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Owner and CEO
On behalf of Neiman Enterprises, Inc

Testimony before the Committee on Resources
Subcommittee on Water and Power
United States House of Representatives

“Keeping the Lights On and Maintaining Wyoming’s Jobs:
Overcoming the Challenges Facing Western Power Generation Facilities”

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Mr. Chairman, and Members of the Committee, thank you for allowing me the opportunity to appear today to discuss transportation and energy issues.

My name is Jim D. Neiman, and I am the owner and CEO of Neiman Enterprises, Inc., a 3rd generation family owned business, which owns lumber manufacturing facilities in both Hulett, Wyoming and Hill City, South Dakota, as well as a remanufacturing facility in Sturgis, South Dakota. Our family business directly employs 160 employees in Wyoming and 150 employees in South Dakota. We indirectly employ through independent contractors another 150 to 200 employees.

Power Bills

We set out on an island in the middle of a prairie with a limited population. We have a source of timber in and around the Black Hills. Our capacity is a little less than 100 million board feet of lumber production per year. We produce approximately 150,000 bone dry tons of by-products comprised of bark, sawdust, shavings, and woodchips. Some of the by-products are used to produce steam to dry the lumber and also to heat the facilities while others are shipped via freight trucks to Merillat in South Dakota to produce particleboard. Our only other alternative is to ship the remaining chips west by rail to a paper mill near Seattle, Washington.

In North America, paper prices have been depressed the last few years, which has forced some of the paper mills to close down. Our rail freight, with fuel surcharges, has gone up over 30% in the last 15 months. At the same time, the railroads have determined they no longer want to own the gondolas or railcars that transport the chips. So an additional lease charge has to be absorbed by the paper mill and/or the supplier, which is our company.

We produce a chip volume equivalent to approximately 120 railcars per month and have only been able to receive, on time, 65-75 cars per month. The balance of the remaining chips are then stockpiled, as we are unable to ship to paper mills due to quality requirements. The total cost of this rail freight increase in combination with the shortage of cars is far in excess of \$100,000 per month and over \$1,250,000.00 per year to our family owned business. Due to the limits of our ability to stockpile the chips, we have been faced with production curtailments at times, which further compound our loss.

The railroads have an internet tracking system on their railcars. We have tracked cars transported empty from Seattle, Washington to Laurel, Montana en route to Newcastle, Wyoming where we load the chips at our reload facility. In anticipation of normal delivery of those cars the next day to Newcastle, we would send truckloads to the reload and then find out the next day that the cars by-passed Newcastle and ended up in South Dakota or Nebraska, still empty. This results in our stockpiling chips until the cars are turned around and stopped in Newcastle.

Concerns on Rail Freight Increases to Utilities

Powder River Energy Corporation supplies Hulett with all of our electrical needs. Basin Electric is the sole supplier of energy to Powder River Energy, which gets part of its power from right here in Wyoming at the Laramie River Station in Wheatland.

Black Hills Power supplies all of our facilities with electricity in South Dakota and has now purchased Cheyenne Light, Fuel, and Power. Part of their energy supply comes from Wyoming coal and power plants and will also be affected by major freight increases. Any shortage of supply to the power plants and/or freight increases will be passed on to their customers.

Neiman Enterprises pays more than \$50,000.00 per month in electric utility bills in Wyoming and over \$60,000.00 per month in South Dakota. That is small scale to some companies, but it is a major cost to our company. Any increase directly affects the bottom line of our companies.

To provide an alternative to the rail shipment, we have pursued various means of creating alternative by-product uses. However, one of the simplest solutions would be to allow other rail companies such as the DM&E from South Dakota to enter Wyoming and compete so we would not have such a captive shipper situation.

Green Power Co-Generation

Another alternative is to install Green Power Co-Generation facilities and convert chips and other wood by-products to electricity and ship our energy out by wire, which then creates a steady market for our company.

Our facilities in Wyoming could generate approximately 5-7 megawatts from wood by-products and we could easily remove forest wood biomass of approximately another 5 megawatts. Our South Dakota operations could produce 6 megawatts of electricity from wood by-products and over 6 megawatts from forest biomass. This power is all renewable, clean, reliable energy and solves our mill by-product situation. These facilities add high quality jobs to our local community, help reduce fire danger, and enhance healthier forests.

There is legislation in place to help create incentives to make these projects move forward, but they have not been funded. We need your help to make these projects a reality.

Conclusion

Mr. Chairman, thank you for the opportunity to speak to this committee. The issues are very important to solve, not only for our Company, but also our community, our State, and our Nation.