

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

JACOBSON: All right. Well, welcome to the Revenue Committee. I'm Senator Mike Jacobson from North Platte, representing District 42. The committee will take up the bills in the order posted. This public hearing is your opportunity to be part of the legislative process and to express your position on the proposed legislation before us. If you're planning to testify today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. When it's your turn to come forward to testify, give your testifier sheet to the page or to the committee, committee clerk. If you do not wish to testify, but would like to indicate your position on the bill, there are also yellow sign-in sheets in the back on the table for each bill. These sheets will be included as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone. Tell us your name and spell your first and last name to ensure that we get an accurate record. We will begin each hearing today with the introducer's opening statement, followed by the proponents of the bill, then opponents, and finally anyone speaking in the neutral capacity. We'll finish with a closing statement by the introducer if they wish to give one. We'll be using a 3-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the, when the yellow light comes on, you will have 1-minute remaining. When the red light indicates-- is indicated, you need to wrap up your final thoughts and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard. It is just part of the process as the senators may have bills to introduce in another committee. The final items to, to facilitate today's hearing, if you have handouts or copies of your testimony, please bring it up, bring it up with at least 12 copies and give them to the page. Please silence or turn off your cell phones. Let me just say again, please silence or turn off your cell phones. Verbal outbursts or applause are not permitted in the hearing room. Such behavior may be cause for you to be asked to leave the room. Finally, committee procedures for all committees state that written position comments on the bill to be included in the record must be submitted by 8:00 a.m. the day of the hearing. The only acceptable method of submission is via the Legislature's website at nebraskalegislature.gov. Written position letters will be included in the official hearing record, but only those testifying in person before the committee will be included in the committee statement. At this time, we're going to have the committee members, members introduce themselves. But I will note that, that I'm the vice chair of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

the committee, Senator von Gillern is the chair, and he's testifying in another committee hearing. Since I'm going to be the, the the only bill heard today, I will not be able to be here so Senator von Gillern will, will be the acting chair until Senator von Gillern gets back-- or Senator Bostar will be here until Senator von Gillern gets back. I usually get it the other way around and call Senator von Gillern Senator Bostar. So you got one up this time. And with that, we'll have the committee members introduce themselves. And, and also following that, if the pages would introduce themselves and tell us a little bit about themselves. And with that, I'm going to turn it over to Senator Bostar.

BOSTAR: Thank you.

JACOBSON: Committee member introductions.

SORRENTINO: I'll start.

BOSTAR: Please.

SORRENTINO: Tony Sorrentino, Legislative District 39, Elkhorn and Waterloo.

KAUTH: Kathleen Kauth, LD 31, Millard.

BOSTAR: Eliot Bostar, District 29.

MURMAN: Dave Murman from Glenvil, District 38, represent eight counties, mostly along the southern border with Kansas.

DUNGAN: George Dungan, LD 26, northeast Lincoln.

BOSTAR: If the pages would stand and introduce yourselves, please.

LAUREN NITTLER: Hi, I'm Lauren. I'm from Aurora, Colorado. I'm a second-year student at the University of Nebraska-Lincoln and I'm studying agricultural econ.

JESSICA VIHSTADT: Hi, my name is Jessica. I'm a second-year student at the University of Nebraska-Lincoln and I'm from Omaha and I'm studying political science and criminal justice.

BOSTAR: Also joining the committee is staff, if you could one at a time introduce yourselves.

SOVIDA TRAN: Hello, my name is Sovida Tran. I'm one of the legal counsels for the Revenue Committee.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

CHARLES HAMILTON: Charles Hamilton. I'm one of the legal counsels for the Revenue Committee as well.

LINDA SCHMIDT: Hi, I'm Linda Schmidt, committee clerk for Revenue.

BOSTAR: With that, we'll open the hearing on LB526. Welcome, Senator Jacobson.

JACOBSON: Thank you, Senator Bostar and fellow members of the Revenue Committee. As you know, my name is Mike Jacobson, M-i-k-e J-a-c-o-b-s-o-n, and I represent District 42. I am here to introduce LB526, a bill to design-- designed to ensure Nebraska's public power system remains reliable, affordable, and sustainable amid growing energy demands. LB526 takes a proactive approach to managing the impact of cryptocurrency mining operations in Nebraska's energy grid. While we should, and do, welcome business and innovation, we must ensure that industries consuming significant amounts of power contribute their share towards upgrading infrastructure they place considerable stress upon. The bill does two things. Number one, it allows Nebraska's Public Power Districts to-- the ability to acquire direct payments or letters of credit from cryptocurrency mining operations to cover the cost of infrastructure upgrades needed to support high-energy consumption. Number two, it establishes an excise tax on cryptocurrency mining operations that exceeds 1,000 kilowatt hours annually. Public power and easy access to it are among Nebraska's greatest assets. They exist to serve all Nebraskans, not just the highest energy consumers. Cryptocurrency mining operations strain the grid requiring utilities to make costly investments in new substations, transmission lines, and distribution infrastructure. These costs should not disproportionately fall on Nebraska's farmers, businesses, and families. While I recognize that other industries also use large amounts of electricity, cryptocurrency mining fundamentally differs from the manufacturing or agricultural sectors. Traditional industries create permanent infrastructure, long-term investments in the community, thousands of stable jobs. By contrast, cryptocurrency mining facilities often employ fewer than 15 workers and generate digital assets solely for the mine owner, rather than tangible goods or services that directly benefit Nebraska's economy. Unlike manufacturing, which produces physical products that support local economies, crypto mining's economic footprint is minimal compared to its energy consumption. Why must we act now? Nebraska cannot grow without power, natural gas, and water. If we want people paying taxes or businesses locating to Nebraska to lower our tax burden, we must expand our infrastructure responsibly. We cannot and, and-- do, do without the necessary electricity to support economic growth. Consider

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

the Ogallala Aquifer, we restrict water usage due to the increasing demand to ensure enough water for the future. We take measures to safeguard our water, now it is time to preserve our electricity. Farmers in Nebraska already face limitations on using water beneath their own land. How long before we are forced to place similar restrictions on energy usage? Who are the biggest energy consumers and what do they return? As reported by NPPD, the city of Kearney provides 100 megawatts of power to a crypto mining-- to crypto mining alone. Near or more of the entire amount that the city uses for electricity. NPPD, alone, provides 250 megawatts of energy to cryptocurrency operations, a number that is growing every year. Using an average of 0.00123 megawatts per household per year, this energy alone could power over 203,000 homes, 1.7 times the number of homes in Lincoln. And what happens when the price of cryptocurrency drops? Many of these utilities operate on speculation, believing prices will always rise. But what if it falls, if it falls? Look no further than Kearney's Compute North, which filed Chapter 11 bankruptcy in 2021. Fortunately, they were acquired by Marathon, MARA, a publicly traded cryptocurrency company headquartered in Florida. AM205, a good faith compromise, which I've distributed to each of you, has-- is, is out there, and what it does is it, it does several things. Number one, it clarifies the definition of cryptocurrency mining as previous def-- as, as the previous definition may not capture miners paid in regular currency. Number two, it changes a grid impact study requirement to a load study. This aligns with the currently used verbiage that stakeholders requested, keeps the 1,000 megawatt threshold in place, adds reporting mechanism for the Department of Revenue to ensure accurate collection. This will be done on January 20. The report includes the following: energy usage, location, taxes owed, utility provider ownership details, and signed attestation. It adds clarification to the payment of public power districts' upgrades. Clarification on a specific public power district to allow taxpayers to furnish their own, own-- taxpayers to furnish their own infrastructure, substations, etcetera. It shifts tax payments to an annual basis for simplicity and cohesion. And also number seven, it lowers the excise tax from-- to 1 cent from the 2.5 cents in the bill itself. Aligning Nebraska with that-- of what the surrounding states would be charging for equivalent energy. Let me be very clear. This is about electricity usage. It's not about a single currency. A penny per kilowatt hour will not force cryptocurrency miners out of the state. To suggest otherwise is misleading and false. We are simply aligning our rates to other states. If they claim they are to leave, my, my question to them would be where are you going to go and find a better deal? We are already in an energy crisis and it will only worsen if we don't act now. So,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

again, I've distributed the amendment. I would just simply close by saying at this point that you're going to hear a lot of testimony today about why us? And the answer is because you're the lowest one on the food chain in terms of consuming power with providing nothing in return. You're going to hear a lot about why not data centers? There's a good argument to include data centers, but at least data centers are a notch above what we're seeing here today. And, frankly, data center is a generic term. And if you go back and look at data centers, there are data centers who, who, who offer many, many jobs and there are data centers who offer none. So it's going to take some time to figure out how we look at that piece before we'd consider including data centers in this process. Meanwhile, we see crypto mining as very generic. They're not hiring employees to speak of. They're being, they're being paid in, in-- largely in crypto. Many of them are out-of-state headquartered. And at the end of the day, they're using a lot of power with no spin-off new business. If we're going to grow our state's economy, we're going to do it by bringing companies that offer high-paying jobs with great benefits. We're going to have to have power and we're going to have to have water to be able to attract those companies here to Nebraska. And that's what this bill is attempting to do. With that, I'd be open to any questions.

BOSTAR: Thank you, Senator Jacobson. Any initial questions from the committee? Senator Dungan.

DUNGAN: Thank you, Senator Bostar. I almost said Chair. It's a weird day in here. Thank you, Senator Jacobson. I appreciate this. I think we're going to have a lot of testimony, it sounds like, here today. And I'll start just by saying I don't really have a dog in this fight. I'm trying to get caught up and understand a lot of the crypto issues here. But I did have a couple of questions. I've spoken with a number of folks from the industry and you kind of alluded to this in your opening, but I think there is a concern, at least especially with the bill as written. But I've even heard with the amendment with the 1 cent, that it would ultimately lead to either a reduction of the industry here in Nebraska or potentially down the road, a complete elimination of that. Ultimately speaking, if this bill is intended to protect the usage of power-- I guess, is it, is it fair to say that the goal of this bill is to reduce the amount of crypto mining happening in the state?

JACOBSON: I, I would say that the first goal is to stop the in-migration of new and expansion. OK? That would be the first goal. The goal wasn't to eliminate those that are producing and, and, particularly, those in city limits that are paying local option sales

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

tax. OK? That's not the goal of this bill. But I don't believe that we can afford to bring more into the state without putting a severe-- put us at a severe disadvantage for future development of business and industry. I would also say that you might want to consider that in Lincoln and Omaha, because you're also going to hear about people utilizing power in a nonpeak load. You're going to particularly hear that from the rural public power producers. What I would suggest is that my understanding is that they're down as low as 5 cents a kilowatt hour. OK? Compare that to those that are in-- and, and that normal industrial rate is 7.5 cents. So farmers would be paying 7.5 cents, and other business people, they would be paying 5 cents because they're, in theory, interruptible and trying to be there during the nonpeak times. However, it doesn't mean that they can't operate all the time if there's power there, if we have a lot of rain and, and irrigation demand is less, they're probably going to operate full time and they're going to get-- still get the nickel rate. OK? So if there's any discrimination, it's right there. They're already getting a better rate. Now let's go to those that are in Lincoln and Omaha. Omaha, in particular, I don't think there's any in Lincoln today. They're paying 7.5 cents. And if they're in the city, they're also paying local option sales tax. So I'm trying to understand how someone in rural Nebraska is going to leave because they're paying 5 cents when those in Omaha could be paying as much as 7 cents. OK? I, I don't get that part and maybe they'll explain that. So I would also say that when you look at the infrastructure that's there, let's take the Kearney facility, for example. That facility is, is set up to use 100 megawatts of power, more than the entire city of Kearney. NPPD put in a substation next to that site. They're made up of, of basically storage containers that, that were developed originally when they built that site. That site was purchased out of bankruptcy from a, a, a company, Compute North, that was expanding elsewhere, and I think got overleveraged. The company that bought them is MARA, who's headquartered in, in Florida. And so they ended up-- they're a publicly traded company. Last I checked, they had-- it showed that they had \$3.2 billion worth of bitcoin on the balance sheet. And so they're in Nebraska for one reason, cheap power. Very cheap power. And they paid, I think, \$161 million for that facility. Why would they leave to pay a penny?

DUNGAN: And the, the power, I think, is also what we-- we talked about this I know the other week I think. In here, there was a conversation we've had about the power issue. And I anticipate that being a part of what we talk about here today. What is your understanding of how acute the power problem is? Is this something that we're talking about

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

running out of a year, 5 years, 10 years? What is the runway we have before this becomes a much more severe problem?

JACOBSON: It depends on what you read and who you listen to. I would tell you that the southeastern part of the United States is in a better power position than we are. I will tell you about an example. I visited with an individual who is-- who's got a data, data center in Omaha today. They're utilizing half the data center for, for their data center. And they're using the other half of the data center, it's empty today. They were considering bringing in a crypto operation. He said if you have your 2.5 cents, we probably won't come. OK? So I said, well, then that's kind of carrying out part of the purpose of the bill. I said, what if it's a penny, which is where we're planning to go? He said, well, then that's more of a jump ball. And I asked if you were here today and had already installed it and set that up, would you leave with the penny? He said probably not. OK? So we've, we've tried to engage with, we tried to engage with public power. We-- I did meet with one crypto miner who came and met with me shortly after the bill was introduced. And the rest of them have all, you know, kind of engaged more online. But, but I think it's not really-- we negotiate this, it's pull the bill. And that's not an option.

DUNGAN: And that kind of answers my last question I had for you, which was-- I know a lot of times we're talking about regulation of new industries or burgeoning industries, whether it's crypto or we've had a lot of conversation about CBD or things like that. There tends to be this sort of desire to oftentimes work with the industry in an effort to come up with a regulation scheme that works. But-- and you've answered that, I guess, a little bit-- I'm curious how much you've engaged with the crypto miners or folks doing that. It sounds like there's been a little bit of conversation.

