



# NEBRASKA ETHANOL BOARD

STATE OF NEBRASKA

DAVE HEINEMAN  
GOVERNOR

TODD C. SNELLER  
ADMINISTRATOR

## NEBRASKA ETHANOL BOARD MEETING MINUTES

Union Pacific Building  
1400 Dodge St.  
Omaha, NE  
June 4, 2010  
8:30 a.m.

### MEMBERS PRESENT

Tod Brodersen  
Tim Else  
Galen Frenzen  
Steve Hanson  
Paul Kenney  
Mark McColley  
Mike Thede

### STAFF PRESENT

Todd Sneller  
Steve Sorum  
Gerri Monahan  
Billy DeFrain

### ADVISOR ABSENT

Dr. James Hendrix

### GUESTS

Terry Anderson—Midwest Producer  
David Carey—Protec Fuel  
Jacki Fee – Cargill  
Katie Hadenfeldt—GATX  
Norm Hall—Ryan & Associates  
David Hallberg—PRIME BioSolutions  
Danielle Jensen—Nebraska Energy Office  
David King-- Union Pacific  
Randy Klein—Nebraska Corn Board

Bobbie Kriz-Wickham—Neb. Dept. of Ag.  
Jay Labadie—Protec Fuel  
Lori Loschen—Union Pacific  
Bob Miller—E-Energy Adams  
Jason Miler – Union Pacific  
Amy Recker—Bio Nebraska  
Loran Schmit—ANEPP  
Piyush Srivastav—Neb. Air Quality Specialist

Before the meeting, David King of Union Pacific welcomed the Nebraska Ethanol Board members, staff and attendees and briefed the group on safety procedures.

### **Call Meeting to Order**

A meeting of the Nebraska Ethanol Board (NEB) convened on Friday, June 4 at 8:33 a.m. The meeting was held at the Union Pacific building at 1400 Dodge St, Omaha. Chair Thede called the meeting to order and announced notice of the meeting had been duly publicized through distribution of a press release issued at least seven days prior to the meeting to representatives of the media throughout Nebraska. Thede asked guests, board and staff to introduce themselves.

### **Approval of Agenda**

Thede asked for additions or corrections to the agenda. Hanson moved "to approve the June 4 meeting agenda as printed." Frenzen seconded. The motion carried by acclamation.

### **Minutes**

Thede asked if members had reviewed the minutes of the March board meeting. Following a review, Thede asked if there were any additions or corrections to the minutes as presented. Hearing none, he asked for a motion to approve the minutes. Kenney moved, "to approve the minutes of the March 19, 2010 meeting as printed." Brodersen seconded. The motion carried by acclamation.

### **Budget Status Report**

Sorum presented NEB budget report, including activity through 11 months of FY2009-2010. The NEB has spent or committed 84.8% of its core budget. Sorum noted the staff is preparing budget requests for the next biennium. With the State facing a \$700 million budget shortfall, cuts should be expected. In response to the crisis, the legislature is dramatically changing the procedure for setting agency budgets. Each agency has been assigned to one of the standing committees of the legislature. That committee, in addition to the Appropriations Committee, now has input into an agency's budget, operations, and existence. The NEB has submitted a document explaining NEB funding, statutory obligations, and agency budget categories to the Natural Resources Committee. Final budget requests are due September 15. Sorum recommended the NEB Finance subcommittee meet prior to that time to discuss budget proposals.

Sneller reported on an Independent Agency meeting at which the state budget director spoke. The budget office will probably expect agency cuts of around 10%. The governor has already announced salary freezes for management and non-union employees. Sneller noted this is the third time NEB has experienced budget cuts. This new system requires more reporting from the NEB. The legislature in the past has felt that NEB's cash reserve was too large, though some of the money in reserve was from private sources for special research projects and other projects. Sneller recommended that if the board wanted to spend money on a project in the next FY, it should spend the funds in the current FY instead.

Thede asked if Sneller had discussed budget issues with Spalding. Sneller said that Dr. Roy Spalding had been fully paid for his research project with NEB. Dr. Hossein Nouredini's contract still has a balance.

McColley asked if NEB develops a budget and then submits it to the Natural Resources Committee and to the Appropriations Committee. Sorum said the Natural Resources Committee will likely look more closely at services and responsibilities of the NEB with an eye toward identifying areas where cuts might be made.

Else asked about the status of NEB cash reserves. Sorum replied that after the July 1, 2010 transfer of \$28,000 to the EPIC Fund, NEB cash reserves are projected to be around \$161,000, the lowest balance in years. This amount is equal to about 30% of current core budget.

