



NEBRASKA ETHANOL BOARD

STATE OF NEBRASKA

DAVE HEINEMAN
GOVERNOR

TODD C. SNELLER
ADMINISTRATOR

NEBRASKA ETHANOL BOARD MEETING MINUTES

Hampton Inn
5922 Vandervoort Drive
Lincoln, Nebraska

February 29, 2008
8:30 a.m.

MEMBERS PRESENT

Tod Brodersen
Tim Else
Dave Hallberg
Steve Hanson
Jim Jenkins
Michael Thede

MEMBER ABSENT

Mark McColley

GUESTS

Dwayne Braun – US BioEnergy
Kelly Brunkhorst – NE Corn Board
Adam Crotteau – Aventine Renewable
Energy
Joe Francis – Ne Dept of Environmental
Quality
Ed Gaither – EAD Engineering
Bill Hord—Omaha World-Herald
Paul Johnston – Farm Bureau
Terry Klopfenstein – UNL Dept. Animal
Science

ADVISOR PRESENT

Dr. James Hendrix

STAFF PRESENT

Todd Sneller
Steve Sorum
Gerri Monahan
Billy DeFrain

Duane Kristensen—Chief Ethanol
Bobbie Kriz-Wickham – NE Dept. of Ag.
Adam Liska – UNL Dept. Agronomy
Cliff Mesner – US Bio
Joe Oswald – E Energy Adams
Loran Schmit – Schmit Industries
Jamie Wewel—Union Pacific Railroad
Dayle Williamson—Sen. Ben Nelson’s Ofc.
Jerry Finan – Musket Corp
Piyush Srivastav – NE Air Quality
Specialties

Call Meeting to Order

A meeting of the Nebraska Ethanol Board was convened on Friday, February 29, at 8:30 a.m. The meeting was held at Hampton Inn South, Lincoln, Nebraska. Chair Jenkins 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.

Approval of Agenda

Jenkins asked for additions or corrections to the agenda. Brodersen moved “to approve the February meeting agenda as printed.” Thede seconded. The motion carried by acclamation.

Minutes

Jenkins asked if members had reviewed minutes of the January meeting. Following a review of the minutes, Jenkins asked if there were any additions or corrections to the minutes as presented. Hearing none, he asked for a motion to approve the minutes. Hanson moved, “to approve the minutes of the January 25, 2008, meeting as printed.” Else seconded. The motion carried by acclamation.

Budget Status Report

Sorum presented the budget report. 58% of FY 2007-2008 has elapsed and Agency 60 has spent or committed slightly less than 50% of its budget. 53% of the personnel budget had been spent, 43% of the operating budget spent or committed, and 44.9% of the travel budget. Sorum reported the board had about \$68,000 of discretionary authority for the balance of the fiscal year and that revenues are increasing as new plants come online and denaturant sales increase.

Monahan presented the spending and payment report for the month of January: Contracts: \$0; Dues/Registrations/Subscriptions: \$5,955.33; Meeting and Travel: \$2,072.96. E85 Grand Funding: \$55,000 awarded. Balance of Dr. Spalding’s ethanol research project fund: \$37,736.79.

Brodersen, Else, Hallberg, Hanson, McColley and Thede received per diem payments for travel for the January board meeting. Brodersen received per diem payment for the Ethanol Night at the Storm Hockey night in Kearney. Hallberg received per diem payment for his testimony before the revenue committee on LB 921. Thede received per diem payment for the VeraSun Albion plant grand opening.

Brodersen moved “to accept the January payment and per diem reports as printed.” Hallberg seconded. The motion carried (yes- Brodersen, Else, Hallberg, Hanson, Thede; no-. Absent and not voting, McColley).

EPIC Fund

Sorum reported that EPIC fund revenue was lower than January 2007 but expected February receipts to include late January collections. The balance in January 2007 was \$3.2 million. Revenue from January 2008 was \$1.18 million from the corn and checkoff sorghum. EPIC fund balance is \$9.8 million, with \$6.5-7 million in expenditures projected in FY 07-08. A \$15 million general fund transfer to EPIC is scheduled for late FY2008. Sorum reported that staff have worked with the treasurer and governor’s office to time transfer from general fund to avoid

a suspension of the grain checkoff, which would significantly deplete the EPIC fund. Sorum expects the fund to remain solvent for at least two years.

Sneller asked if the pace of development at the Cambridge plant has impacted projections. Sorum said that there was about \$200,000 less demand on the fund because of longer than expected construction time.