JACOBSON: I don't know that there's a lot to discuss because crypto is pretty simple. You, you have an owner of the crypto mine who comes in here, accesses our power, they, they, they compete for solving the, the formulas to earn crypto, and that money goes back to them and doesn't, doesn't stay in Nebraska. They produce virtually no jobs. They have a very small footprint. So they're paying tangible personal property on the units themselves. But as you know in Nebraska, that's 5-year depreciation. You pay 100% of the, of the value of that in a tax equivalent to property taxes. Year one, then it goes to 80, 60, 40, 20, zero. And then if you replace them in 5 years, it starts back up at 100, 80, 20-- 60, 40, 20. So it's a very small amount. And they're going to-- people are going to tell you the big numbers. Do you realize we paid this much in taxes? But what if we could bring

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

other industry to town that you're choking out? What would they pay? OK? And how many jobs would they bring? At the end of the day, if we're going to make-- if we're going to broaden our tax base, we need more workers. We're about a million people short in Nebraska. So, ultimately, we can't broaden our economy by bringing in crypto miners who are going to have-- one person is going to benefit the owner. Then they're going to pay some, some sales taxes, a little bit of property tax, either personal property taxes or real property taxes. And that's it. We've got to do better for that kind of energy consumption. So that's the issue of this bill. Now, as it relates to other currencies, I would tell you that the Department of Banking has approved now its first digital currency bank in here in Nebraska. Now, they're not even related to crypto. OK? What they're doing is they're using the blockchain. But this is really-- if you think about it, they're bringing in, this is stablecoin, they're bringing in hard dollars into the bank and they're issuing this, this-- in this case, Telcoin, and that they can use then as a digital currency. That's an industry that will likely grow. But crypto, it's all about the fact that, that crypto has gone from nothing to 110,000-plus dollars of Bitcoin. And you've got this gold rush now of crypto miners and they're going to where the cheapest power is.

DUNGAN: Yeah. OK. I appreciate that. Thank you.

BOSTAR: Thank you. Any additional questions? Senator Kauth?

KAUTH: Thank you, Vice, Vice Chair Bostar. OK, Senator Jacobson, doesn't these open and welcoming to kind of the-- I want to say new tech because I'm old-- but doesn't this kind of raise our cool profile, and I'm, I'm not joking about that, I'm just saying that if we start saying, well, we don't want this because it's not, it's not what we're used to or it's not established, I think we run the risk of people looking at Nebraska and saying, oh, well, why would we try something new there if we're not willing to do this? And as far as-- I, I, I just want to-- what are your thoughts on that?

JACOBSON: Well, I would tell you that, as you know, when I, when I chartered the bank originally, I chartered it where I did because I felt I had a competitive advantage in that North Platte market to be able to bring a locally owned financial institution local control. It would be the only one there at the time, and that was a competitive advantage. So when I start looking at where and how Nebraska can grow its future, we need to be looking at where we have competitive advantages. And I don't see that we have that, that-- well, we certainly have a competitive advantage with cheap energy and we have,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

at this point, abundant water and quality water. But how we use that in growing our state's economy will be very important. And so there are other industries that are here. Google is here, which has got a data center, and we can all argue whether that's a good thing or a bad thing. But they're here. And when you start looking at other businesses, I mentioned where we're at-- in fact, we were, I think, the first state to approve a digital asset financial institution. So I don't think we can look at crypto and say we're not welcoming because we don't want something that's going to eat up all of our power and give us nothing in return. I think that sends a better message elsewhere that brings us something that's going to benefit our state, as well, that's a two-way street, not just a one-way street.

KAUTH: OK. Thank you.

BOSTAR: Thank you. Senator Sorrentino.

SORRENTINO: Thank you, Senator Bostar. Senator Jacobson, do we have any idea of the financial impact that the current data-mining institutions bring in the, in the way of revenue to the state for income tax, etcetera? Is it, is it a nominal amount, is it a huge amount, or do we know?

JACOBSON: Well, you raise the income tax and that's really good question. OK? Because if you're being paid in bitcoin, how are you reporting that on your income tax return?

SORRENTINO: Well, you're going exactly where I was going to go. You just jumped ahead. So you go ahead.

JACOBSON: So-- and then you've got those out of state that are required to file a local return. But will they attribute the production in Nebraska to Nebraska or will they go search for a lower tax state to report that income in? I don't know. I mean, I honestly don't know. But that's a very good question. I know they're making a lot of money, but the question is, does that trickle down to income tax for the state? The other thing is, as I've indicated before, the personal property taxes. Yeah, they're going to pay some personal property taxes and they're going to pay income taxes, the state's 5.5, and then if they're inside the city limits, they're going to pay local option, depending on what it is, it's probably 1.5, but now they're-- many of them are locating in the counties, so they're not paying any local option or they're not paying any local option sales tax. They're just paying the state sales tax on the electricity charge.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

SORRENTINO: Thank you.

BOSTAR: Thank you, Senator Sorrentino. Additional questions for Senator Jacobson? Seeing none--

JACOBSON: I will be here for a close.

BOSTAR: Perfect.

JACOBSON: Whenever that is. Thank you.

BOSTAR: First proponent testifier. Welcome, Mr. Zoeller.

KENNY ZOELLER: Good afternoon, Senator Bostar and members of the Revenue Committee. My name is Kenny Zoeller. That is spelled K-e-n-n-y Z-o-e-l-l-e-r, and I serve as the director of the Governor's Policy Research Office. I'm here today to testify in support of LB526, and I'd like to thank Senator Jacobson on bringing this bill on behalf of the governor. I'd like to focus my testimony in explaining the governor's vision and philosophy behind LB526. In sum, Nebraska, like other portions of the country, is facing a shortage of energy generation. Due to a variety of factors, new businesses looking to locate in Nebraska or existing businesses wishing to expand in the state are unable to do so in the near term because of constraints on our electricity capacity. As an example, last year NPPD began a process known as "load queue" for new large electricity loads. Those requiring over 5 megawatts of electricity are placed upon this list to be notified of an estimated in-service date when new generation in transmission would be ready to service their requests. I would also draw the committee's attention to the recently published 2024 annual Load Capability Report prepared by the Nebraska Power Association that notes that in and absent of additional generation or purchase contracts, the state would be in a deficit to meet its overall reserve obligations by 2027. This is not to shame our public utilities for failure to plan. Indeed, they are planning construction of new generation, but infrastructure buildout takes out-- takes time. The expanded growth of electricity demand in the last 3 years is outpacing our infrastructure buildout. That coupled with the Southwest Power Pool's recent decision to increase required reserve pools of power by 2026 and a lack of new baseload energy generation projects have created an issue to state policymakers to manage. Crypto mining operations and data centers have located in large numbers in the state because of our low-cost, reliable energy. Data centers enjoy the benefits of our public power system while providing little economic activity in the form of jobs and value add to a majority of Nebraska

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

wages. Due to a broken tax incentive system, Nebraska now ranks second in the country when it comes to data center electricity consumption by state. The objective of LB526 is to level the playing field for Nebraska energy and ensure that taxpayers in Nebraska are receiving the most value we can for our cheap electricity. Nebraska consistently ranks in the lower third nationally for cost of electricity rates, and the highest in the nation for reliability. The goal of LB526 is to ensure that loads that have come onto our system are not taking advantage of our responsibly run system for little to no gain to the state. The governor and his office have had many enlightening conversations with cryptocurrency miners in rural power electric utilities and the unique capability of small crypto mining to beneficially pair with our state's unique power consumption usage. We're open to continuing these conversations as we work on amendments to LB526, and I'd be happy to try to answer any questions the committee might have at this time.

BOSTAR: Thank you, Mr. Zoeller. Any questions from the committee?
Senator Murman.

MURMAN: Yes, thank you, Vice Chair. I didn't notice in the comments on the bill, and maybe I missed it, but any power producers or generators. I'm not sure if I'm using the right terminology, but you, you did have some testimony about that. Are we going to be able to keep up with our power demand going forward, say, 5 years from now?

KENNY ZOELLER: So that's a great question, Senator. And I would definitely encourage you to ask members of the public power community that will probably be testifying on this bill. The reality is we have over 2,500 megawatts worth of new businesses, megawatts of power worth of new businesses looking to-- looking to locate into the state. And there's been multiple public reports in the World-Herald, either through OPPD or NPPD, that basically show that the increase in power consumption or the need for power consumption through a variety of different industries is outpacing our capabilities of providing power. And if you think about some of the requests that have been placed upon private businesses or the states in the past 5 years, ranging from chips manufacturing plants, to the evolution in terms of data centers, the evolution of AI, new sustainable aviation fuels, all these industries are clamoring nationwide to try to figure out how can I get-- how can they get power from across the state? And I can tell you when I talk to my colleagues in other Republican states ranging from Texas, Montana, Idaho, South Dakota, North Dakota, the concern is the same. The reality is, we don't have enough baseload generation and the need for power is outstripping our ability to provide it.

MURMAN: Thank you.

BOSTAR: Thank you. Senator Dungan.

DUNGAN: Thank you. Thank you for being here, Mr. Zoeller. I appreciate your testimony. I think it's-- I guess, to put it bluntly, it's clear that this is targeting one specific industry. And I'm not saying that's with malice, I understand from Senator Jacobson's opening that the purpose behind it and the reason, but it does sound as though, especially from the opening, we're talking about an industry that is, you know, on the, the low end of the food chain or however you want to phrase it. Is the, is the governor concerned policywise that this sends the wrong message to industry across the country when, for better or for worse, Nebraska spent the last 10 years-ish trying to attract more industry, whether it's through Advantage or Imagine Nebraska. Is this switching course in that sort of desire to bring in new industry for burgeoning fields in Nebraska or is this simply targeting the one specific industry that we're talking about here today?

KENNY ZOELLER: That's a great question. You know, as I mentioned in my, in my testimony, and, and the governor said this multiple times, you know, he believes we've made a mistake specifically through Advantage, and also Imagine, and specifically to the modernization tier of attracting data centers and large-load-type data centers that suck up power in upwards of 250 megawatts that provides little to no permanent jobs. And the reality is, right now, the state is facing a scarcity of a resource. So it's, frankly, up to policymakers, such as the Legislature, as well as the governor working in tandem, to figure out how can we best utilize the scarcity of this resource, which now is power for the betterment of all Nebraskans? So, you know, it's his opinion that we focus on industries that provide value add to our existing economy and to Nebraskans. And, that's not to say, as I also mentioned in my testimony, there are instances with specific Bitcoin miners where they're able to have an interruptible agreement with public power entities that can come in and, frankly, supplement our unique power needs. And what I mean by that is, since we're the largest irrigating state in the country, there are times in summer months where the load that we need to provide to irrigators, frankly, is in excess of what some public power entities face in the wintertime. And, in close, you know, it's the answer I just summarized, because we have this scarcity, we need to make sure as policymakers, as elected officials, the governor would say that we're attracting industries that are givers in that add to our economy and benefit Nebraskans.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

DUNGAN: And, and I, and I really appreciate that answer. I know the governor, for example, has been a big supporter of sustainable aviation fuel, which you mentioned. I've obviously been a big advocate, as have others in the Legislature. So I appreciate we continue to try to bring in new industry. I just think it's a tightrope we have to walk because there have been certain instances where those data centers, for example, in other states have started as a data center and then turned into a headquarters that, you know, has 30,000 people working there. And so I know we want to always walk that line. I guess, in conclusion with my questions, in a world where we're trying to bring in-- it seems like that we do address the problem on the front and the back end. So we're making sure we don't bring in too much industry that sucks up all the power. Is the governor also committed, then, to continuing to try to find additional generation of power through things like renewables, wind, solar, all sorts of different areas? Is he exploring or, at least, supporting different pathways to the creation of new energy as part of that solution as well?

KENNY ZOELLER: Absolutely. You know, the governor has been frequently, frequently visiting Washington, D.C. with the incoming new administration. And, in fact, recently talking with the Department of Energy requesting that we-- that they, excuse me, take out specific requirements on a lot of our baseload generation. That way we can ensure that Gerald Gentleman remains open, and he's very, very supportive of OPPD's projects that has been recently announced and, I believe, NPPD as well, for new generation of, I think, 650 megawatts each for natural gas. Because, frankly, what, what we are in need of is baseload generation, and that's what he hopes to bring. And then other, he's also supportive, and we will actively work with our federal partners to make sure we can deregulate so we can have this happen in our lifetimes, and not necessarily in the future, but small module nuclear reactors and making sure that we can expand our nuclear industry here in Nebraska.

DUNGAN: Wonderful. Thank you so much.

KENNY ZOELLER: Thanks.

BOSTAR: Thank you. Additional questions? Seeing none, thank you, Mr. Zoeller.

KENNY ZOELLER: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

BOSTAR: Proponents for LB526? Last call for proponents. Opponents, LB526? Welcome.

MATTHEW CARSON: Thank you, members of the Senate [SIC] Revenue Committee. My name is Matthew Carson, M-a-t-t-h-e-w C-a-r-s-o-n, and I am the chief communication officer of AAIM Data Centers, Inc. I come from a long family of Cornhuskers with most of my family having attended and graduated from UNL, and I still often attend games with my family on a regular basis. My company is currently operating a Bitcoin mining facility located in Aurora, Nebraska, with several other projects around the state, either under construction or under negotiation to begin construction. It brings me great pleasure to build our projects in Nebraska, where I still have a large amount of my family living. I'm here today because Senate Bill 526 [SIC] would force me and my businesses to leave the state that I love. Our project in Aurora was a result of 2 years of hard work and investment by us, the Aurora Economic Development Corporation, the city of Aurora, SPPD, and many other relevant stakeholders. As a result of this cooperation and over \$3.2 million in invested capital in the state, we have now been operating our facility for approximately 4 months. We estimate that in the year 2025 we will contribute over \$300,000 in sales tax revenue, spend over \$3 million with local Nebraska-based businesses and contractors. And we have created 4 full-time jobs with 2 open positions, all jobs and contractors that are paid in USD. In 2025, we planned to more than double our footprint in the state, hoping to create an additional 6 to 10 full-time positions, more than doubling our sales tax revenue and capital investments, as well as planning to launch an ancillary equipment repair business that could sustain an additional 6 to 8 full-time and part-time positions, all located within the state of Nebraska. These are Nebraska families that in some of the most rural parts of our state that will potentially need to find new jobs if Senate Bill 526 becomes law. Outside of the families and communities that we work with, we are also proud of our work with our power providers. We undertook significant capital expenditures in upgrading the local power infrastructure alongside SPPD, allowing not only for the operation of our facility, but allowing electrical access to potential other industrial businesses interested in locating near us. In addition, we have selected to be specifically on a interruptible rate as to not be a burden on the grid or any of its current existing customers. My family is proud that, despite my many travels around the world, I've been able to build a business in Nebraska. All I have asked for is to be treated the same as any other business in the state. Senate Bill 526 would see the state of Nebraska discriminate my business simply because of how it operates and force

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

me to leave the place that I hold so dear. I urge you to vote against this discriminatory tax so that I can continue to invest and spend more time in a place that I love. Thank you very much.

BOSTAR: Thank you, Mr. Carson. Questions from the committee? Mr. Sorrentino.

SORRENTINO: Thank you, Senator. Just one quick question. This-- the, the amended amendment now asks for 1.0 cents per kilowatt hour excise tax. Your source for power is NPPD, I would assume, in Aurora, Nebraska. Is that correct?

MATTHEW CARSON: Yes, SPPD.

