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Senate Committee on Agriculture, Nutrition and Forestry
Rural Development and Energy Programs:
Perspectives for the 2018 Farm Bill
September 28, 2017
Washington, DC

Thank you Chairman Roberts, Ranking Member Stabenow, and distinguished members of the Committee for inviting me to speak with you today.

My name is Mark Olinyk and I am the President, CEO, and co-founder of Harvest Energy Solutions, a solar energy design, sales and installation company based in Jackson, Michigan. We employ more than 50 people across the Midwest and are members of the Michigan Energy Innovation Business Council and the Michigan Farm Bureau.

History of Harvest Energy

I have been in the agricultural sector for most of my life. Born and raised on a small family farm in southern Michigan with more ambition than my parents planned on, I soon left the family farm and found myself farming 2,500 acres of my own. I quickly realized that being highly leveraged in the 1980's didn't work out well and I ended up being out of farming about as fast as I got in. But, as luck would have it, within days I found a job as the farm manager for a very large corn farmer in Michigan. We farmed about 11,000 acres and as big as this sounds today, it was even bigger in comparison to most of the farms in the 80's.

Through my relationship with this large farmer I was offered the opportunity to purchase a small grain elevator in Hudson, Michigan. At that time, the price of corn was extremely low, the farm bins were full and Federal government loans on the grain in the bins were about to expire. Still young and full of determination, a partner and I took on the challenge of warehousing grain for the USDA, which needed a temporary home. We received corn from Michigan, Ohio and Indiana and quickly filled up our one-million-bushel storage capacity at the elevator, built a 1.5 million bushel covered pile in the back, leased another grain storage facility, and then finally leased a vacant 765,000 sq.ft. building in Jackson, Michigan. All told, we warehoused more than 11 million bushels of USDA-owned corn. That project lasted about four years and allowed me to transition from being an out-of-work farmer into a promising career in the manufacturing and distribution business – something I wanted to do for years. However, after nearly two decades in

manufacturing, I missed the farmers and the land and I started exploring ways to get back to my agricultural roots.

In 2006, I was approached by a local inventor who had an innovative idea for a small wind turbine. I became deeply involved in his project and soon negotiated a partnership with an engineering firm in western Michigan that had some experience in this arena. Ultimately, this initial foray into renewable energy didn't pan out, but I was hooked and I soon founded a different renewables company, Harvest Energy Solutions (or simply Harvest Energy).

We started as a family business that imported small wind turbines from Ireland and Germany and then worked with local farmers and ranchers to install these turbines on their land –- lowering their energy costs. Our business focused on the agricultural industry and rural areas. At that time, we were not interested in solar energy. The solar industry was not yet cost competitive like it is today. While the business was growing, we began to struggle with the language barriers with our European counterparts. The time difference was also an issue -- just when we were installing wind turbines in the field and had technical questions, our colleagues in Ireland and Germany were getting ready to go home for the day.

Luckily, economies of scale, time and competition forced the price of solar downward such that soon the cost of solar was comparable with wind. Within a year we fell in love with solar and our wind turbine business took a back seat.

Current Business

Today, Harvest Energy has grown from a 'two men and a truck' operation to a staff of over 50 professionals and growing -- we are looking to hire another 10 associates later this year. As we grow, we're adding to our sales staff, installation crews, manufacturing associates and administrative support. Much of this internal growth must be accurately attributed to the success of the Farm Bill's Rural Energy for America Program (or REAP). Put simply, the farmers and small businesses we work with could not afford the renewable energy systems we provide without upfront financing provided through the REAP program. REAP has been a component of nearly a quarter of our business. Not only is it critical to our bottom line, REAP allows our clients to save electricity, save money, achieve greater efficiencies, and make their operations more stable, less risky, and more profitable.

In fact, we were pleased to be joined by you, Ranking Member Stabenow, at a 2015 ribbon cutting for a solar installation at a winery in Northern Michigan. That project, like so many others in this space, was made possible through REAP.