McColley expects future state revenue reports to show the state's budget problems are worse than previously thought. Sneller agreed.

NEB revenues are running slightly ahead of projections through May. Sorum noted 90% of NEB revenues are from denaturants required in fuel ethanol production. Federal law reduced the level of allowable denaturant from 4.9% to 2%, but this has not resulted in a proportional drop in NEB revenue.

Bob Miller of E-Energy Adams noted that the denaturant level is not a legal limit, but that producers do not receive a tax credit if they add denaturant above levels prescribed by federal statute.

Monahan presented payment and per diem reports for March, April and May. For March: Contracts: \$3,431.83; Dues/Registrations/Subscriptions: \$2,291.45; Meeting and Travel Expenses: \$1,262.43; Other: \$16.56; Internal Agency Expenses: \$1,916.62; Administrative Services Credit: \$2,157.24; Department of Agriculture EPIC admin costs: \$1,111.18.

For April: Contracts: \$23,154.41; Dues/Registrations/Subscriptions/Sponsorships: \$269.35; Meeting & Travel Expenses: \$1,806.57; Internal Agency Expenses: \$3,314.63; Department of Ag EPIC March admin costs: \$1,041.80.

For May: Contracts: \$3,087.29; Dues/Registrations/Subscriptions/Sponsorships: \$348.70; Meeting & Travel Expenses: \$1,629.03; Internal Agency Expenses: \$2,903.16; Department of Ag EPIC April admin costs: \$1,514.40.

Balance of the Dr. Spalding Ethanol Spill Remediation Fund: \$0; balance of Dr. Nouredini's Carbohydrate Utilization of DDGs project thru December 30, 2010: \$15,143.00; balance of David & Associates Marketing contract thru June 30, 2012: \$41,856.85; balance of Morgan & Associates agency services contract thru June 30, 2010: \$2,164.00.

Per Diems were paid to Brodersen for a KAAPA Meeting in Hastings, to Else, Hanson, Kenney, and Thede for the ANEEP meeting in Lincoln, and to Brodersen, Else, Hanson, Kenney, and Thede for the NEB January meeting in Lincoln.

McColley moved, "to accept the March, April and May payment reports, contract balances, and per diem reports as presented." Frenzen seconded. The motion passed (yes-Brodersen, Else, Frenzen, Hanson, Kenney, McColley, Thede; no-;).

### **EPIC Fund Report**

Sorum provided an update on the Ethanol Production Incentive Cash Fund (EPIC). . The fund balance was \$8.2M on April 2010, slightly higher than December, 09 projections. State statute will trigger proration of EPIC payments to producers should the fund be unable to meet its full obligations. That event will likely occur in the late fall of 2010. Governor Heineman had recommended \$8 million transfers from the state's General Fund to EPIC in each of FY's 2009 and 2010. The Legislature ultimately passed a bill reducing the 2010 transfer from \$8 million to \$3 million. That action explains EPIC's projected negative balance later this year.

### **Ethanol Marketing Programs**

Sneller summarized a number of ethanol marketing programs on behalf of Dave Buchholz of David & Associates, who could not attend the meeting. The Trucks and Bucks Nebraska Lottery promotion has begun airing ads on the radio. FFV trucks will be given away as well as ethanol. DeFrain is working with Burl Haigwood of Clean Fuels Development Coalition (CFDC) and Buchholz on an updated ethanol Fact Book, which will probably be sent to print in the next week. NEB staff has also been working on FFV materials for distribution. Monahan has been working with the Division of Tourism to distribute promotional materials over the summer. Sneller said he had been receiving calls from producers about setting up direct retail marketing stations. A panel at the April Ethanol 2010: Emerging Issues Forum discussed increased interest in direct marketing arrangements.

Hanson noted that a retailer in his area has found it difficult to install an E85 pump. The retailer had received funding that would reduce the costs of installing new pump to \$5,000, but was having trouble navigating various state regulations and agencies. Sneller said that NEB is trying to address this issue. Fire Marshals in different jurisdictions are not consistently enforcing the state's policy toward E-85. Hanson said that a tax credit is not necessarily a big incentive for a retailer, because the retailer does not receive it until the pump is profitable.

Kenney asked if this is an issue the legislature could address. Sneller replied that it would be important to set up a one-stop-shop to help retailers install E85 or blender pumps. Brodersen noted that some inspectors will explain how to fix a violation, while others simply tell you only that there is a violation.

