



NORTH CAROLINA LEGISLATIVE UPDATE



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IMPORTANT DATES ON THE HORIZON:

OCTOBER 27-29TH - NCFE ANNUAL MEETING, PINEHURST, NC

NC UTILITIES COMMISSION CONSIDERS BIOMASS DEFINITION

On July 14th, the North Carolina Utilities Commission held a hearing to consider Duke Energy's proposal to co-fire two coal plants - one in North Carolina near Salisbury and one in South Carolina - with wood. In their proposal, the company said it would use both wood waste and whole tree chips to provide fuel.

The Southern Environmental Law Center and Environmental Defense intervened in the case arguing that the proposal should be denied because, in their view, the North Carolina renewable power statutes did not allow for the use of whole tree chips as fuel.

The NCFE and the North Carolina Farm Bureau also intervened in the case arguing that the definition of "renewable fuel source" in the North Carolina statutes did not limit the use of wood to only "wood waste" which was not defined in the statutes.

MeadWestvaco joined the environmental groups in opposing a broader definition of biomass. A decision by the Commission is not expected for several weeks.

DWQ DRAFTING CONSOLIDATED BUFFER RULE

The North Carolina Division of Water Quality (DWQ) is drafting a consolidated buffer rule that would replace the existing buffer rules in the Neuse basin, the Tar-Pamlico basin, Jordan Lake and Falls Lake. The rule would not affect or change the rules for the Catawba River or Goose Creek.

The most important, and positive, change being considered is a provision that would allow silvicultural operations to be considered as an existing and ongoing use and thus exempt from the rules. It is likely that to be considered as an existing use, the land would have had to been under a management plan or in the use value tax program as timberland prior to enactment of the original buffer rule. If the land did not qualify as an existing use, then any timber harvesting would

be subject to rules almost identical to the current buffer rule in the these areas.

Draft rules are expected to be presented to the Environmental Management Commission (EMC) Water Quality Committee in September and to the full EMC in November. Public hearings would likely happen early next year.

DWQ CONSIDERS WASTEWATER PERMIT FOR CANTON MILL

Environmental groups and others are challenging a wastewater permit issued to Evergreen Packaging for discharge of treated wastewater into the Pigeon River. The groups, which also include communities in Tennessee downstream from Canton, say that the permit renewal issued by the North Carolina Division of Water Quality in May fails to require adequate reductions in color and thermal pollutants being discharged by the paper mill. A public hearing was held earlier this year in Asheville. In its hearing materials, DWQ noted that the Canton mill has:

- Complied with all effluent color limits in past permits;
- Reduced effluent color by more than 90%; and
- Had 99.6% permit compliance in instream water samples collected at the NC/TN line, despite extreme low flow periods during the 2002-2008 time frames.

PROPOSED BOILER REGULATIONS COSTLY

Although most boilers already are well controlled for key pollutants such as particulates, the EPA is in the process of reissuing the Boiler Maximum Achievable Control Technology (MACT) rule to require 99% of boilers to do much more.

It's expected that solid fuel-fired boilers (like those that burn coal) will be heavily impacted, but even boilers using relatively clean fuels like biomass will be subject to ultra-low emission levels which will be expensive to meet if they can be met at all. These new rules would apply to all boilers producing more than 10 million BTU's and would impact the pulp and paper industry as well many smaller facilities.

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Nationally, the rule – if not changed substantially – could cost the forest products industry more than \$4 billion. Preliminary estimates show the cost for North Carolina forest product companies could exceed \$500 million.

The Boiler MACT sets emission limits for hazardous air pollutants. On June 4th, the EPA proposed a new rule for industrial, commercial and institutional boilers using fossil fuels and biomass to address concerns raised about the original rule in recent court decisions. The EPA is under a court order to finalize the Boiler MACT rule by December 16, 2010. This rule-making is unaffected by the EPA's recent announcement to delay the regulation of greenhouse gases under the Clean Air Act.

The Boiler MACT rule would require installation of up to five different air pollution control devices that will conflict with other existing control requirements. Due to the methodology the EPA is using, the Boiler MACT emission limits would be extremely stringent, often approaching levels that can barely be detected.

In early July, the NCFCA joined a group of forest product company representatives in meeting with key members of Governor Perdue's staff to brief them on the potential impacts of these rules and to urge her involvement in requesting the EPA to modify these rules to make them more workable and less costly.

In Congress, over 70 House members have signed a letter to the EPA urging a more reasonable and workable approach. North Carolina members who have signed on this letter are Representatives G.K. Butterfield, Mike McIntyre, Health Shuler, Howard Coble, Walter Jones, Jr., and Sue Myrick.

The deadline for comments on the proposed rule has been extended to August 23, 2010.

FEDERAL CLIMATE CHANGE LEGISLATION APPEARS DEAD... FOR NOW

In what some might call a statement of the obvious, Senator Harry Reid announced that federal climate change legislation and a cap and trade scheme was being put aside indefinitely.

Reid said there were not 60 votes in the Senate to move any type of comprehensive climate legislation. Republicans had branded the cap and trade scheme aimed at limiting carbon dioxide emissions as a "cap and tax" program and said it amounted to a huge new energy tax on the public. Reid also failed to convince conservative Democrats from industrial and coal states that imposing caps and higher costs on the use of coal and fossil fuels was a good idea.

Reid indicated that a more narrow energy bill may be possible, but time is quickly running out before the mid-term elections. However, Reid didn't declare the idea dead. He left the door open for a lame duck session that might be able to garner enough votes when outgoing legislators had nothing to lose.