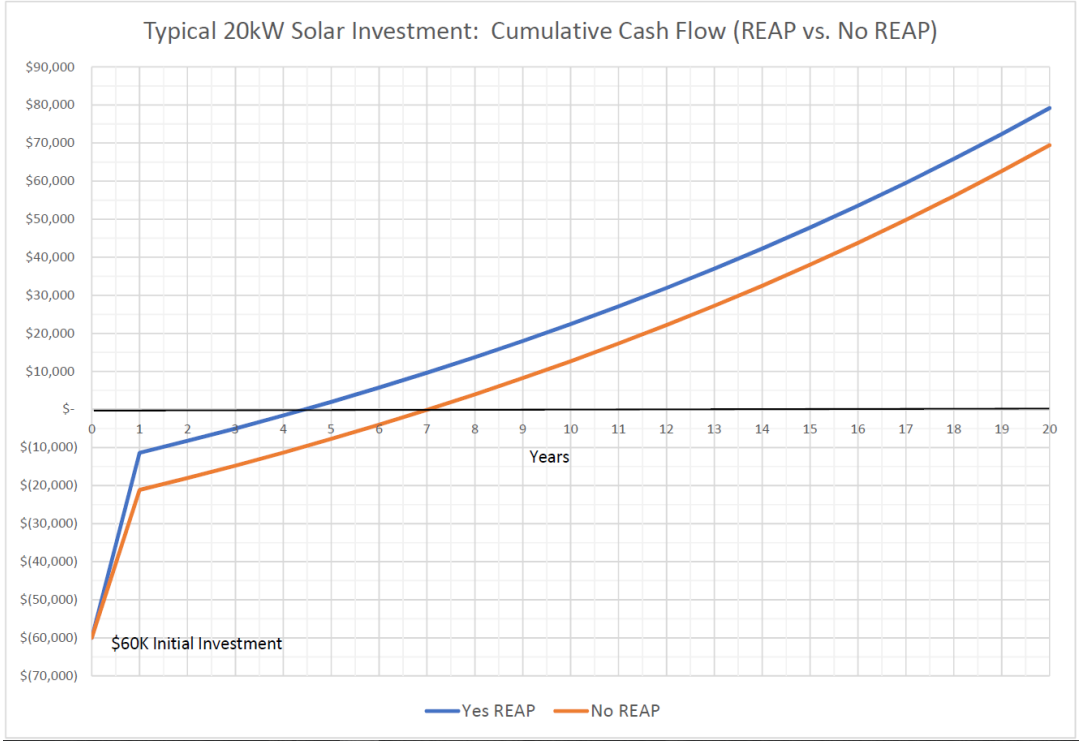
We now service ten states with special focus on the agricultural industries of the Midwest. In total, we have completed hundreds of successful solar and wind installations in the states of Iowa, Illinois, Indiana, Michigan, Ohio, Kentucky, Tennessee, Missouri, Wisconsin and Pennsylvania. In these states we are providing clean, renewable energy while creating economic growth and wealth in rural communities.

Our sales staff are distributed throughout the Midwest and are growing in number. Our customers include: dairy, poultry, hog, grain, greenhouse, hop, orchard, fruit farms as well as wineries and breweries, berry processors and many others. And it's not just farms and ranches, we also work with a host of rural commercial businesses outside of the agriculture industry. Finally, we've completed solar installations for local government buildings, schools, and even churches. Harvest Energy was also recently awarded a role in fulfilling a contract with Michigan State University that includes the installation of 13.5 MW of solar panels. These panels will be installed on canopies covering large parking lots across campus. The project will include more than 40,000 panels and, when completed will represent the largest solar canopy project in the country.

USDA Rural Energy for America Program

Harvest Energy is focused on selling and installing solar energy for the agricultural industry and rural businesses. As I alluded to before, Harvest Energy has been successful, in part, because of smart federal investments in rural communities – namely resources provided through the REAP program. REAP grants and loans are available to assist farmers and rural business owners invest in renewable energy systems or to make energy efficient improvements. This combination is working well for our customers and U.S. rural businesses. The program is helping to grow our business and create more jobs across rural America. I would strongly recommend that this panel reauthorize the program in the upcoming Farm Bill and consider increasing the mandatory funding associated with it. I understand that there are typically three times more REAP applications than available funding in a given year. Were Congress to increase that funding, I am confident that Harvest Energy, along with our colleagues in this industry would rise to the challenge. That means more clean, renewable energy, and more jobs and economic growth in rural areas.