SORRENTINO: OK. If for whatever reason, that board determined that they needed an increase in their price equivalent to the, to the 1 cent as opposed to an excise tax, this is the power company increasing the rate, would that force your company out of Aurora?

MATTHEW CARSON: That's an excellent question, Senator. We would have to take it under serious consideration. Our industry is very hypercompetitive, not only with other industries like ours in Nebraska, but other companies around the United States and around the world. We're always continually looking at our total cost basis, of which power is a very large part of it. So it would be something we would have to take into very deep consideration when planning future expansions and the viability of our current operations.

SORRENTINO: So it would be fair to say that you oppose the bill based on the pricing as opposed to which entity would increase it, whether it's the state with an excise tax or NPPD with an increase, it's a numbers game. Is that correct?

MATTHEW CARSON: Correct.

SORRENTINO: Thank you.

BOSTAR: Thank you. Additional questions? Seeing none, thank you, Mr. Carson.

MATTHEW CARSON: Thank you for your time.

BOSTAR: Additional opponents? Welcome.

JIM CRAWFORD: Good afternoon. Thank you. Members of the Nebraska Revenue Committee, my name is Jim Crawford, J-i-m C-r-a-w-f-o-r-d. I'm

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

representing MARA and I'm testifying today to strongly oppose LB526, which would impose unnecessary financial and regulatory burdens on Nebraska's cryptocurrency mining industry. MARA has already invested nearly \$200 million in Nebraska over the last 2 years and over \$6.5 million in state and local taxes on an annual basis. Moreover, the company has been exploring additional investments in the state, which, if this bill were to pass, would likely not materialize. LB526 discriminatorily targets cryptocurrency miners while exempting other baseloads like data centers and cloud computing, despite their similar or often even higher energy consumption, such selective taxation undermines fair market competition. Cryptocurrency mining operations offer unique benefits to Nebraska's energy infrastructure. Operations like ours can curtail energy during peak demand, effectively supporting grid stability. By helping balance the grid, miners provide a valuable service that should be encouraged, not penalized. The bill risks driving cryptocurrency mining businesses away from Nebraska to states with more favorable policies. These operations contribute significantly to local economies by creating high-paying jobs, modernizing infrastructure, and boosting energy efficiency through innovative demand response systems. Neighboring states like Wyoming and the Dakotas are embracing blockchain technology and attracting investments that could come to Nebraska. This bill would erode the state's competitive position in the rapidly evolving and growing digital economy. Instead of imposing an excise tax, Nebraska could enhance grid resiliency by collaborating with the cryptocurrency mining industry. Miners can adjust energy consumption in real time, reducing demand during peak periods and preventing potential blackouts. Their advanced demand response technologies optimize power usage, lowering grid stress during high demand times. LB526 unfairly targets a single industry and threatens Nebraska's economic potential. The cryptocurrency mining sector represents an opportunity for growth and innovation, contributing to job creation, energy efficiency, and technological advancement. I urge the committee to reject LB526 and consider policies that support growing industries like ours that are promoting sustainable growth and collaboration. Thank you very much.

BOSTAR: Thank you, Mr. Crawford. Before we get to questions, we will turn the chair back over to our committee chairman, Senator von Gillern.

von GILLERN: Thank you, Senator Bostar. Any questions from the committee? Senator Murman.

MURMAN: Yes, thank you, Chair. And thank you for testifying, and I appreciate your contribution to rural Nebraska and greater Nebraska.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

You mentioned that you are looking at additional investments in Nebraska. I assume you've been assured that-- and I, I do know you use power, you don't use it at peak load, at least, use it during lower demand times. I assume you've been assured that if you are looking at expanding, that the power will be available in the future in Nebraska?

JIM CRAWFORD: For us to finalize a transaction, yes, we would need that to be able to close and that power to be available.

MURMAN: Thank you.

JIM CRAWFORD: Yes, sir.

von GILLERN: Senator Ibach.

IBACH: Thank you, Chair. I have just one quick question. I'm looking at your math. What was your incentive to locate in these other states?

JIM CRAWFORD: Various reasons, friendly business environments, cost of power, access to a good labor force were primary reasons.

IBACH: Great. Thank you very much.

JIM CRAWFORD: Thank you.

IBACH: Thank you, Chair.

von GILLERN: Any other questions? Seeing none, thank you for your testimony today.

JIM CRAWFORD: Thank you.

von GILLERN: Next opponent. Thank you. Good afternoon.

BROCK DAWSON: Good afternoon. Dear Chairperson von Gillern and members of the Nebraska Revenue Committee, my name is Brock Dawson, B-r-o-c-k D-a-w-s-o-n, and I have lived here in Nebraska my entire life. I am raising my family here and I care deeply about the future of this state. As a site manager for, for MARA in Kearney, I'm speaking to express my strong opposition to LB526. This bill puts unfair financial and regulatory burdens on Nebraska's growing cryptocurrency mining industry, an industry that I believe is vital to the future of our, our, our economy, especially in towns like Kearney, where MARA has made significant investments. Over the past few years, MARA has invested nearly \$200 million in Nebraska, creating jobs, supporting

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

local businesses, and contributing over \$6.5 million in state and local taxes. As someone who has always been proud of Nebraska's ability to attract innovation and opportunity, I am worried about what this bill means to our community. It threatens not only the growth of our business, but also the livelihoods of the people in Kearney who depend on these jobs. I've seen firsthand how this industry has brought good-paying jobs to Kearney, jobs that support families like mine. LB526 would put these jobs at risk by imposing a tax that targets cryptocurrency mining while letting the other industries off the hook. This doesn't feel right to me. I'm worried about what this bill means for our community. It threatens not only the growth of our business, but also the livelihoods of the people in Kearney who depend on these jobs. As a father, I also think about the kind of future we're building for our children. Nebraska has always been a place that encourages innovation. But this bill sends the wrong message. Instead of recognizing how cryptocurrency mining helps make our grid more flexible and resilient, LB526 would penalize us. We should be encouraging industries that are ready to support our state's energy needs, not pushing them away. I have spent my life here. I want to see Nebraska continue to grow and thrive. LB526 puts that future in jeopardy. It risks jobs, hurts communities like Kearney, and sends a message that Nebraska is not open for business. I urge you to reject this bill. Instead, work with us to find solutions that support growth and innovation for all industries in your-- in our state. Thank you, guys, for your time and consideration.

von GILLERN: Thank you for your testimony. Any questions from the committee members? Seeing none, thanks for being here today.

BROCK DAWSON: Appreciate it. Thank you, guys.

von GILLERN: Next opponent.

SHELLEY SAHLING-ZART: Good afternoon, Chair von Gillern and members of the Revenue Committee. For the record, my name is Shelley Sahling-Zart. Shelley is S-h-e-l-l-e-y, Sahling-Zart is S-a-h-l-i-n-g-Z-a-r-t. I am vice president and general counsel for Lincoln Electric System, the municipal electric utility here in Lincoln. And we are here today in opposition to LB526 but maybe not for the same reasons you have heard so far, but I feel compelled to start with saying we are not running out of power in the state of Nebraska. And from an economic development standpoint, it's a really bad message to send. We have challenges. We are not running out of power and we can talk about that. From the standpoint of LB526, we are not taking a position. LES is not taking a position on the excise tax.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

That's an important policy decision for you all to consider and I think that's your policy decision. Moreover, we're looking at some of the mechanics of how the-- how we would implement the bill, some of which would be addressed by Senator Jacobson's amendment. And we greatly appreciate all of the conversations we have had with Senator Jacobson on this bill. But, as written, we had concerns about how the excise tax is collected, especially when from our standpoint, we don't always know who the crypto miners are. He correctly-- Senator Jacobson correctly noted, we're not aware of any crypto miners in Lincoln right now. We've had some large ones contact us. We have talked with them about some of the upgrade costs, but they've chosen not to build. But sitting here, I can tell you with pretty great certainty we probably have a number of them operating in basements or in vacant storefronts that we just don't know about. They're just a load. So that's part of the problem with this bill is you have the large crypto miners like at Compute North. You also have those that are operating out of homes. And we may not know that, we don't ask customers what they're doing behind the meter. Some of the other things we looked at in this is he mentioned changing it to a, a load-impact study. Those provisions right now don't impact municipalities. But if it were extended, when they talk about an independent grid reliability study in our industry that has a very distinct meaning, that's a very comprehensive and complex study. But if we're working with somebody, whether it be a data center or a cryptocurrency miner in terms of any necessary upgrades to our system that we need that we might be expecting them to pay, we'll provide them a load-impact study, we'll talk to them and show them where those costs are. We have no problem with that. And I might say the large, the large in crypto miners, data centers, and all of those, they have come forward, they've been very willing to work with us on, on paying some of those costs. So some of the challenges aren't, aren't necessarily in the power, we have a responsibility to serve our customers. And in the Southwest Power Pool, we-- those of us that have load, that have customers, we are required to have enough firm capacity to meet our peak load plus a planning reserve margin. And I'm out of town-- out of time, but I will finish that real quick, if I may. So the planning reserve margin right now in the summer is 16%. In the winter, it has changed to 36%. A lot of reasons for that, which we could spend hours going into. But we understand that obligation. We are all working to secure resources to meet those. I'll take any questions.

von GILLERN: Thank you for your testimony. Questions from the committee members? Senator Ibach.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

IBACH: Thank you, Chair. I'll just ask one question since George isn't here and has a, a, a history of stealing my questions, which he did during the opening. Are there any opportunities to expand generation that you know of--

SHELLEY SAHLING-ZART: Sure.

IBACH: --of power--

SHELLEY SAHLING-ZART: Sure.

IBACH: --that, that are in place? I mean, is there, is there a plan to say by the year X we need to increase our generation by X?

SHELLEY SAHLING-ZART: That's a great question and I'm really glad you asked that because I didn't get to that part. So the, the Nebraska Power Association Load and Capability Report was mentioned earlier, and I think you all got a copy of that. So the first thing I'd tell you to understand about that report is that's a snapshot in time. We do that every year, but the engineers of the utilities get together and that's a snapshot in time. So when they talked about we've got deficit, and I think they said 2027 or something, that means if we do nothing. If we do nothing and add no other resources, we would go deficit. There is no utility-- vertically integrated utility in the state of Nebraska that is doing nothing. We all have pretty robust integrated resource plans that look out many years. All of us are all on different, different time frames for that and, and how we're doing that. But we all have those integrated resource plans. You know, LES will probably be making some announcements in the near future about generation, OPPD has made some recently. You know, I know there are-- and if you look at the Load and Capability Report, some of those are identified as planned resources or studied resources. I will tell you, there is a group that is also pretty actively looking at the potential for nuclear resources. That may have great potential in, in the future. There's other technologies that are going to come along, but we are actively doing-- we all have great engineers that are actively doing that all the time. And that's what I kind of like to reassure you all, is that we are looking at that. Now, there are challenges, if somebody comes in and says they've got a 200 megawatt load they want to put in Lincoln and, and they want to have it in at a date certain, we're going to talk about that because it's not like we have that capacity today. It's not that we can't build it or secure it somehow, but, you know, there's also physical limitations. You have to be able to build it. We have encountered some supply chain issues over the last few years that may come in, but those are all manageable kinds of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

things. They're, they're challenging, but they're not impossible. Hope I made that clear.

VON GILLERN: Thank you. Other questions?

SHELLEY SAHLING-ZART: Did that help?

IBACH: Um-hum. Thank you. Thank you.

VON GILLERN: Senator Bostar.

BOSTAR: Thank you, Chairman von Gillern. Thank you for being here.

SHELLEY SAHLING-ZART: Um-hum.

BOSTAR: With the-- this committee heard earlier this session from testimony in a different hearing about a, a business that wanted to come into the state and open operations and they were-- and it wasn't an LES-- it wouldn't have been an LES customer, but you're here, so why not?

SHELLEY SAHLING-ZART: Why not?

BOSTAR: And they were told that they wouldn't be able to get service until at least 2030 or later. So, I mean, I understand that, you know, you may not have it right now, but saying, you know, hey, you got to wait 5 years, that's-- it's a significant problem. That's not--I, I can, I can understand the argument that, maybe, using the words we're running out of power, I can, I can get the pushback on, on that kind of phrasing, but not being able to connect someone who wants to come in the state and do business for, at minimum, 5 years is, is a, is a, is a position that, I think, none of us hoped we would ever find ourselves in.

SHELLEY SAHLING-ZART: And I don't know what, what situation you're talking about, but part of the challenge on that is that if you wanted us to be abundantly ready to serve, let's say, a 200 megawatt load, and be able to serve that quicker, that means that we are speculatively investing in generation, right, which all of our customers are paying for. And then what do you do if that load never shows up? So that's part of the balancing act. The other thing I would say on some of those customers is it's not like their facility is going to get built overnight either. So there, there's probably some time there because it's going to take them time to build the facility before they're going to ramp up to the full power that you're talking about. So each one of those is probably going to be a little bit

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

different. Is 5 years too long? I don't know without knowing more about the specific customer, I don't know that I can answer that right now.

BOSTAR: Well, I, I can. I mean, I think 5 years is too long, so I'm happy to make that, that particular call. I, I think, you know, and we, we all have to do some of this work of walking the line of forecasting responsibly and making decisions in preparation. I mean, we have to do that in the state all the time. We have to use our best estimates and information and experts and guesses, frankly, about what the economic outlook is going to be like in a quarter as we make budget arrangements for legislation today. And so, you know, I, I get it. It's-- you don't want to, to make huge investments without some certainty, but there's, there's a lot of uncertainty in everything we do. And we just have to do our best. And I just-- you know, I, I hope we can-- I hope we can be as responsive as possible.

SHELLEY SAHLING-ZART: I, I don't disagree with that. And that's a great conversation to have. I'm just-- I would also say I don't know that that's what this bill does because we, we have that challenge apparently today. And I don't know that that's necessarily driven by one industry or another, that could be driven by-- we have a lot of-- we have a new person going in. I mean, that will be a new load for us.

BOSTAR: No, and, and, and to be clear, I don't-- I'm not-- my, my remarks were more of a, a response to, I think, your testimony related to how we're-- you know, you were pushing back on the concept of that we're, we're running out of energy. And, and I just-- I wanted to provide some, some clarity around at least the picture from my perspective of what I'm seeing and what we've heard in this committee before.

SHELLEY SAHLING-ZART: I appreciate that, Senator Bostar. I just get a little concerned that some customers are going to think they're going to wake up one day and flip the switch and nothing will be there. That's not going to happen.

BOSTAR: I, I don't disagree. I just hope that we can get more customers to be able to flip that switch as well.

SHELLEY SAHLING-ZART: Fair.