This leaves the EPA in charge of potentially setting limits on greenhouse gas emissions but that authority is under siege as well. Business groups have sued the EPA challenging the legality of its proposals to limit such emissions. In addition, a group of Democrats is pushing legislation to bar the EPA for two years from regulating emissions for stationary sources.

NC SENATE FUNDRAISING IS A DEAD HEAT... NC HOUSE DEMOCRATS LEAD IN THE MONEY RACE

Campaign finance reports filed with the State Board of Elections show that Democratic and Republican candidates for the North Carolina Senate are in a virtual dead heat when it comes to campaign cash on hand.

Although Democratic candidates for the North Carolina Senate, as a whole, have operated for years with a substantial money advantage, the funding dominance the caucus has enjoyed may be dwindling. In the second quarter campaign finance reports, Democratic candidates for the North Carolina Senate reported a total of \$2,373,698 while their Republican counterparts have \$2,310,317.

It is important to note when looking at these numbers that Senate Republican candidates, as a group, have loaned their own campaigns more than 35 percent of their total money raised, roughly \$1,278,706. Thus far, Democratic candidates have contributed only \$156,150 to their own campaigns. If personal contributions are removed from fundraising totals, Democrats have raised \$800,000 more than Republicans from outside sources during the election cycle.

In contrast to the North Carolina Senate, the North Carolina House campaign finance reports shows that Democratic candidates for the North Carolina House hold a decisive lead over their Republican counterparts.

Disclosure reports filed with the State Board of Election covering campaign activity for the second quarter of 2010 indicate Democratic candidates for the House have a total of \$3,270,866 while Republican candidates hold \$1,333,743, giving the Democrats a 2.4-to-1 funding advantage.

It should come as no surprise that Speaker of the House Joe Hackney (D-Orange) possesses the healthiest campaign war chest with \$597,923 on hand. Six other Democratic House members reported account balances exceeding \$100,000 including, Representatives Arthur Williams (D-Beaufort), William Wainwright (D-Craven), Michael Wray (D-Northampton), Jim Crawford (D-Granville), Grier Martin (D-Wake) and Pricey Harrison (D-Guilford).

On the Republican side, Representative Danny McComas (R-New Hanover) reported the most cash on hand with \$123,481 while Rep. Thom Tillis (R-Mecklenburg) was the only other Republican in six figures (\$116,972).

The following is a list of the Top 10 best-funded Democratic and Republican campaigns for the North Carolina House:

TOP 10 DEMOCRATS

\$597,923 Joe Hackney (D-Orange)
183,020 Jim Crawford (D-Granville)
155,390 William Wainwright (D-Craven)
132,683 Grier Martin (D-Wake)
121,551 Arthur Williams (D-Beaufort)
105,850 Michael Wray (D-Northampton)
104,597 Pricey Harrison (D-Guilford)
98,673 Nelson Cole (D-Rockingham)
96,169 Jennifer Weiss (D-Wake)
92,812 Hugh Holliman (D-Davidson)

TOP 10 REPUBLICANS

\$123,481 Danny McComas (R-New Hanover)
116,972 Thom Tillis (R-Mecklenburg)
89,439 Harold Brubaker (R-Randolph)
59,879 Julia Howard (R-Davie)
50,469 Mark Crawford (R-Buncombe)
44,364 Ruth Samuelson (R-Mecklenburg)
43,478 Mitch Gillespie (R-McDowell)
40,715 Tim Moore (R-Cleveland)
40,551 Edgar Starnes (R-Caldwell)
38,206 Tim Moffitt (R-Buncombe)

It is interesting to note that the top 10 best-funded Democrats and the top 10 best-funded Republicans hold close to half of their respective caucus' money, nearly 52% in the case of Democrats and 49% in the case of Republicans.

The majority of these candidates are incumbent legislators who face no opposition in the fall or do not have a formidable challenger. It will be interesting to see how they choose to utilize their financial resources over the next few months. As competitive as 2010 is shaping up to be, neither party will have the luxury of sitting on a fat bank account come November 2.

FRIENDS OF FORESTRY PAC FORMS "COMMITTEE OF 100"

Steve Henson, chairman of the Board for the Friends of Forestry PAC, has announced the formation of the "Committee of 100."

"Our goal is to get 100 committed individuals to donate at least \$500/year to the Friends of Forestry PAC," stated Henson. "This would give our PAC a base funding of \$100,000 per election cycle and make us one of the largest business PAC's in North Carolina. And that is where we should be. We're sure there are enough key individuals who understand and support the need to be actively engaged in the political process and to help elect to state office individuals who will support business in general and forestry in particular."

The changing demographics of North Carolina point out how important it is for forestry interests to be actively engaged.

In 2008, 51% of the registered voters in North Carolina were in just 14 counties. Consequently, 51% of the General Assembly was from these same counties. Political power in the state is rapidly shifting from the rural to the urban areas. Legislators from these areas often lack a connection to and understanding of forestry and the forest industry.

With a strong political action committee, we have the opportunity to engage and educate these people and support their election.

Members of the Committee of 100 will receive periodic legislative and regulatory updates specific to forestry and the forest industry as well as have the opportunity to attend exclusive briefings with key legislative leaders and get an inside look at pending issues.

Members will also have input into the decisions on what candidates to support in each election.

For more information or to join as a founding member, contact Bob Slocum at 919/834-3943, ext. 5 or rwslocum@ncforestry.org.

##THE END##

If you have any questions, please contact Bob Slocum at (800) 231-7723 or rwslocum@ncforestry.org.



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