Sneller said NEB staff would be conducting an E85 pricing survey to explain pricing disparities. During recent travel, Sneller had seen E85 selling for \$1.99 and \$2.73 at locations within six blocks. Thede asked how other retailers have managed to install blender pumps. Sneller said that in some cases they have internalized the process, or identified a contractor who can expedite the process.

Frenzen asked how drivers along the Interstate find E85 pumps. Sneller replied that NEB staff issue news releases and send a mailer to FFV owners in the area when a new E85 or blender pump opens. NEB staff has also distributed materials to I-80 staffed visitor centers. One of the biggest roadblocks to greater E85 availability is infrastructure. Sneller has instructed DeFrain to begin applying for funds from a joint U.S. Department of Agriculture (USDA) / U.S. Department of Energy (DOE) grant. Sneller has an upcoming meeting with Omaha's sustainability director. The city is part of a six-county area that may not comply with ozone standards, and greater ethanol use could help avoid the city going out of compliance. Sneller has also met with Nebraska Energy Office (NEO) and Governors' Biofuels Coalition (GBC) for ethanol projects in cooperation with the state of Iowa.

Thede asked for Randy Klein's input. Klein said the Nebraska Corn Board (NCB) was looking forward to cooperating with NEB. The Corn Board has also been working with Renewable Fuels Association (RFA) and American Coalition for Ethanol (ACE) on the Blend Your Own (BYO) program. Ten stations have been approved for funds to install blender pumps. The Corn Board may budget an additional \$100,000 for grants.

Sneller noted that labeling is also an issue. He has met with Margo Oge of the U.S. Environmental Protection Agency (EPA) and Federal Trade Commission (FTC) officials on labeling design and requirements.

### **LEAD Funding Request**

Thede noted the NEB had approved half of Nebraska's LEAD Program's original FY 09-10 \$2,500 funding request at the January meeting. Sneller suggested NEB could approve an additional \$1,250 of funding for 2010 -2011.

Hanson moved, "to approve the second half of Nebraska LEAD Program's sponsorship request in the amount of \$1,250 for 2009-10 and half of the 2010-11 request for a total of \$2,500." Kenney seconded. The motion passed (yes-Else, Frenzen, Hanson, Kenney, McColley, Thede, Brodersen, no-;).

### **Special Presentation "Washington Update" -Dave Hallberg**

Sneller introduced David Hallberg, a former NEB member. Hallberg provided an update on federal regulatory and legislative issues affecting the ethanol industry. Audio of Hallberg's update is online at NEB's "NEB Meetings" page at <http://www.ne-ethanol.org/events/nebmeetings.htm>.

### **State and Federal Legislation**

Loran Schmit offered an update on state legislative issues. Schmit noted the Nebraska Legislature now has 47 state senators with no history of working ethanol bills. As a result, it has become more difficult to lobby for industry-friendly policies. Schmit noted that Senator Deb Fischer of Valentine, who sits on the Transportation Committee, is ethanol friendly but is under considerable pressure to consider an excise tax on ethanol to help fund road projects. Senator

Fischer will likely introduce a roads funding bill in the next legislative session. Schmit asked NEB to let him know what they hear from their senators.

### **CFDC Membership**

Sneller noted that it is a time of much legislative and regulatory activity that affects the ethanol industry. NEB has worked with the Clean Fuels Development Coalition for many years. Sneller said that NEB has been asked to provide a membership assessment. NEB has the budget to do that now and then CFDC would not be asking for membership fees in FY 2011.

Frenzen asked how CFDC determines their \$25,000 membership fee. Sneller replied this is discounted from the \$35,000 fee for private companies. Hanson asked for a clarification on the different missions of groups like CFDC, ACE, RFA, etc. Sneller said he had served on the ACE board, National Ethanol Vehicle Coalition (NEVC) board, and served with the GBC. ACE is a member and supporter of CFDC publications. Sneller said his goal is to try to bring these organizations together, though there is some friction between groups like RFA and Growth Energy. CFDC's unique strength is through its ties to automakers and technology companies.

Kenney asked why payment should not be considered 2011 dues. Sneller said the membership assessment was in lieu of 2011 dues. McColley said that Doug Durante's work with CFDC is very important, and that Durante and CFDC do a lot of work interpreting and understanding the Renewable Fuel Standard. Thede added that he feels CFDC's work is crucial.