BOSTAR: Thank you.

von GILLERN: Senator Sorrentino.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

SORRENTINO: Thank you, Chairman von Gillern. There's been testimony, or at least a concern, that the bill may discriminate on one particular industry, crypto mining. And I-- and as a representative of LES, I'm just trying to pinpoint your opposition to the bill. If this were-- I, I guess, I would rephrase the question. You, obviously-- LES does not have an, an issue with this industry. You've testified that their requests and their needs for electrical power is not going to overwhelm you. Is there an industry-- and I'm, I'm not asking this tongue in cheek, if I was selling electricity, I want a lot of customers-- is there an industry that you are adverse to who would need a lot of energy or is, or is this really-- you know, and I don't blame you if I was paid by LES, I would want everything good for LES, but what industry would you say no to?

SHELLEY SAHLING-ZART: Well, my first response to that is, as, as the utilities, we are required in our rates to be fair, reasonable, and nondiscriminatory in our rates. With regard to some of the things in here, the large transitory loads do provide unique challenges for us. I would never sit here and tell you that wasn't the case, but for some of the--

SORRENTINO: And that's consistent with, with cryptocurrency.

SHELLEY SAHLING-ZART: Sure. But for some of the things in here, like, the direct pay and the line of credit and some-- we're doing those things right now. You know, for example, we have a, a data center being constructed here in Lincoln. And we worked really hard to get agreements in place and to get some of those costs covered and agreements for them to pay a lot of that so as not to put the rest of our customers at risk. So a lot of the things that this would provide, most of us are already doing some form of that now. So-- and, and let me be clear, with some of the amendments, a lot of it was on collecting the excise tax just because I don't know who-- we wouldn't know who we're collecting it from. But with Senator Jacob's [SIC] amendment where I think that would be collected by the Department of Revenue on an annual basis, maybe through income, that kind of takes us out of having to figure that out. Because ours was we also didn't want to be on the hook somehow if we weren't collecting it from somebody that we were supposed to.

SORRENTINO: Well, the follow up then, you mentioned a data center being constructed here in Lincoln, will those data centers-- I'm sorry, will those data centers stand down during peak load periods like the cryptocurrency will?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

SHELLEY SAHLING-ZART: We have agreements where they can back down if we need them to.

SORRENTINO: OK. And, and if they do now, you can pull the plug on them. Is that correct?

SHELLEY SAHLING-ZART: That's-- yeah, I'd word it differently, but basically, yeah.

SORRENTINO: I was using electrical terms. Yeah. Thank you for your testimony.

SHELLEY SAHLING-ZART: Yep. Yep.

von GILLERN: Other questions? I've got a couple. I, I attended a conference in your-- at your headquarters this summer that was put on, I believe, by the state chamber, talked about the future of power. It was some historical data about power and the future power needs in the state of Nebraska and I'll try to explain this as, as logically as I can. The, the-- while, while I don't disagree with your statement that we're not running out of power, the-- if I-- as I recall, the, the line on the graph of additional power generation was much flatter than the line on the graph of additional power needs. And, and as those were projected, the gap, it was an alligator mouth, it got wider and wider and wider going-- and, and then as I also recall in the past, pick a date, 2 years, 3 years, 5 years, we've dramatically underestimated the amount of power that was going to be needed in, in the upcoming years. For all of those statements, am I remembering all those accurately?

SHELLEY SAHLING-ZART: I, I believe you are. I would go back to my response to Senator Ibach, which is those came from the Nebraska Power Association report, some of which is a, a snapshot in time. And I can't remember the exact chart, but it might have been that one that's based on what we're doing right now. And it may not have accounted for all the things we have planned and are studying so that, that might have been a limited view, but I'd have to pull the report out again to make sure.

von GILLERN: And I, I actually-- interesting thing, we, we all get to move offices every 2 years. I looked-- I actually look for that report, could not find it today in my office. Would you make that available to the committee members again, please?

SHELLEY SAHLING-ZART: Absolutely.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

von GILLERN: Because it was very-- it, it was, it was very informative, I, I, I recall it was a very good use of time.

SHELLEY SAHLING-ZART: I'd go one further, if you would. I also sort of service the administrative coordinator, organizer of the Nebraska Power Association. We've had discussions, we'd love to host an energy summit with the governor's office and elected officials and spend some time thoughtfully talking through all of this, presenting some of that information to you. I think that would be really helpful to getting us all on the same page in this discussion--

von GILLERN: Very good. All right.

SHELLEY SAHLING-ZART: --if you're open to that.

von GILLERN: Scottsdale in February would be great. Thanks so much for your testimony.

SHELLEY SAHLING-ZART: Yeah.

von GILLERN: I don't see any other questions. Thank you for being here. Next opponent. Good afternoon.

RON TILLERY: Good afternoon. My name's Ron Tillery. I'm the executive director of the Phelps County Development Corporation, and I'm here on behalf of the Nebraska Economic Developers Association and also the Nebraska Chamber of Commerce and Industry, testifying in opposition to LB526. And I'd like to reinforce or, or, or circle back to comments by the previous testifier. Recently, Phelps County was selected for a very large industrial project, in fact the largest industrial project in Nebraska's history, but also be the largest single electrical customer in Nebraska. In a town hall meeting held in December in Holdrege, Tom Kent, the CEO of NPPD, testified to a, a group of about 500 collected citizens that-- and I'll quote him directly. But you can find this video on the Phelps County Development Corporation's website under the DGFuels tab. Tom Kent said: We're not going to run out of power in Nebraska. Public Power works in partnership with our customers to ensure that we grow our facilities to serve your needs as we move into the future. We've been doing that for 75 years, and we'll do it for the next 75 years. The NPPD Board has approved creation of an additional 1,300 megawatts over the next 5 years, but they are also actively considering additional additions to their capacity to serve the project in Phelps County, as well as other projects in their district. I submitted written testimony, but I wanted to, in addition of these opening comments, highlight a couple of other things that are

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

important, I think, for us to consider. As other people have testified, this sends a negative message through not just the crypto mining sector, but also shoulder sectors such as data processing. And, in fact, I think I heard that data processing might actually be looked at at some point in the future. That's a bad policy, I think, for us to, to adopt as Nebraska. In addition, I think if it is adopted, it will almost certainly succeed in its intended impact, which is to limit or discourage additional investment in that sector and probably over time eliminate that sector from our economy altogether. Finally, taxation, especially punitive taxation, is the wrong way to deal with growth or growth challenges. I think it's much more effective if we pull together and look at proactive solutions to solve whatever problems we have in front of us. Happy to answer any questions.

von GILLERN: Thank you for your testimony. Before I forget, would you spell your name for the record, please?

RON TILLERY: Yeah, I'm sorry. Ron, R-o-n, Tillery, T-i-l-l-e-r-y.

von GILLERN: Thank you. Questions from the committee? I have a couple of questions. You made the, the statement, we're not going to run out of power in Nebraska, but I guess the question I would pose back is, at what cost is that? And are, are we-- and, and-- two part-- two parts of that question. What, what better uses for the power might there be? If, if we are-- if we're committing X number of megawatts towards a, a crypto mining facility that, that produces a, a fixed amount of revenue for the state and a limited number of jobs and so on, does that preclude us from a much larger project that might employ hundreds or thousands of people and even provide a greater economic return to the state?

RON TILLERY: First of all, those were Tom Kent's comments, not mine.

von GILLERN: OK.

RON TILLERY: And--

von GILLERN: If they were yours, what would your response be?

RON TILLERY: I would say we have an open door to opportunities and it's dangerous if we start acting as gatekeepers. We're a, a state that has an unemployment rate that hovers around 2%. We have a shortage of workers. So companies that employ people that have high wages, but maybe not a lot of employers-- employees are just as valuable as those companies that employ dozens or hundreds. We want them all. And, in particular, technology-oriented businesses are the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

foundation for our future economy. All technology-oriented businesses are becoming more utility to other businesses. Data centers and even crypto mining are, are being integrated into other economic sectors. And if we discourage growth in any of those sectors, then we're going to affect the growth of other businesses as well.

von GILLERN: Thank you. Any other questions? Seeing none, thank you for your testimony.

RON TILLERY: Thank you.

von GILLERN: Next opponent testimony. Can I see a show of hands, how many more-- how many additional testifiers are there? Don't be shy. All right. Thank you. If the next one's getting up, somebody bolt up to the seat. OK? Good afternoon.

CALEB GROVE: Good afternoon. Honorable Chair and members of this committee, my name is Caleb Grove. That is spelled C-a-l-e-b G-r-o-v-e. I'm a resident of Superior Nebraska, where I work for Wildcat Blockchain. I'm here to speak in opposition to LB526, which would unfairly tax the industry that allows me to live in a rural area and support my family. When my wife and I first married, we agreed that raising our children in a small community was our dream, our American dream. Wildcat Blockchain has given me the opportunity to do just that, build a life and business in line with that American dream. Wildcat Blockchain has been operating in Nebraska for 3 years. In February of 2023, my family took a leap of faith and followed the Lord's calling, moving from Omaha to Superior. As we integrated into the community, we realized that the success in Superior requires deep involvement. Around June of 2023, my wife opened her hair salon and became a quickly sought-after hairdresser. We both are dedicated in serving at our local church where I have the honor of serving as a deacon and on the board. And my wife is the board secretary. In June of 2024, the good Lord blessed us with the birth of our first child. We're excited to raise her in a close-knit community full of opportunities that were previously unheard of in a rural area. Let me be clear, if LB526 were to pass my life that my family has built in Superior would likely end. The dream would not only die for myself, but my employees as well. Currently, Wildcat Blockchain employs 10 associates in both full-time and part-time positions, with plans to hire 2 to 3 additional full-time employees within the next 6 months. We currently operate 5 sites across Nuckolls and Clay Counties, and have partnered with South Central Public Power to ensure that we are good participants for the health of the power grid. And I'm proud to say we've lived up to that. If LB526 is, is enacted, it will devastate

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

rural areas like Nuckolls and Clay Counties. It will devastate my family and the families who are employed by Wildcat Blockchain. I implore you to continue to make Nebraska the best place to raise a family and vote no on LB526. I'm happy to answer any questions.

VON GILLERN: Thank you for your testimony. Any questions? Senator Ibach.

IBACH: Thank you, Chair. Is, is the--Superior the only location that Wildcat has?

CALEB GROVE: We are in five cities, or rural cities of Superior, Hardy, Nelson, Harvard, and Clay Center.

IBACH: But all in Nebraska?

CALEB GROVE: All in Nebraska.

IBACH: OK. Thank you. Thank you, Chair.

VON GILLERN: Senator Murman.

MURMAN: Yes. Thanks for testifying. And I've, I've got to say, I'm happy to have families like you moving into central Nebraska, south-central Nebraska, rural Nebraska, greater Nebraska. And we, we hear a lot about, well, you don't employ very many people. You said you employ, I think, 10 and, and hope to employ, employ more.

CALEB GROVE: That's correct.

MURMAN: I'm just wondering, I know there's larger employees [SIC], you know, the schools, the hospitals, mostly, there, there aren't a lot of-- and, of course, agriculture, but they don't typically employ a lot of employees in one posi-- one farm. There-- I, I assume there's not a lot of other employee-- employers in Superior or any of these other towns that actually employ more than that other than the ones I mentioned.

CALEB GROVE: That's correct.

MURMAN: Thank you.

VON GILLERN: Any other questions? Just a quick question. You're in 5 locations, 10 employees, is that total 10 for all 5 locations, or is that 10 in your location at Superior?

CALEB GROVE: It's for all five locations.

von GILLERN: OK.

CALEB GROVE: We're all based out of Superior and then we all spread out across the five sites.

von GILLERN: OK. All right. All right, thank you. Thanks for your testimony.

CALEB GROVE: Thank you.

von GILLERN: Next opponent. Good afternoon.

JORDAN GERMAN: Good afternoon. My name is Jordan German. It's J-o-r-d-a-n G-e-r-m-a-n. It's a hard "G". You can consider me a physical manifestation of these virtually nonexistent jobs. So my name is Jordan German. I live in Omaha, Nebraska. I come from a Nebraska farming and ranching family. I graduated from UNK. I'm a Bitcoiner and a Bitcoin miner. However, none of the mining locations I'm associated with are actually in Nebraska. I do live here, but all of our sites are, actually, in Iowa. I'm here today simply as a Nebraskan opposed to the misinformed and discriminatory legislation, LB526 proposed by Senator Jacobson on behalf of the governor. A couple of general reminders for everyone here that may not be as familiar, Bitcoin and Bitcoin mining are still relatively new. In just 16 years, this digital asset has grown from nothing to a market valuation of over \$2 trillion at its peak, measured in U.S. dollars. I say this to remind people that we will continue to see innovations from this industry impacting many areas of our lives in the future as well. It's not just right now. It's still developing. So what is Bitcoin? Bitcoin is more than just a digital currency. It's the largest decentralized network worldwide, increasingly viewed as a strategic reserve asset. Unlike traditional finance, Bitcoin offers a hedge against U.S. dollar inflation and monetary supply growth while introducing a new model for wealth storage and transfer. Bitcoin is not controlled by any central authority, but is regulated by a set of rules making it decentralized. This means that no single entity owns or controls Bitcoin. Instead, it's a system where everyone can participate. So importantly, what is Bitcoin mining then? So Bitcoin miners play an essential role in the network by confirming and validating transactions, transactions on the blockchain. While mining is the terminology from the whitepaper, these businesses could just as accurately be described as flexible-load data centers. What makes Bitcoin mining unique is the globally decentralized nature of Bitcoin, which allows them to adjust their energy consumption to local needs. Bitcoin mining is a globally competitive 24/7, 365 days of the year business. Even if a miner in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

Nebraska needs to go offline, another Bitcoin miner will be online elsewhere in the world, validating transactions and adding new blocks. This makes Bitcoin miners an ideal large interruptible load for power companies and very different from other large data center customers. This flexibility is crucial for demand response, utilization of surplus energy grid stability, and economic incentive for energy infrastructure. All of this directly supports the power company's mission of providing affordable and reliable energy to Nebraskans. I do want to point out that this is a macro energy problem that's being discussed today and what's proposed is a micro energy legislative attack unfairly against one industry. For the past 2 decades, U.S. energy policy has been inadequate with federal mandates and ESG investment decisions leading to stagnated electric growth-- electric generation growth. In Nebraska, the increase in wind power and [INAUDIBLE] challenges in grid management--

von GILLERN: Can I get you to wrap up your comments, please?

JORDAN GERMAN: I'm sorry?

von GILLERN: You're out of time. Could you wrap up your comments, please?

