale credit on my account. And



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the credit carries forward month to month. If I have a credit balance at the end of the year, I get a check from the power district at the wholesale power rate.

What are the requirements to qualify for net metering? You have to meet the national electrical code for electrical interconnection and be inspected by the state. You also have to notify your local power district at least 60 days in advance. Net metering legislation goes into effect August 30, 2009, so it would probably be November at least before you could have net metering set-up, if your power district does not already net meter. However, some power districts already net meter on a voluntary basis, so if you are interested contact your local electricity provider.

Where does this put Nebraska for state net metering policies? Kind of in the middle. Some states have renewable energy requirements for their power providers, and those states tend to allow net metering for larger generating units than Nebraska does. But some of those states also exempt rural power cooperatives from net metering programs, which means that in those states most farmers don't have any net metering option.

If national energy legislation is enacted this year, it could establish national net metering and renewable energy requirements that would supersede state law. So we will have to wait and see. Specifically, if Nebraska power districts are subject to renewable energy requirements, they would be able to count net metered methane power facilities towards their green energy requirements.

How about the wind leases? Well, this is pretty new in Nebraska. Oil and gas leases have been around for a long time in Nebraska, but leasing wind rights is something pretty new.

Why are developers interested in leasing wind rights from Nebraska farmers? About half the states (but not Nebraska), require their power providers to generate some of their power from renewable sources, like wind or solar. And they get credit for wind farms or solar farms that they develop in other states, like Nebraska.

So how are these wind farms developed? The basic idea is that the developer finds a suitable site, leases the wind rights, builds the wind farm, puts the wind energy on the grid and sells the green energy credits to utilities that need them.

Of course, there are lots of different ways this can play out. Some developers will sit on their rights and not develop right away; some developers may wait until electrical transmission lines are closer to the wind farm site; and some developers will sell out

completely to another developer. So there are lots of uncertainties.

How do farmers deal with these uncertainties? My suggestion is that they go together as a group so they can hire a lawyer and other professionals to help them work through all the options.

So what did the Unicameral do here? I think the Unicameral wanted to help landowners out of these wind leases.

How did they do that? They established minimum requirements for wind leases: (1) basically they can be cancelled by the landowner if there is no development in 40 years; (2) the wind rights cannot be separated from land ownership; and (3) the wind lease must be written and filed with the County Recorder of Deeds.

Does this protect landowners? It is a start, but only a start. Don't sign a wind lease without talking to an attorney first!! These wind developments have lots of long-term implications for landowners, and it is nothing to rush into. If national green energy requirements are adopted, the national demand for wind farms should jump quite a bit. So this is something that the Unicameral will likely be addressing again down the road.

Where can I go for more information?

<http://bioenergy.unl.edu>

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Have a Safe and Happy 4th of July