Below you will see a graph showing the financial results of a typical 20kw installation comparing the cash flow with a REAP grant vs. no REAP grant. In both cases we assume that the customer is taking advantage of both the 30% federal investment tax credit (ITC) and depreciation. The graph illustrates that the payback period for REAP projects stands at a little over 4 years. With no REAP it takes about 7 years before a positive cash flow is realized. This clearly illustrates the significance of the REAP grant and the impact it has on the potential buying decision.



I would like to again thank the Committee for inviting me to share my perspective with you this morning and I will look forward to any questions you may have.

Appendix

When I consider the agricultural and rural communities and the need for REAP, I am especially struck by how vital it is for poultry farmers. This program is especially critical for poultry farmers whose barns are fully depreciated and less energy efficient than newer ones. The price per pound for chicken has not changed in many years. But the cost of electricity, feed, water, and labor have increased greatly. Farmers (who were already making slim margins) are being stretched too thin. REAP grants have allowed them to invest back in to their operations with solar energy, insulation, lighting, and other energy efficiency upgrades. These upgrades are not simply beneficial…THEY ARE VITAL. If these barns aren't upgraded, some of these farmers may be forced to cease operations. Farmers like Bob Mills (Mayfield, KY) and Barry Turner (Sedalia, KY), pay thousands of dollars in electric bills…. every month. Investing in solar, with the help of a REAP grant, allows them to control these expenses while improving electrical service in high demand times. They can limit their electrical expenses, ensuring they will be more profitable in their operations. These poultry farms use this grant money to make themselves more independent and reliable. And by investing in these updates, the farmers support the employment hundreds (if not thousands) of people in our local communities – at their farms and in the manufacturing and installation of renewable energy and energy efficiency upgrades.

Barry Turner – Sedalia, Kentucky

Bob Mills – Mayfield, Kentucky

We've worked with many other farmers who have completed energy efficiency upgrades and solar installations that would not have been possible without funding from USDA REAP grants. The stories described below are testimonials directly from the business owner or are based on my recent conversations with the farmers and business owners.

Example REAP Recipients

Gary Balder is a hard-working farmer from Hamilton, Michigan. In addition to working his own farm, he does some custom farming, sells wheat seed, raises hogs and now has a solar system to offset 80 percent of his electric usage. For Gary, the return on investment for solar energy without the REAP grant was luke-warm. Gary went through the proper application process and was awarded a REAP grant in January of 2016. This pushed Gary over the edge to pull the trigger on a solar project through Harvest Energy. Gary was so pleased and proud of his system and lack of an electric bill, that he hosted a "lunch and learn" event to explain how and why solar energy works well for farmers. A large part of this conversation was dedicated to REAP, which was a deciding factor for Gary. Thanks to the REAP grant and the introduction of solar energy, Gary and many others in his area have helped move the agricultural industry forward by becoming cleaner, more energy efficient, and more cost-effective.

Gary Balder Farm – Hamilton, Michigan

Holsapple Farms Inc. is a 4th generation farm in Cumberland County, Illinois. They farm primarily corn and soybeans. Four years ago, they installed a 20 kW solar array on their three-phase grain drying operation. Holsapple Farms was able to do this thanks to a REAP grant. Prior to the solar installation, the farm was paying $0.17 per kWh for electricity used by this grain system. The solar installation successfully offset 100 percent of that annual usage and the utility allowed credit from power produced through the summer months to be banked annually.

Since then, Holsapple Farms has added a 44 kW system on their shop and we are currently (this week) adding 11 kW of solar to the grain system. They are very happy with the help this has provided in reducing their overhead and the aid in return on investment provided by the REAP grant program. The series of additional installations most likely would not have happened without the initial REAP grant.

Stan and Justin Holsapple – Toledo, Illinois

Beckley Farms – Roger Beckley and his hard-working family maintain a century-farm in the heart land of the Midwest, where they milk 200 dairy cows and farm cash crops. Lately the farmers in this area has been fearful of the rising energy prices with the nearby coal plants shutting down. Dairy's consume a lot of energy for pumps, lighting and fans and Roger was looking for ways to lock in some of these costs if possible. The REAP grant was the main factor in Roger being able to afford solar. He used the grant to leverage the purchase of a 29 kW system and a 27 kW system, virtually alleviating his enormous energy costs. Thanks to the REAP grant Roger and his family are at ease and more comfortable knowing that the farm his family has been working for over 100 years is in a better position to be passed on to future generations.