JORDAN GERMAN: Yes, sir. I will finish right now. So there's obviously many advantages that what's going to be talked about today. In conclusion, though, I'd just say, like many others, that instead of taxing an industry that's new and could increase our energy stability, we should encourage that growth here. And I'd also like to say that after my 45 career-- 45-year career in Bitcoin energy, maybe one day I will also run for state senate and propose taxation on a banking industry instead.

von GILLERN: I didn't give you extra time to insult the panel, but OK. Questions from the committee members?

JORDAN GERMAN: Not the panel.

von GILLERN: Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. You mentioned that the facilities you work with are in Iowa.

JORDAN GERMAN: Correct.

SORRENTINO: Could you give me just a thumbnail sketch of whether or not this kind of excise tax only applies in Iowa or are we somewhere--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

JORDAN GERMAN: It, it does not. And it would-- we would not locate here. It would kill off the Bitcoin mining industry.

SORRENTINO: I was told that we have really cheap electricity here. Why are you in Iowa?

JORDAN GERMAN: Because it's very cheap.

JORDAN GERMAN: Cheaper than Nebraska?

JORDAN GERMAN: You know, every public power company can create their own tariff. And it's public at that point. Right? But just in general guidance here, like, we're not going to locate anywhere that's not between \$35 and \$50 per megawatt hour. That's 3.5 cents to 5 cents per kilowatt hour. His proposal would end that industry.

SORRENTINO: But as it sits today, we're attractive?

JORDAN GERMAN: If they're between 35 and 50. Again, I'm not in the state of Nebraska. I'm in Iowa.

SORRENTINO: Right. Right. Right.

JORDAN GERMAN: Correct.

SORRENTINO: One more question not related. You're from Nebraska?

JORDAN GERMAN: Correct.

SORRENTINO: Is it Columbus, Nebraska?

JORDAN GERMAN: I'm actually from Imperial, Nebraska. But if you know some hard "G" Germans there, they're probably related.

SORRENTINO: My wife is related to all your cousins. [INAUDIBLE]

JORDAN GERMAN: OK. Very good.

SORRENTINO: Thank you.

JORDAN GERMAN: Thank you.

von GILLERN: Other questions? Seeing none, thank you for your testimony.

JORDAN GERMAN: Thank you, guys.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

von GILLERN: Next opponent.

BRYAN BARTELS: Good afternoon, Revenue Committee. Colonel (Retired) Bryan Bartels, B-r-y-a-n B-a-r-t-e-l-s. I own Southroads Mall in Bellevue, Nebraska, is a nonprofit for children's education. We have Cornerstone Christian School. We also host Omaha Public Schools at our location, and we also have seven overseas schools where we feed children and educate them in a number of countries. I'd rather not go into those countries here, but those children do not eat if we don't feed them. We, we are-- I kind of represent the small Bitcoin guys around the state. There's a number of us who actually leverage the Bitcoin, little bit of revenue we get so that we can actually help people. We also have-- we also teach courses for underprivileged kids or kids that are having issues with north Omaha. So we have a number of those organizations also that are housed at our mall that we support. And we have partnered with one company called Deep Root that, that also has a couple of locations, larger locations. I think they're running 8 megawatts of power. They also donate to our schools every month. We donated close to \$500,000 last year to children's education and to food. And, and depending on how you want to tax, obviously if you tax my income directly, if I'm making money, I, I, I pay that. And if I donate that, that doesn't come as a tax. But I would, I would offer to you to consider this, you're looking at taxing cryptocurrency and, and we're looking at crypto binding all transitions and all ledgers in banking. So that means you're going to end up taxing all of your banking industries. And I, I don't think you really see what you're, what you're doing is. So, so if you want to tax crypto, if you want to tax Bitcoin or a certain coin and you say, hey, Bryan Bartels-- and I'll finish up here in a minute-- Bryan Bartels, if you made any money, you pay-- your, your a member of this state, you pay taxes. I'll be happy to do that, happy to do that. But my-- watch kind of what you're doing because crypto binding in, in both transport and storage of data and ledgers-- and what, and what they're doing is they're taking ledgers, banking ledgers, and they're crypto binding it in blockchain. That's going to be done by the banking industry also. Thank you.

von GILLERN: Thank you for your testimony. Questions from the committee? Seeing none, thank you for being here. Next opponent. Good afternoon.

SHANON SQUIRES: Hi. Good afternoon. I'm Shanon Squires with Compass Mining. That's S-h-a-n-o-n S-q-u-i-r-e-s, and I'm here in opposition of LB526. We are a smaller, you know, client in Nebraska. We're a colocation company. We focus on aggregating, you know, data center

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

capacity in order to place retail clients, people who focus on maybe having one computer hosted at that facility because they don't have the means to run it at home. As you guys are aware, utility rates at a retail scale are different than on an industrial scale. So that represents probably, like, 100% of their investment for these smaller miners, we have about 690 of these individual clients colocated in the facility in Aurora, Nebraska. I'm looking ahead, ahead as far as, like, upgrading this hardware. We're looking at about a \$16 million investment since we're talking to the Revenue Committee. You know, that's all sold here in Nebraska. So that's going to generate about \$1 million of tax revenue per year. So that's just kind of the business of having a marketplace that sells hardware. And excise tax with that 2.5 cents now limited to 1 cent would make it very difficult to continue to stay in the state and operate on that business model. We operate a number of facilities. We've been in 21 different facilities in 2 countries. We operate in Iowa, Nebraska, everywhere from Kentucky to Pennsylvania, from Minnesota down to Texas. So we're very aware of a lot of the different utility infrastructures and rates across the entire country. And that's where I'd like to, as you've heard a few times, the infrastructure side of this clause is a little bit redundant. We already pay aid-to-construction costs to serve. We're generally on primary metering, bringing our own stepdown transformers. On top of that, in some situations, we build our own substations and we try to work closely with the utility to make sure that we're not a burden to anybody else when we come into an area with the data center, whether we're as a partner at that facility or it's our facility ourselves. We've already heard a lot about, like, the benefits to the grid. Basically, when you look at a utility, you know, they have less baseload that's, you know, at some, you know, amount of megawatts, whether that's 20,000 megawatts or whatever it is. And they always have this extra capacity, right? So that could be, you know, tens of thousands of megawatts that are sitting there that on reserve. We look at that extra capacity. We're trying to help the utility monetize that specifically by our ability to turn down, which is different than a traditional data center. Most traditional data centers want to have 5 nights of uptime, we want to participate with that utility, help them monetize the assets and infrastructure that they've already built in the time that it's not being used for anything else, energy that would otherwise just be sitting there, if it's done by renewable resources, potentially wasted, and then turn off when they need that, you know, demand response requirement. We see this happening in multiple other states, multiple other markets, their energy tariffs, they have rain schedules across multiple states now to support this as a good actor to the grid. Like I believe, like there's this, like, golden

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

opportunity in Nebraska as far as, like, continuing to work together. You guys probably heard that a couple of times now. We want to work with the state and we want to work with the utilities here to be the best consumer of energy and help that development grow over time. So tried to shorten and condense it down a little bit. But if you guys have any questions, I'm more than happy to answer anything in this space.

von GILLERN: Thank you for your testimony. Questions from the committee members? Seeing none, thank you for being here. Next opponent testimony. Good afternoon.

ERIC PETERSON: Good afternoon, Mr. Chairman. My name is Eric Peterson, spelled E-r-i-c P-e-t-e-r-s-o-n. I am the policy director of Satoshi Action Fund, a nonprofit organization that educates and advocates on behalf of Bitcoin, Bitcoin mining and digital assets broadly. I'm glad to be back in the state of Nebraska. Last year-- I see Senator Bostar is now gone, but he introduced some legislation, model legislation that we have worked on at Satoshi Action Fund that actually would have addressed many of the concerns that's being heard in the Revenue Committee today, concerns about Bitcoin mining, about their, their energy use, about their flexible load, about the amount of energy available in Nebraska. That legislation actually made it out of committee on an 8-1 vote. And is legislation that we have passed in a variety of states, including Montana, Arkansas, Oklahoma, Louisiana. And I expect we will pass in about a half other dozen states this year. Nebraska, for the time that Bitcoin and digital assets has been around has, has been the leader in this space. The first blockchain law was passed in, in 2018. As many others noted, now Congressman Mike Flood was the architect on crypto banking, a opportunity that seems to be only growing with the change in federal laws regarding banks and digital assets. Let me be very clear, Nebraska currently is a leader in digital asset technology. It is a place that will grow in Bitcoin mining and other ancillary services. But if this tax were to pass even at 1 cent, it would instantly move from one of the most friendly blockchain and Bitcoin states to one of the least friendly overnight. This is a policy that we are seeing at the national level, states racing to embrace, racing to compete on. And for a state like Nebraska that has had such a large lead to go the other direction would, would be a mistake indeed. I would just like to also note a few things I've heard brought up. One is there was some concern of is it possible to forecast energy use? You know, if you build out energy, you're not sure you're going to get the customers and that's going to go back on the ratepayers of the state of Nebraska. The solution to that problem is sitting right behind me. If you build load, no matter where it is

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

in the state of Nebraska, as you've seen, because the places we're talking about are small, small rural areas, there will be a buyer first resort and it will be bitcoin miners. And that will build out the energy generation, that flexible energy generation, to meet the concerns of this committee going forward. I would also just note that this is the Revenue Committee and we're not really talking about revenue from the taxes, right? We are talking about doing energy policy through taxation. I believe that energy policy is incredibly important to the state of Nebraska. But if you're going to make long-term energy decisions, it should not be based on trying to tax what kind of energy or customers you want on the grid that's better used for energy-specific bills and plants. Thank you so much. I'd be happy to take any questions.

von GILLERN: Thank you. Questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here. Again, I don't know much about this technology. Do you anticipate or do others you talk to anticipate as technological advancements occur, will the mining of crypto at some point decrease the amount of energy that's used, or is that kind of a static amount of energy that you anticipate it will always utilize moving into the future?

ERIC PETERSON: I think it will fluctuate. What we've seen is energy is an amazingly flexible resource. We've seen lots of companies that are Bitcoin miners move into AI data centers where they do some crypto mining in some AI data centers. Because what we're really talking about at the end of the day is building out the infrastructure for power and able to do it in areas that are not Omaha, that are not Lincoln, that are not, you know, Austin, Texas, places that are big energy users. And now that we've discovered more uses for energy in areas that don't need to be near population centers, Bitcoin miners are moving to that area. So to answer your question, I think having this sort of technology makes Nebraska an incredibly attractive and flexible place for whatever use for energy we will see next. Because having these folks on the grid incentivizes the buildout that I've heard the whole committee talk about is we need to make sure that we have affordable energy available at a good price. And this is the industry that will come in and ensure that you have it for whatever else you might want it for.

DUNGAN: Thank you.

von GILLERN: Other questions? Senator Ibach.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

IBACH: Thank you, Chair. Are there any zoning requirements attached to Bitcoin mining operations?

ERIC PETERSON: There are currently not. In fact, one of the disappointing things when I was here last year is we actually tried to create zoning requirements for Bitcoin miners. We wanted to make sure that they were zoned in areas where they were far away from churches, rural pop-- houses, anything of that nature. They do create some noise like lots of other businesses. We wanted to make sure they had requirements that they were-- could be able to be shut off. This is Satoshi Action model policy. This is policy that we go and pitch across the country. This policy that has passed in many states, it's on one national party platform. So we have that policy. Again, there are some opponents to the Bitcoin in the mining industry, which, in fact, were the reason that it didn't pass, which is unfortunate because I think clear rules about this technology can balance everything Nebraska wants to do, which is we want the rural jobs, we want the flexible loads, but we also want to make sure that the, the needs of Nebraskans who are not in this industry are also met.

IBACH: Just one follow-up question. Is that something that we could meet with DED or Department of Economic Development and maybe strategize over?

ERIC PETERSON: Absolutely. I mean, again, I think building in flexible, flexible loads of which, of course, Bitcoin mining is one example, but not the only example, can be done in, in a way to meet the energy goals of Nebraska. And, again, I would recommend, you know, this is the wrong committee for it, but Nebraska come up with rules and definitions around digital assets. They have some, as we've talked about, but for digital asset mining. We think clear rules make for great long-term investments in states that create the, the jobs, especially in the rural areas that you've heard about today.

IBACH: OK. Thank you very much. Thank you, Chair.

von GILLERN: Other questions? Senator Sorrentino.

SORRENTINO: Senator von Gillern, thank you. I, I want to make sure I understand. I don't understand exactly how cryptocurrency miners make their money and I don't, and I don't need to know that. But what we're suggesting, based on other testifiers here, some of the companies have put millions and millions of dollars in Nebraska.

ERIC PETERSON: That's right.

SORRENTINO: And these are relatively fixed assets. Not easy to pick up and move, some of them are. But a 1 cent per kilowatt hour excise tax, I'm led to believe that the margins are so small in this industry that sends them all running.

ERIC PETERSON: So I, I can't--

SORRENTINO: That's an interesting business model.

ERIC PETERSON: Yeah. Again, it's, it's highly competitive. The, the more the price of bitcoin goes up, the more competitive it gets. People tend to think that if the Bitcoin price is higher, that's great for miners. For some that are, are-- have really good power prices and really good margins, it is. For others, it's, it's not. I would say two things. One, there's, there's a-- that 1 cent, it's not just about the 1 cent, though obviously that is going to change future decisions. Most importantly, there has been no state in the entire country that has passed any sort of excise tax on bitcoin or digital asset mining. Nebraska would be the only state, even states that have passed what I would consider to be anti-Bitcoin mining policies have not crossed that bridge because they know the margins of this industry. Quite frankly, if you don't want Bitcoin mining in the state, there are better ways to do it than just to do with the tax rate. If you, if you think it's a problem for the grid, ban them. Put, put in that-- you know, going through the tax then to make them uneconomical it's just a way around the problem, when in reality the only thing that it will do is stop other investment and signal to everybody else that Nebraska is willing to tax certain industries.

SORRENTINO: So Bitcoin mining companies are not really in control of their revenue for them, it's all dependent on the price of Bitcoin trading. You can't adjust your PnL to absorb this kind of thing, I imagine.

ERIC PETERSON: That's, that's exactly right. Because (a) the price of bitcoin can change.

SORRENTINO: That's right.

ERIC PETERSON: And, and, and, and does. I would say it's, it's far more stable now. Again, it's a \$2 trillion asset at this point. You have some of the largest fund managers in the world putting Bitcoin into IRAs, 401(k)s. I think that does a lot of the volatility and we've actually run economic models about that. But the point is when Bitcoin becomes more scarce and more valuable, the number of people

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

mining Bitcoin goes up. And the more people mining Bitcoin goes up, it squeezes the margins of everybody you've heard from today.

SORRENTINO: OK, I'm trying to help you out here and figure out a way to--

ERIC PETERSON: Yeah.