McColley moved, "to approve \$25,000 CFDC membership assessment to support their work and relationship with Nebraska Ethanol Board." Frenzen seconded. The motion passed (yes-Frenzen, Hanson, McColley, Thede, Brodersen, Else, no-Kenney;).

### **Ethanol Marketing—David Carey, Protec Fuels**

David Carey of Protec Fuel MANAGEMENT delivered a presentation on E85 marketing issues.

A copy of Carey's presentations and audio is at NEB's "NEB Meetings" page at <http://www.ne-ethanol.org/events/nebmeetings.htm>.

### **Union Pacific Update**

David King of Union Pacific provided an update of the railroad.

A copy of King's presentations and audio is at NEB's "NEB Meetings" page at <http://www.ne-ethanol.org/events/nebmeetings.htm>. Sneller presented King with an ethanol-branded model train and thanked King and Union Pacific for working with the ethanol industry and hosting the NEB meeting.

### **NEO Update**

Danielle Jensen of the Nebraska Energy Office provided an update of the NEO mission and activities. A copy of Jensen's presentations and audio is at NEB's "NEB Meetings" page at <http://www.ne-ethanol.org/events/nebmeetings.htm>.

### **Bio Nebraska Update**

Amy Recker of Bio Nebraska Life Sciences Association provided an update of Bio Nebraska programs. A copy of Recker's presentations and audio is at NEB's "NEB Meetings" page at <http://www.ne-ethanol.org/events/nebmeetings.htm>.

### **Ethanol Plants and ANEEP Update**

Bob Miller of E-Energy Adams said the plant was running smoothly above nameplate capacity. Loran Schmit provided an Association of Nebraska Ethanol Producers (ANEPP) update. ANEEP continues to work on regulatory issues with Nebraska Department of Environmental Quality (NDEQ) and the Fire Marshal. Schmit noted that one consequence of the oil spill in the Gulf of Mexico was increased supervision from regulatory agencies. He remarked that if there were a 40,000 gallon ethanol spill in the Platte, there would be no problems aside from a few drunken fish.

### **Chair's Report**

Thede said that in the interest of time he would not give a Chair's Report.

### **Administrator's Report**

Sneller noted NEB support of the Nebraska Nature & Visitor's Center at Alda and that it may provide a meeting site in the future. NEB is one ethanol sponsor at the Nature Center.

### **Morgan & Associates Contract**

Sneller said that DeFrain and Monahan had been working on approval of a new contract with Morgan & Associates for special support services. The current contract expires June 30, 2010. A new sole source contract has Administrative Services approval.

Brodersen moved, "to award a new one year contract with three 1-year renewal options to Moran & Associates for staff assistance and special projects, with a limit of \$5,000 per year, beginning July 1, 2010." Hanson seconded. The motion passed (yes-Hanson, Kenney, McColley, Thede, Brodersen, Else, Frenzen; no-;).

### **Equipment and Project Authorization**

Sneller said DeFrain was asking for authorization to purchase a new computer. He noted that DeFrain's work duties were becoming more technical in nature, yet he was working on the oldest computer in the office. DeFrain provided a summary of the laptop computer and noted the purchase had already been approved by state purchasing. DeFrain also summarized the need for Microsoft Office 2010 for staff computers.

Kenney moved, "to approve a new computer purchase for one staff member and five Office 2010 packages for all staff and the travel laptop, up to \$4,000" Hanson seconded. The motion passed (yes-Kenney, McColley, Thede, Brodersen, Else, Frenzen, Hanson; no-;).

Sneller told the board that NEB staff would be seeking new funding sources for special projects and has instructed DeFrain to apply for a USDA / DOE grant.

**Travel Reports and Authorization**

Sneller summarized upcoming travel requests and asked for Board authorization.

McColley moved, "To approve upcoming travel requests for Sneller to attend the ACE Conference in Kansas City, Mo, August 2-4; for Sneller and Monahan to attend the GBC meeting in Boone, IA, in late August or early September." Else seconded. The motion passed (yes: McColley, Thede, Brodersen, Else, Frenzen, Hanson, Kenney; no: - ;)

Sneller said he would ask board members to attend the ADM ribbon cutting at Columbus. Sneller may contact the Chair later for authorization for travel to Washington, D.C.

**Next Meeting Date and Time**

Sneller asked the Board to consider dates in August or September for the next board meeting, tentatively at the Nebraska Nature Center in Alda. September 17 was tentatively suggested.

**Adjourn**

Brodersen moved, "to adjourn the meeting." Hanson seconded. The vote carried by acclamation.



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Tim Else, Secretary