Beckley Farms – Oakland City, Indiana

Kris Green is a multi-generational farmer located in Northern Ohio. He farms corn, soybeans, and wheat. Due to the rising electrical costs from his local utility Kris reached out to Harvest Energy is search of a long-term solution. Thanks to the REAP grant, this young, hard-working farmer now has a 28kw solar array on the roof of a barn, and has given his family some energy freedom, and used the financial leeway he created to address his aging equipment. Kris commented that this is the type of investment that will certainly help move the farm forward into the future.

Kris Green Farm – Wakeman, Ohio

Alexander Pork - David Alexander's hog operation is in Wayne County, Iowa. This is an economically depressed area with very low per capita income. Because Iowa is a leader in progressive, competitive pork production, David thought that his chances of receiving a REAP grant were slim, but REAP's flexibility allows the program to give extra attention to economically distressed parts of the country. Not only did he receive a grant, but his solar installation led to subsequent sales by Harvest Energy in the area including systems at two of his other sites.

Alexander Pork – Promise City, Iowa

Tripp Furches owns and runs a family farm. His farm has been in operation for many decades, spanning several generations. Tripp is from Murray, Kentucky and he installed solar energy to help control his operating expenses. With the price of corn down to $3.00 - $3.50 per bushel, and the input costs firm or increasing, solar energy allows Tripp to lock in a fixed price for most of his electrical costs. Tripp was considering solar for a long time but was hesitant because of the initial investment cost. When we discussed the possibility of applying for a REAP grant, he decided to pull the trigger. The grant freed up money to expand his grain facility, which in return allowed him to grow his farm while diversifying his business and realize the promise of years of continued success. Senate Majority Leader McConnell visited Tripp Furches' farm in September 2014. We can assume that Sen. McConnell saw the success of Tripp Furches' solar installation and how programs like REAP continue to help farmers, providing positive returns for the long term.

Tripp Furches – Murray, Kentucky

According to Marie-Chantal Dalese, President & CEO of Chateau Chantal:

“Chateau Chantal is a 100-acre vineyard, winery and Bed & Breakfast located in rural Northern Michigan. We're surrounded by the great lakes and take pride in being good stewards of our environment. In our experiences, rarely do the cross roads of environmental stewardship and business feasibility intersect. When the opportunity presented itself to install a solar panel array that would produce 40% of our electricity needs, we sought ways to make it feasible. The USDA REAP grant was a major factor in our decision to make the installation. The grant process, as expected, required paperwork and assurances to meet federal standards. Our state USDA representatives helped us along in the process, and I was able to write the grant myself without having to pay a grant writer. Through projects like these, and so many others, REAP grants provide opportunities to improve farming businesses, protect our environment, and keep our operations sustainable for the future.”

Chateau Chantel – Traverse City, Michigan

Suggested Improvements

Overall, the most critical thing this Committee can do is to maintain or increase funding for USDA REAP – The program is critical to the stability of rural farmers across the country. These farmers use REAP to reduce their electricity bills, maintain their operations, and create jobs in areas where unemployment is extremely high.

In addition to funding, based on my experiences, there are a few changes that would improve the program. The first two would have the biggest impact**:**

1. No applicant should receive more than 20% of available state allocation of funding. For example, in Michigan this year there was $909,000 available for allocation. One applicant won the maximum of $500,000 for an upgrade to an Ethanol plant. That's over 55% of the total leaving only $409,000 for all the other projects. If the 20% rule were in effect, that applicant would have received $181,800 (still a nice grant) leaving $727,200 to be shared by the smaller projects. The biggest impact of this program is for the smaller businesses- these are the companies that should be funded and do the most good for small towns in rural America.

2. I believe the current legislation calls for 20% of funding to go to projects that request less than $20,000 - this is called restricted funding. I would increase this set aside to 40% of the total funding. This would really allow smaller applicants first shot at the funding and spread the funding around more. I think that we would all like to see more opportunity for the smaller operations if possible.

3. When states do not use all of their funding, the excess goes into a pool for disbursal to states that have more applications than funding. USDA can award 10 priority points to projects/applicants that they deem more important than others. I would suggest that the Committee ask USDA for an update on their priority point system and its objectivity.