SORRENTINO: --we don't need this excise tax. So my understanding is if I wanted to go out and buy Bitcoin, I could contact a broker, I could get a consultant, I could buy it on exchange. If you own some, you could sell it to me. Is that correct?

ERIC PETERSON: That is 100% correct.

SORRENTINO: OK. And, and I'm not with the Department of Revenue. So let's say you own some Bitcoin and I elect to not use an exchange, I buy it from you.

ERIC PETERSON: Yes.

SORRENTINO: Nobody, unless I buy Amazon, you know, on the exchange, nobody knows what your basis was. Nobody knows what my basis is. We don't really know-- let's say you're a citizen of Nebraska, I don't know if you are, you've sold it to me and there was a \$50,000 profit. Good for you. How does the Nebraska Department of Revenue know that? And we're not collecting income tax on you or on me when I sell it. You know, if there's a quid pro quo and we're being able to collect tax on sales of bitcoin in the state, hey, maybe we don't need this tax, but tell me-- walk me through that taxable transaction because I don't know what it is.

ERIC PETERSON: Yeah, it's, it's, it's a great question. The best way to think about Bitcoin, although it is electronic and is some level traceable, it's much more analogous to cash, which is, you know, let's say you and I want to do a, a transaction where I sell you some livestock and you pay me in cash. There are definitely ways that we don't go report that to the Nebraska Department of Revenue. Now, of course, you should. And there are rules of that nature that, that is absolutely a requirement. Will the Nebraska Department of Revenue find out about that? Abso-- you know, maybe that's a risk that people are, are willing to take or perhaps not willing to take.

SORRENTINO: Generally speaking, do they take that risk based on your experience?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

ERIC PETERSON: No. I would, I would say right now the rules on transactions are not entirely clear, though you've seen a lot of guidance from Revenue Department saying essentially we do treat this as cash and for capital gains requirements. Again, not to talk about legislation that's not up in committee, the legislation that we proposed last year would have clarified this. This is legislation that we had tried to get through committee to write these sort of very important baseline rules around taxation, around digital asset mining, that we think would make Nebraska better, would clarify things, would streamline tax collection. Again, I don't think that the idea of this bill, from, from what I've heard from, from both the proponents and, and the questions here, is really about generating the revenue. Though, I would say if it was about generating the revenue, I would, I would go against it because I think (a) they will either invest less, but the folks that are getting revenue, you've heard from some of these towns. I looked up their budgets. I mean, these are towns of 500 people. They're talking about budgets in the \$3 to \$4 million. And you having some of these folks put in \$300,000, \$400,000. I, I won't say which miner, but I've, I've had a conversation with some of these folks and the cities where they've put off raising, raising taxes on their declining populations because they brought in a Bitcoin miner. So from a revenue perspective, from this committee's perspective, what it's supposed to look at is how do we bring in business to maximize revenue to keep tax rates down and make Nebraska a great place to do business? Right now, you're doing it. You don't need to change anything. It's been, it's been working wonderfully well, especially for the places that need it most, which are not Omaha and Lincoln.

SORRENTINO: Thank you.

von GILLERN: Other questions? Senator Murman.

MURMAN: Yes, I think I heard you testify that you represent bitcoin miners to the east of here and is that correct?

ERIC PETERSON: So we don't represent Bitcoin miners. We're not a trade association. We, we are funded by donations as small as-- it's \$5 a month. It is my job to go across the country to write model legislation, to speak to you all, to lawmakers and say this is what we believe is good Bitcoin, digital asset Bitcoin mining legislation. We want to help you write the rules so your state can benefit from it, but also have clear guidelines so that all of the folks who are not even in the industry who maybe just own it or live next to it can benefit from it.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

MURMAN: But there are Bitcoin miners to the east of Nebraska. And the reason I'm asking, I've seen a, a, a map that shows that the power is not as reliable and it's more expensive to the east. So I'm just wondering how that situation works out for those Bitcoin mines there?

ERIC PETERSON: I wouldn't like to speak on, on any of those because I don't know their business model. Like, this is, this is why they're here. They know why they're in those facilities. But, again, I would find that, in general, they're there because of power pricing. They have worked with their community, they have found a power interruptible rate that works for them and is beneficial to their energy provider. And in the more than a dozen states that I've worked with, I have never talked to an energy provider that has not liked having a Bitcoin miner on their grid for the reasons that you've heard, because they want to build up more infrastructure to serve more customers. And they know that the minute they build it, they can sell it. But when we get a snowstorm like we're having today and everyone is ramping up that heat, they know that the bitcoin miners can be shut down, they're on that rate, they can do it instantly, and they can prepare for these sorts of events.

MURMAN: And then one more question, if I could. I don't-- I'm not totally familiar with how the Southwest Power Pool works, but I have heard that Bitcoin miners locate, I think it's in Texas, but somewhere where they're near windmills. And the advantage there is that when the wind's blowing, of course, the power is cheap from the windmills. Is, is that true and how does that work with the Southwest Power Pool? And if you can't answer that, maybe there will be somebody else that can.

ERIC PETERSON: Yeah, yeah, yeah. So I, I won't go to the Southwest Power Pool, but I, I can ask about both wind and solar, which I think are, are great technologies to talk about why this is wonderful. If you look at curtailment rates for wind and solar, they're often incredibly high, which means that you put in a, a large investment. And because of, of rules of transmission, they often go to negative pricing for, for some reasons. But Bitcoin miners are happy to buy and actually pay for that power at all times. So you can both build up that baseload generation, but also what I would call not, not nonbaseload power, wind and solar, because you will always have somebody to buy the wind and solar energy. Let's say it's a, a beautiful day out, it's 70 degrees, everyone opens their windows, but you're getting a lot of wind and solar. Not many people are running their air conditioning or whatever. These Bitcoin miners will take all of that energy and can actually produce the need for subsidies for those sorts of energies. Again, no state wants to subsidize their

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

energy production. You basically have private businesses who will come in and subsidize whatever energy Nebraska wants to build. There are places in Ohio that are building out a gigawatt of nuclear. The first person who will be buying their energy is a Bitcoin miner. And at some point, there will be other businesses that use that full gigawatt of energy. But right now they need to sell it immediately, otherwise they are uneconomical and it will go to bitcoin miners.

MURMAN: So even though they're not-- the Bitcoin miners aren't using it for-- they're interruptible so, like, in the case of wind and energy, they're, they're wind and solar, they're not-- can't operate that, that cheap for long periods of time and still cash flows to, to have that availability to do it sometimes.

ERIC PETERSON: Absolutely. Absolutely. I do-- we-- the legislation I talked about passed in Oklahoma, it was supported by the solar industry in Oklahoma, supported by the wind industry in Oklahoma, it was supported by the oil and gas industry in Oklahoma, because they all saw a new customer that no matter when they were producing energy, would purchase it. It helps flatten out their cost curve and being able to make those long-term investments that you heard about. It's very difficult to forecast for 5 years, nobody saw AI coming, and now everyone's scrambling a little bit, which I think is some of the concern of this committee. But when you flatten out that or smooth that cost curve for these energy-producing folks, this allows them to feel much more comfortable about their long-term investments. And despite what you, what you might hear, I mean, these businesses for-- have been in Nebraska for a third of Bitcoin's life at this point. I mean, these are, these are grizzled veterans of, of, of the Bitcoin ecosystem. And, frankly, the only thing that could get them to leave their communities in the state of Nebraska is this committee passing a tax on them.

MURMAN: Thank you.

von GILLERN: Other questions? Just have a quick question. You're hanging in there great. Thank you.

ERIC PETERSON: [INAUDIBLE]. Happy to.

von GILLERN: We're, we're-- we've got plenty of them for you, don't want to make your travel--

ERIC PETERSON: I, I, I flew out from the Super Bowl to be up here and I'm-- through a blizzard, so I'm very happy to answer all of your questions.

von GILLERN: Who were you pulling for in the Super Bowl?

ERIC PETERSON: You know, I, I wore my Saints jersey at the game. I got to say-- you know, I was, I was downtown for January 1, and it's been, it's been a tough hit on our economy. And so having everybody down there, having such a great time, all the positive coverage was very important to the city that I, I care very deeply about so thank you.

von GILLERN: That is a really good political answer and a political [INAUDIBLE].

DUNGAN: Call, call it a dodge.

von GILLERN: You can run for office. The, the, the one big difference that I, that I really haven't heard brought up in, in the Q&A is the fact that Nebraska is a public power state.

ERIC PETERSON: That's right.

von GILLERN: So when you talk about some of these other states and, and growing their infrastructure and selling more power and selling more power and how awesome that is, I don't know that it's the job of public power to sell more power. I think that the, the primary purpose of public power is to provide power for the citizens--

ERIC PETERSON: That's right.

von GILLERN: --and to, and to, to your point-- I'm going to help make the point-- provide for economic growth. What, what difference-- how does a conversation change in a public power state versus a for-profit power-provided state?

ERIC PETERSON: Yeah. That's a great question. Let, let me just say, as a resident of Louisiana, I would kill to have your public power. My power bill is incredibly high. Now, some of that is hurricanes, right, and I understand that. But just how you run your power district, the, the goals that you have and how it runs, I think has done incredibly well. I think that's referenced by the fact that despite the fact that we're an energy export in terms of oil and natural gas, we have almost no Bitcoin miners. I, I think you highlighted those points. To have economic growth, it's to provide power for the citizens, but not just to provide power for the citizens, but to provide power for them

during heat waves, during snowstorms, and also keep it at a low rate to give folks a high quality of life. Right? It's a horrible way to put a punitive tax on your citizens just through their electricity rate. These are, these are inputs to, you know, doing homework, to charging their cars to, you know, everything else that they do to stay warm. That's, that's a big chunk out of families' budgets. So when I think about what Bitcoin miners do for that, I think they meet all of those goals, which is (a) they have-- they build out more power. They, they pay for upgrades as you've heard when you talk to these towns, you talk to the folks that, that they're power sellers. They pay for those upgrades. Well, that lowers prices for citizens and also makes the power more reliable for them. And to my other point, if you know that you have customers that are going to be here for a long time on your agreements, which these folks have. Again, I haven't read any of the agreements, but from all of my understandings with the power providers and the Bitcoin miners, these are long-term purchase agreements. That means that they can count on revenue 365 days a year at all time and can continue to build out the energy to meet the growing needs of its citizens and businesses, even outside of what the Bitcoin miners might want.

von GILLERN: So, so help me with the, the response to someone in my district who says I see data centers going up everywhere.

ERIC PETERSON: Yes.

von GILLERN: I see Bitcoin mining coming in. The power company says they need to raise my rates because they need to build more infrastructure and my rates just went up. Those-- for right or wrong, those are really easy dots to connect--

ERIC PETERSON: Right.

von GILLERN: --that say that data centers and Bitcoin mining operations are not necessarily good for public power consumers.

ERIC PETERSON: Yep. So I, I do think it's important to differentiate flexible loads versus nonflexible loads. One of the reasons that rates go up for consumers is because right now it is very cold outside and everybody wants to keep--

von GILLERN: I'm talking on a more global--

ERIC PETERSON: No, no, no, no. I understand, I understand that. But my point is, like, these are-- this is what drives costs. These are what drives cost higher for consumers. Not all of it, obviously. But when

you have those flexible loads, like this is how you lower costs during those really peak times. So that is how it keeps consumer costs low. At the end-- the other way it keeps costs low for consumers, even though that they're consuming energy is because all these power producers have to have access power for days like today for the heat, for the farmers, for the cold. And those rates are not charged at the time. They are baked into the overall rates. And so the more of their access, the reserve power that they're able to monetize at any point in time means that those are not passed on to consumers via the regular rate tariff. So you want an energy grid, let's just, let's just call it 100 megawatts. And at their peak time it will get to 100. But on the regular day, let's just say it's 50. You want to be able to monetize 90% of that because that means you're bringing in revenue as a power seller and you can lower the, the overall cost of any point of energy. Now that, of course, is great for Bitcoin miners. It is, of course, is great for data centers and, of course, is good at consumers. The difference is, of course, when you have a, a Bitcoin miner or any other flexible load, when you need to go up to 100, you can shut them down for virtually nothing. That means when you do need that 100, that rate is also not being passed on to the consumer. And that is the real benefit to energy that we're talking about and why the energy producers like them on their grid so much. Again, this is not just a Nebraska thing that I'm hearing. This is how you keep rates low long term. This is a strategy, build out energy, sell your access when you don't need it. And then when you need it, you can still keep those prices low for other businesses, but more importantly and always the people of Nebraska.

von GILLERN: Thank you. Seeing no other questions, thank you for being here today.

ERIC PETERSON: Thank you.

von GILLERN: Safe travels. Next opponent. Good afternoon.

MICHAEL WESTHOFF: Good afternoon. My name is Michael Westhoff, M-i-c-h-a-e-l W-e-s-t-h-o-f-f. Members of committee, thank you for the opportunity to testify today. I'm here to speak in strong opposition of LB526. I come before you as a local business owner, a farmer, a native Nebraskan, deeply concerned about unintended, unintended consequences this bill will have on Nebraska's economy and energy sector. LB526 would significantly undermine our ability to continue investing in the state and, more specifically, Stanton County, a county of approximately 6,000 people where our mining operation resides. On one of our 4- acre sites, we've invested over \$30 million.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

This type of investment on that amount of land in a rural setting is only viable through Bitcoin mining. For revenue for the state on this investment, we pay sales tax, real property tax, and personal income tax. A large majority of investors in our projects are themselves Nebraska residents. You can take my word for it, but here comes some excerpts from a letter from the general manager of Stanton County Public Power, Trevor Turner. I'm Trevor Turner, general manager of Stanton Public Power District. Our district serves the residents and businesses of Stanton County and nearby counties. We aim to provide reliable and affordable electricity to a region that often faces economic development challenges. In recent years, cryptocurrency mining has presented a rare and valuable opportunity for growth to our small district and community, bringing investment stability to our local energy landscape. Since partnering with cryptocurrency miners, we have been-- we have seen notable benefits, unlike traditional industries that operate on fluctuating schedules, miners provide a steady energy demand that complements our grid. As with many areas throughout Nebraska, our electrical system was originally designed to handle high-seasonal peaks, particularly during irrigation months, which leaves much of our infrastructure underutilized for long stretches of the year. Cryptocurrency mining helps balance demand, making our system more efficient, reducing financial strain on our customers. A key advantage of this industry is its flexibility. These operations pride themselves on being able to reduce, pause-- or pause consumption during peak demand periods and severe weather events on very short notice to help stabilize the grid. Our district currently manages significant "curtailable" load from mining facilities, ensuring that they do not contribute to increased generation-- rather than straining resources, they allow us to better utilize existing infrastructure benefiting all customers. Beyond energy consumption, economic contributions of cryptocurrency mines have been substantial. These businesses invest in local infrastructure and pay tax on the miners, which are reinvested in the county. The miners have an estimated life of 5 years, and then the miners are replaced and the tax revenue cycle starts over. They also support local electricians, contractors, and service providers. Additionally, they're invested in the local community, having donated \$100,000, \$100,000 to the Stanton County Veteran Memorial Park, for one example. Our cryptocurrency customers are projected to inject millions of dollars in the local community through property taxes, facility improvements, state income tax, and sales tax revenue, revenue from electricity usage. Oh, I'm out of time.

von GILLERN: Thank you for your testimony. Questions? Senator Dungan.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

DUNGAN: Thank you, Chair von Gillern. Thanks for being here today, sir. Your company's invested \$30 million in a 4-acre site?

MICHAEL WESTHOFF: Yeah, it's actually a little more than that, but we round it down.

DUNGAN: Got it. Actually-- you were here for the last testifier, I imagine. Is that correct?

MICHAEL WESTHOFF: I was, yeah.

DUNGAN: Senator Sorrentino, I think, actually hit some points that I was curious about. I think he did a good job of asking those questions, which is about taxes and what the current tax structure is like for somebody who's both mining and generally participating in the Bitcoin or cryptocurrency economy. As a Nebraskan, can you, I guess, extrapolate a little bit more of what that looks like with regards to how you're paying that income tax on top of the sales and other taxes? Because I'm trying-- just trying to make sure I understand how that plays into our broader economic sense.

MICHAEL WESTHOFF: Yeah, I, I sure can. And that tree that I chopped down to give you guys all of that information, it's actually in there and it walks through exactly how that works. So just a quick-- real quick summary. Let's just say our, our cost basis for a Bitcoin as we mine, it's \$30,000, and at that time that that coin's minted or it hits our wallet is \$60,000. So that \$30,000 delta we're paying income tax on, ordinary income. And then let's say we hold that for 6 months and we go from \$60,000 to \$100,000, so that \$40,000 gain that we have, because it would be a short-term capital gain, essentially is ordinary income tax. So we actually pay taxes twice.

DUNGAN: OK.

MICHAEL WESTHOFF: Well, that's how I look at it anyway. I know.

DUNGAN: And, no, that's actually really helpful because I-- again, I'm-- I think a lot of us are newer to this industry. So just to put a finer point on it, income tax is paid on that delta between when it hits your pocket and what the ultimate cost is.

MICHAEL WESTHOFF: Yeah, I mean-- so we, we [INAUDIBLE] through coinbase prime. I mean, this is-- so our business is a little different than everybody else is. So we build the sites and operate the sites and we have investors in our sites with us. So we, we create one vertically integrated package and that, that entity owns

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

everything, the land, the power, the whole deal. That's why I reference how many Nebraskans were involved in our deal. So we've actually worked with the local wealth manager. They've created an SPV, special purpose vehicle, so we actually have a registered security [INAUDIBLE] entity. So I see all this subject to audits, no different than when we used to have a construction company here for 44 years. We had to get audits every year for our bonding company. They give you the, the same rundown, which is always fun.

DUNGAN: Well, you've answered my, I guess, my, my next question, which is essentially what is the oversight for that so that you are subject to those audits and then, obviously, any other oversight from the Department of Revenue?

MICHAEL WESTHOFF: Yeah, I mean-- and we're a little-- obviously, MARA is publicly traded company so they have way more oversight than I do. But, yeah, we also have quite a bit of oversight. And, again, it's-- if you actually talk to people in law enforcement and through our agencies, they like, they like cryptocurrency because it's literally a blockchain. I mean, there is a ledger that you can find. And I think Senator Sorrentino asked about the \$50,000 on, you know, if somebody just had it on thumb drive and how would you report that? Well, I'm not saying that I've ever done this, but I've had some tradespeople at my house and there's generally a different price if you give them \$100 bills versus you write a check. So I think that's already probably going on. But for the most part on specific to Bitcoin miners, we are very transparent because we have to be. The KYC that we have to do with coinbase is ridiculous. I mean, it literally took 2 months.

DUNGAN: No, and I, and I appreciate that perspective. The last, the last thing I'll ask you is a lot of the testimony, I think, that you had written in here from the letter and then a couple of the other things in the stack are responsive to, I think, Senator Jacobson's original bill, which had that higher amount. And now there's been this discussion of an amendment down to the 1 cent. Does that-- does your testimony hold true even with the reduction or does the reduction put you in a position where you're less concerned about the bill?

MICHAEL WESTHOFF: Oh, no, I'm so very concerned. I mean, who, who wouldn't be? I mean-- and I get everybody's point, but if you're going to spend a significant amount of money and then somebody is going to hit you with an excise tax, it kind of came out of left field and you're not even the biggest consumer of power in the state, and that seems to be what the conversation is about, why would you possibly sit here and invest more money in the state? It doesn't make any sense.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

And to, to all the, you know, testimony, questions and answers, yeah, it, it is a-- it's, it's a United States problem. Power is a problem. And I, I don't disagree. But you can't go after the load that actually is supporting these utilities. And I think that's, you know, that's why I wanted to read this letter to you because our utility is explained through the letter of how this actually helps-- brings economic benefit to these areas. So it-- I just think it needs to be looked at a little closer.

DUNGAN: Thank you. I appreciate that.

MICHAEL WESTHOFF: Thank you.

von GILLERN: Others questions? Quick question. If you don't know the answer, that's fine. In your facility in Stanton County, what would the amended version of this bill represent in dollars and cents annually?

MICHAEL WESTHOFF: I, I can tell you that.

von GILLERN: OK.

MICHAEL WESTHOFF: Give me one second. It would be-- the-- can I make one note on that?

von GILLERN: I asked the question. Go ahead.

MICHAEL WESTHOFF: So, so the other thing that you got to realize that we all have to do is, at least in our case, we put millions of dollars up for letters of credits for what's called the transmission facilities service agreement. And our-- I can tell you just us personally as Jigowatt, we have about \$5 million in NPPD through the forms of letters of credit. Now, obviously, we did that in '23, is when we put our, our initial one up. So--

von GILLERN: Is that a form of surety? Is that the intention of that?

MICHAEL WESTHOFF: Ours is-- yes, it is. So--

von GILLERN: In lieu of a surety. Yeah.

MICHAEL WESTHOFF: Correct. So when they make the, the transmission upgrades like they will for our facility and have to procure a new transformer like they do for our facility, we pay that upfront and then over the course of 5 years they pay us back through the revenue that they receive.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

VON GILLERN: Got it.

MICHAEL WESTHOFF: So the, the risk to the, the power district is extremely minimal from an infrastructure standpoint, which obviously since we're talking about all this power usage, there's probably somebody that's going to come and take it if they think they can do business here. OK, so you asked me what that would do to us, right? That would increase our power bill by about \$1.6 million per month.

VON GILLERN: Just from the--

MICHAEL WESTHOFF: Wait-- per year.

VON GILLERN: Per month?

MICHAEL WESTHOFF: Per year.

VON GILLERN: Per year. Yeah. OK.

MICHAEL WESTHOFF: Annually.

VON GILLERN: Just for your standard facility?

MICHAEL WESTHOFF: Just of one of our facilities. Yes.

VON GILLERN: OK. All right. Thank you. That's helpful. Any other questions?

SORRENTINO: Just--

VON GILLERN: Senator Sorrentino.

SORRENTINO: --follow up on Senator von--

VON GILLERN: You're going to question the math, aren't you?

SORRENTINO: The \$1.6 million as a percentage of the revenue, that Stanton facility, is that 10%, 2%, 1%? What is that?

MICHAEL WESTHOFF: Oh, that one I can't shoot off.

SORRENTINO: Give me the number. I'll do it.

MICHAEL WESTHOFF: It's-- well, the only reason I can shoot off the power one is because 1 cent per megawatt is \$87,800. Revenewise, there's a lot of--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

SORRENTINO: What is your revenue for that facility, if you don't mind asking-- me asking?

MICHAEL WESTHOFF: What's the price of Bitcoin?

SORRENTINO: I'm asking the questions. I don't know the answer to that.

MICHAEL WESTHOFF: That's why I can't answer your question.

SORRENTINO: But, I mean, you have a budget. You have some idea what your revenue is going to be.

MICHAEL WESTHOFF: No, we don't, actually. That's, that's not how we look at it. We look at what-- OK, so I'm a farmer, we're used to not knowing what our revenue is going to be. We-- what we manage is we manage input costs.

SORRENTINO: I know, I did a lot of farmer tax returns. But \$1.6 million, you can tell me it's material or it's not material.

MICHAEL WESTHOFF: Of course, it's material. It's \$1.6 million.

SORRENTINO: It wouldn't be for some businesses. I mean, it really wouldn't be.

MICHAEL WESTHOFF: Well, that-- you're right.

SORRENTINO: But it is for yours.

MICHAEL WESTHOFF: But I'm not them.

SORRENTINO: OK.

MICHAEL WESTHOFF: I'd like to be.

SORRENTINO: Maybe. All right. Thank you.

von GILLERN: Seeing no other questions. Thank you.

MICHAEL WESTHOFF: Thank you.

RICHARD LOWRANCE: Hello.

von GILLERN: Good afternoon.

RICHARD LOWRANCE: I'm Richard Lowrance, R-i-c-h-a-r-d L-o-w-r-a-n-c-e. I'm the smallest Bitcoin miner in Nebraska. I represent Deep Root, my

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

partners, Bryan, myself, Sam, we own that site, the three of us. Two sites in Nebraska, west Nebraska. Our, our electricity bill each month is a quarter million dollars. 7% of that goes to the co-op, so it's about \$22,000 a month that they make in profit. We had to spend \$1 million on the substation, then we had to donate the transformer and the regulators to the utility company so that they can maintain it. If we leave today that we would obviously get that transformer back. There's no reason for us to have it. It's already installed. We pay a 5.5% state tax. Our revenue, our profit last year was right at \$1 million. We spent \$6 million to put into the site. So we have a 4 cent power, basically. If you increase it by one penny, that would be about 25-- 20 to 25%. So that 25% on the million-dollar profit would be about a quarter million dollars. We're taxed at the time of mining, whatever the price of Bitcoin is at the, at the time of mining. And if it-- that price increases, the reason he's saying you're double taxed is because you're then taxed at whatever-- if you-- when you sell it. Let's say, I, I mine a Bitcoin today, it's \$100,000, my cost basis is \$70,000. I'm taxed on that \$30,000 delta. If I go-- and just holding it on my books, if I go to sell that bitcoin at 120, well, that's-- now I'm taxed, you know, let's say a year from now, well, now I'm taxed again on the delta from-- on that additional \$20,000. So that's what he means by double taxed. So we pay capital gains taxes, we pay 30%, 5.5% state tax. Another 7% went to the utility company and then this tax would be another 25%. So we would absolutely get murdered, even though it doesn't sound like a lot, a penny is a lot because electricity is everything. And there's a reason it's everything. It's because we're controlled by the manufacturers of the machines and they all come from China, so we don't have any U.S. base machine. China has all of them, every company. And so when the price of Bitcoin goes up, the price of their machine goes up. They can create this machine for \$500. Today, if we have to buy a brand new one, it's \$10,000. And they change that spot price on a 24-hour notice. So because we're controlled, they have a monopoly over the infrastructure, these machines, we are forced to basically find cheap electricity in order to compete. So if you want to talk about revenue, you taxing us on, you know, let's say 250 megawatts in the state, 1% tax, that's 2.2 billion kilowatts, 1% of that, you're talking about maybe \$21 million in revenue for the state. But what we're working on and other people like Jigowatt who've innovated their own infrastructure to, to, to kind of compete, Marathon is working on some proprietary stuff when was talking to Jim in order to compete. If we invest in the bitcoin miners, then there's many opportunities that we have to create our own machine here, to create other infrastructure here that will allow us to compete. It is very important that we have Bitcoin miners here in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

the U.S., whether you believe is a reserve or not, if it is, the network is what controls Bitcoin. And right now we only have about 30% of that network so--

VON GILLERN: You're beyond your time, but I'm guessing you've agitated a question out of the group, so. Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. I asked the prior testifier how he projected his revenue and he said it's crypto. I don't-- how do you project your revenue?

RICHARD LOWRANCE: I can tell you exactly what our revenue is. I do-- Sam and I, we do all the books, so.

SORRENTINO: Would you say that again, please? I'm sorry.

RICHARD LOWRANCE: I, I do all the-- we do all the books. So you know our revenue, we generate about 4 bitcoin a month. So \$100,000 price that's \$400,000, our utility bill is \$250,000, so we have \$150,000 left over, \$8,000 goes to insurance. I take \$8,000, Sam takes \$8,000, Bryan takes \$8,000 salary a month. And then we pay, we pay our technician guy \$7,200 a month. We have parts and repairs that we have to pay. That's about another \$10,000 a month. We have debt servicing on it, which is about \$60,000 a month. So this-- the reason this would, would be-- you can see the numbers. I mean-- now if price goes up, there's not a very long time before the-- the difficulty rate of bitcoin adjusts every 2 weeks. The last Bitcoin will be mined in the year 2149. So these miners are going to be around for a while. And, and so when the price goes up, we make more money, but the difficulty rate and the price are basically the exact same. So it's just a wash. We, we mine less and less bitcoin every month, everybody does, because newer machines come out that are faster. So the difficulty rate adjusts. The same amount of bitcoins have to be mined every 10 minutes. Sorry, when I get, get a little nervous my mouth gets dry, but--

VON GILLERN: We're all getting nervous.

RICHARD LOWRANCE: Yeah.

SORRENTINO: You're, you're good with numbers. So the 1 cent excise tax--

RICHARD LOWRANCE: A 25% increase in our base, in our base cost.

SORRENTINO: 45%?

RICHARD LOWRANCE: 25.

SORRENTINO: 25%.

RICHARD LOWRANCE: 4 cent power, 1 cent, that's 25%.

SORRENTINO: OK.

RICHARD LOWRANCE: Like I said, it, it would, it would really be-- I get that you want to generate revenue, but it would really be catastrophic. It doesn't sound like a lot, but it is a lot of money. So there are other ways to generate revenue. And I think that if, you know, all of us in this room, we're, we're kind of pioneers. We're at-- we're for the U.S., we're making, we're making Bitcoin for ourself right now. But Trump proposed a Federal Reserve of Bitcoin. Switzerland, Germany, Brazil, there are six other countries that have as well in the last year. And soon you're not going to be able to buy Bitcoin. You're only going to be able to get it from the mines. Even if you have all the money in the world, there will be a waiting list. You're not going to be able to get a Bitcoin. So there are other ways to generate revenue for the state. If there was, you know, if we, you know, unite together, there's many ideas that, you know, all of us pioneers that, you know, can innovate and become better. But, yeah, right now we're, we're behind the race. That's just the reality of it. So they have the largest pool, China. They have all the manufacturing, the machines, China. They own 55% of the network, China. And they don't have as much-- they banned mining over there, so they're trying to come over here. But regardless of that, we-- we're, we're behind, we're behind. And so if this is going to be a reserve, like, it's very important that-- what we're doing. And I just want to-- I can't stress that enough. It's very important.

SORRENTINO: I, I appreciate your love of accounting.

RICHARD LOWRANCE: Thank you. Yes, sir. Yeah, those are all, all the numbers.

von GILLERN: Did I see-- well, I thought you-- I thought I saw you raise your hand.

DUNGAN: Oh, well, I, I genuinely want to-- thank you, Chair Jacobson-- or Chair von Gillern. I'm sorry, I was looking at Senator Jacobson. I want to say thank you for coming in. I don't really have a question. I know we're running a little bit later on time, and I want to say that's incredibly helpful. And the fact that you can go through that and give us those numbers off the top of your head is great. I think

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

that you make some really good points and I appreciate you codifying this or, or, or distilling this down and making this tangible for us. I understand everybody here has their own stories, and so I appreciate that. But, yeah, thanks for being here. I know you sound-- you said you were nervous. You don't sound nervous. You're doing a great job so I appreciate that.

RICHARD LOWRANCE: Thank you.

DUNGAN: Thank you.

RICHARD LOWRANCE: And thank you everybody else as well.

von GILLERN: Thanks for your testimony.

RICHARD LOWRANCE: And thank you to the state of Nebraska for allowing us to mine here.

von GILLERN: Thank you.

RICHARD LOWRANCE: Yeah, appreciate you all.

von GILLERN: Thank you. Next opponent. Are there any other opponent testimonies? Seeing none, is there anyone who would like to testify in a neutral position? Good afternoon. Saw you waiting back there patiently.

JON CANNON: Good afternoon, Chairman von Gillern, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, also known as NACO, here to testify in the neutral position on LB526. We want to thank Senator Jacobson and the governor for bringing this legislation. There are a lot of issues that are involved in this that are not just related to cryptocurrency at first blush. You know, planning and zoning concerns, I think were, were brought up and that's something that, that NACO would certainly like to engage in because that is always a, a kind of a devilish proposition. And, and the reason that the planning and zoning is a concern for us is because-- what I'd like to talk about and what I frequently talk about in front of this committee are the property tax implications. And, and you've noticed a lot of people have gone through and said here are my costs and not a lot of people mentioned their property tax obligation, which is, of course, an obligation that every owner of real and personal, tangible personal property has in the state of Nebraska. The assessor, and there's an assessor that, that will be testifying right behind me is Buffalo County Assessor Roy

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

Meusch. They have the obligation to discover, list, and value all real and tangible personal property in the county. Now through the personal property tax regime, the way that's accomplished is every owner of tangible personal property that they're depreciating in a, in a business, they're obligated to file a personal property return with the assessor on or before May 1 of each year. And, and I'm not going to ascribe any, any mal intention or anything to anybody or, or anything, but very frequently these are the sorts of things that are not discovered by the assessor until much, much later. And I think Roy will, will probably handle that a lot more, more ably than I can. You know-- so with, with personal property returns, one of the things that this becomes a concern for us at the county level is whereas data centers and I think there's been, been made the distinction between data centers and Bitcoin mining, whereas data centers in order to claim any of the incentives the state of Nebraska has to offer, they are required to file a personal property return and then file a copy of that, I believe, with the Department of Revenue. No such obligation exists, no such affirmative obligation exists other than the fact that it's a general obligation for all owners of, of business personal property. And so anyway, if, if there are any amendments, if this is advanced from committee with any kind of amendments, we would just ask that the reporting that goes on with the Department of Revenue, that there's further notice that it's provided to the assessor, that certainly helps with the discovery obligation the assessor has. And, again, Roy is right behind me and I'm happy to take any questions you may have.

von GILLERN: Thank you. Questions from the committee members? Seeing none, thank you, Mr. Cannon.

JON CANNON: Thank you very much.

von GILLERN: Next neutral testifier. Good afternoon.

ROY MEUSCH: Good afternoon and thanks for letting me speak. As Jon said, I'm Roy Meusch. I am the current Buffalo County Assessor. My name is spelled R-o-y M-e-u-s-c-h. I was a long-term contractor long before I was the assessor so the assessor gets me into a whole different role of-- in my world as I age. You noticed that when I walked up here, I couldn't hardly walk. A little bit about the assessing world and some of the concerns we have with the, the Bitcoin mining issues. We're, we're forced to go out and assess property in and that includes the land and, and buildings. And then, of course, there's the personal property that also is our job to record that. When we get into, say, like in Kearney, we have a, a 10-acre plot

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

there. I believe it's 10 acres. It's surrounded by other 10-acre plots. It has a small building on it for, you know, maintenance purposes, and then it has all of the, the bit-mining equipment and, and what they call-- I call it a modular, for lack of a better word, and all the computer parts on there. Well, those are all generally personal property. So at the end of the day, we have \$800,000 worth of land and building and about-- I think this year is going to be about \$20 million worth of computer personal property being recorded. So we're talking about, you know, maybe, you know, \$25 million worth of, of value. This property you heard talked about today was traded or was bought out of bankruptcy for, you know, 9 digits. And so we're charged with putting the market value of what that would trade for today. And we really don't have any way of knowing what that business is actually worth and what it'll trade for. That makes our job extremely difficult. So Buffalo County has about \$25 million worth of value on a property that has been tossed around several times here today with 9 digits worth of value. We have a problem on on, on our valuation side of things and we're going to need some help trying to figure out what the values of those properties are worth. So there is a lot of value being missed over and I think that a lot of people-- you know, the convenience store that sells for \$1 million, we have to keep \$1 million of, of value on that property to be in compliance with state statute. And so this is really going to represent a lot of problems when you have a company that's using the same amount of power as the whole town of Kearney. And how do we value that? There's a lot of concerns and a lot of difficulty in trying to, to make sense of that.

von GILLERN: Thank you for your testimony. Questions from the committee members? Seeing no questions, yeah, I, I, I don't-- I wish there was an easy answer. You posed a lot of questions about the valuation, and I think we hear that there is certainly a struggle there. I think, obviously, the, the question, and, and, and, I believe, I understand what you were stating, but we're not valuing-- we're not trying to value the business, value of the business, we're trying to value the personal property and the property within the business. So the business would-- probably the value of the business would be a separate issue that would not be of your oversight.

ROY MEUSCH: Well-- correct. But, obviously, there's infrastructure there that's into that property that had to be put into there to, to make that work. So there is-- anytime you put infrastructure into a piece of ground that is part of the, the assets of that ground.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

von GILLERN: And it's unique only to that business and, and worth nothing in any other environment. Yeah. OK. Thank you for clarifying that.

ROY MEUSCH: Thank you.

von GILLERN: Seeing no other questions, any other neutral testifiers? Seeing none, Senator Jacobson, would you like the opportunity to close?

JACOBSON: Absolutely. Well, I'm not sure what new you've heard since my open. I think I gave you the prelude and that's what we got. Don't tax me. Tax everybody else. Include them. We can't afford it. It'll kill us. But, yet, those that sit inside of cities that have a local-option sales tax are paying 1.5 cents, 1.5% on the energy electricity consumption. And you look at the percentage of electricity that goes into their costs and why do they choose to be in the city limits instead of building outside the county? Now the new ones are going outside the county. We just heard from this situation here in, in Buffalo County that the, the facility that MARA purchased and you look at what the collective valuation is versus what they paid for it. So over \$160 million and it's valued at less than 40. OK? That's getting property tax collected from. I want to, I want to collect a couple of things here. One thing I, I really appreciated the testimony from the individual that had all the numbers because I never could get anybody to share the numbers with me. Nobody wanted to talk about the numbers. Finally had somebody that would. Now, they're, obviously, a smaller scale operation and, and this is going to take scale to really make these profitable long term. And the ones that have scale are making some quality money. OK? I'm, I'm also struck by the comment-- I really appreciated the comment that these machines are built in China. That will be an interesting discussion on the floor about where these machines come from and who's building them. I want to talk a little bit about-- and I-- and there's several things that I wrote down along the way that I threw the BS flag on. But the-- I heard about, again, the investment into Kearney. Well, the \$161 million investment into Kearney was not an investment into Kearney. It was a payment to the bankruptcy trustee to purchase the facility to try to repay the creditors. OK? But that investment in Kearney was made 6 or 7 years ago. OK? There's no new investment in Kearney other than replacement of the, of the, the mining machines themselves. I would also-- I'm, I'm using Senator Bostar's closing technique, which is kind of skip from subject to subject. So thank you for teaching me that. I, I would also say that, that Mr. Crawford from MARA testified to Senator Ibach's question, why did you go to these other states? And he said

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

because of the friendly business climate. But, yet, on their own website they, they-- and they're publicly traded, which is why we're going to get this information. What is Marathon purchasing? Two currently operational Bitcoin mining sites, one in Granbury, Texas, and one in Kearney, Nebraska. I'm guessing they both are being bought either out of bankruptcy or they purchased them. So they were for sale. They didn't create new facilities there. It wasn't because of a friendly business climate. It was because they got a deal. So I find that interesting. I want to go back again to job. It's always great and, Senator Sorrentino, I always, I always appreciate your comments because you're getting down to here's this big number compared to what? OK? Give us some context and I appreciate that and I appreciate you asking for that. I still contend that if we're going to grow the state of Nebraska, try to get out of our high-tax status, we're not going to do it. I met with the governor this morning. We're not going to do it by cutting. We can't cut enough expenses out of our budget, state, local, otherwise, to, to move our tax rates down and our tax situation down. We're going to do it by growing tax revenue. And that's going to be either bring in more people to Nebraska to be paying taxes, building homes, raising families, purchasing, paying sales tax, paying income tax, paying property taxes. We've got to get more people paying, than we've got expenses and spread that over a bigger, bigger footprint. The alternative is we've got people-- get people outside the state coming into Nebraska and paying significant taxes. This isn't doing it. I was struck by the testimony from the individual from NEDA, who I thought was the economic development people that are saying bring everything in. Well, that's one of those cases where if you don't know where you're going, any road will get you there. And that seems like the approach that they've taken is just bring everybody in. We hope it all works out. That is a horrible way to grow our state. We've got to allocate the resources we have and we got to allocate them more wisely. I don't care how we get there. We put on a moratorium on new Bitcoin or new crypto miners. Great. I'll take that substitution. This, from the beginning, has been how do we put-- conserve our electricity and not waste it through these operations that are bringing very little back in return? OK? Three jobs here, five jobs there. I could point to, to one at-- one business in North Platte that's going to create more jobs at the beginning than all of these crypto miners have done since the time they came to Nebraska. Sustainable Beef is building a plant and the offshoot jobs that will come from that plant will create more jobs than these crypto miners have created. We've got to think more in terms of businesses that are going to bring support business. I've heard that they're employing electricians. But let, let's face it, that number is very,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 12, 2025

very small. Most of them hire their own person, their own technician to take care of those machines. And, and you've seen those pictures when you see them taking care of it. I'm, I'm thinking about the one in Aurora, Nebraska. They built their own substation. They paid for the power line to get the electricity to the substation and now they've built the facility. I will guarantee you that if this bill passes in, in, in amended form, they're not leaving. OK? They're not leaving. I would say the same thing is true in Kearney, in Kearney. You don't pay \$161 million for a site that's assessed at less than \$40 million and say, oh, are you going to charge me a penny in excise tax, we're out of here. And where are you going to and what's it going to cost to move? It's not going to happen. It's just not going to happen. So I would just get back again and suggest that we've heard a lot of testimony today. A lot of it, woe is me. But I would also suggest this. I think about Cabela's in Sidney, Nebraska, and I think about these rural towns and counties that bring in these miners. This is great. They're going to take this off-peak load of power and God knows how cheap it's going to get. Our industrial rate is 7.5 cents, I'm hearing 4 cents, and I bet there's some that are under 4. OK? We can do better than that. We can do better than that. And when we get these miners coming in and all of a sudden there's a reliance on that revenue, property tax, and so-- otherwise. You know what the property tax is when something closes and it's empty, it goes close to zero. So think about Cabela's when they pulled out of Sidney. When you have someone in there that brings a disproportionate amount of revenue and your community relies upon that, look what's happened-- look what happens when they leave. Bitcoin was, was as high as \$110,000, \$112,000, I think, today. We looked it up, it's \$97,000. Why did Compute North go bankrupt? Because a big drop in bitcoin prices. This is a speculative, volatile asset. It's not a real currency unless you want to count the need for bitcoin to pay for ransom attacks. It works really well for that. And that's the only accepted currency because you can trace everything else unless you're going to bring cash. And then how do you deliver the cash? So I'm just saying there is a difference. There's a reason I say that they're the bottom of the food chain because they're not producing anything for the state. It's only for the owner of the Bitcoin mines. Many of them that testified today have companies that are headquartered-- those companies are headquartered outside of Nebraska. I think the question on taxation is a good one. I appreciate the testifier that gave us the numbers. He admitted he's paying his taxes, but when he heard the complexity of it, unless you're publicly traded, Senator Sorrentino, how many do you, how many do you think are paying their fair share of state income taxes? And that's, that's a rhetorical question,--

SORRENTINO: Good.

JACOBSON: --because I can't ask the, I can't ask the questions. So with that, I would just tell you that at the end of the day, this is about curbing the growth of miners in the state and putting our electricity to better use. I would also tell you that people say that we're-- our, our, our-- I think this came from the individual who testified for NEDA and the state chamber, that our unemployment rate's 2%. So, evidently, we can't bring new industry to town. Well you know what, in North Platte, they're going to hire 875 workers. We don't have 875 people looking for jobs right now. We don't have a place to house 875 people. But we've been building houses like crazy. And they will fill that, they will completely employ that place and they'll bring offshoot businesses. You have to have good-paying jobs to attract people here to begin with. You have to have a place for them to live. It's all part of the economic development. I'm very frustrated right now that I'm not sure our state chamber or our economic developers have really come up with a strategic plan as to how are we specifically going to grow our tax base, because this isn't it. Thank you, Mr. President-- Mr. Chairman.

von GILLERN: Thank you, Senator Jacobson. Questions from the committee members?

JACOBSON: You feel like the president.

von GILLERN: For the moment. Seeing no questions, that will wrap up our hearing on LB526, and we'll wrap up our Revenue hearing for the day. Thank you, all, for being here.