Ethanol Marketing Programs

Sneller reported on ethanol marketing activities. Dates for the E85 workshop have been set for May 6 in Norfolk, May 7 in Kearney and May 8 in Omaha. A second round of workshops may be planned. General Motors have agreed to loan the board a new FFV Avalanche emblazoned with a cellulosic ethanol design. The Ethanol Across America campaign is planning its next issue brief to cover environmental issues related to ethanol. DeFrain is continuing to distribute press releases touting ethanol. Sneller and Sorum have talked with the State Fire Marshal's office regarding fire systems at ethanol plants. Sorum and Brodersen attended Ethanol Awareness Night at a Kearney Storm hockey game. Sorum presented Brodersen with a plaque. Sneller noted a "Who's In Charge of the Ethanol Industry" editorial which called for a more strongly organized and coordinated national body promoting ethanol. Many GEC representatives agree with this suggestion. Sneller also noted that a new executive director had been hired at EPIC.

At this point, Sneller asked board to skip ahead on the agenda to Item H-RBOG Grant Application, because Terry Klopfenstein had not yet arrived at the meeting.

RBOG Grant Application

DeFrain briefly described the grant. The USDA is offering a Rural Business Opportunity Grant to foster economic development in communities less than 50,000. Applications win more points if the area chosen for the grant project has lost jobs or experienced a natural disaster. The grant requires that public boards applying for grant funds provide a resolution authorizing a grant application be included with the grant application. Sneller asked the board for such a motion.

Hanson moved, "to pass a resolution authorizing staff to apply for and administer grant funds for a Rural Business Opportunity Grant from the USDA." Brodersen seconded. The motion carried by acclamation.

State and Federal Legislation

Sneller reported that LB 500 was likely to pass. LB 922 was unlikely to leave committee because it had been prioritized but would likely not see a floor vote in this shortened legislative session. Nebraska Ethanol Board and the Nebraska Cattlemen testified before the Ag committee in favor of the bill; industries which would be affected negatively by the tax funding mechanism in the bill testified against the bill.

Sorum reported that all of the ethanol excise tax bills were killed by the Revenue committee. LB 921, the energy office reorganization bill, is still in committee and will likely not see a vote this session as it has not been prioritized.

Sneller said that some of the provisions of LB 921 have been considered by the governor's office. Sneller also acknowledged Loran Schmit's work on successfully lobbying against the

ethanol excise tax bills. Sneller noted that the concept of a tax on ethanol is far from dead as the Department of Roads is facing an impending massive budget shortfall in the coming years. Schmit presented Sneller with a check from Fagen Industries. Funds are to be used in support of Klopfenstein's DDG study at UN-L.

Hallberg summarized federal legislative development. There may be attempted changes to the Renewable Fuels Standard. The oil industry is expected to exploit off-ramp provisions to the RFS through technical corrections legislation that could be seen later this year. The Senate Ways and Means committee passed an \$18 billion tax hike on the petroleum industry. The senate may make this part of a budget resolution. Hallberg also noted that proliferating higher ethanol blends and rolling out blender pumps were vital for increasing market development.

DDG Research Report and Proposal

Dr. Terry Klopfenstein presented a research proposal to the board. A recent Kansas State University study reported higher levels of e. coli in cattle fed with DDG as opposed to corn. Klopfenstein's study would develop an e. coli vaccine protocol for cattle and to try to determine what, if any, affect the fermentation process has on corn in encouraging e. coli growth in DDG. E. coli propagates in cattle feces and attaches itself to the intestinal wall of cattle. The challenge to producers is removing the hide while avoiding fecal contamination. Klopfenstein noted that a current vaccine is in use in Canada and owned by BioNiche.

Klopfenstein's study would involve 60 pens of cattle with eight head per pen. Half would be fed a 40% WDGS diet, the other half corn. Half of the WDGS group and half of the corn group would receive the BioNiche vaccine. Fecal samples would be cultured to determine e. coli contamination, with four samples from each head over a nine week period.

Klopfenstein requested \$50,000 to conduct the study. Sneller noted that he had already solicited funding commitments from other parties, and recommended that the board commit \$12,500 for research. Else moved "to make a research grant in the amount of \$12,500 to UN-L to support distillers feed research and potential e. coli links." Hanson seconded. The motion carried (yes-Else, Hallberg, Hanson, Jenkins, Thede, Brodersen; no-. Absent and not voting, McColley).

Ethanol Plant Status Report

Sorum presented a brief update on Nebraska ethanol plants. There are eight plants with a combined capacity of 600 million gallons currently under construction. Estimated annual production capacity by 2009 will be 2.43 billion gallons.

Sneller reported that some Nebraska gas stations are blending greater levels of ethanol in their gasoline than advertised and committed the board to discouraging such practices. Jenkins asked if the industry was making money, and Sneller replied that those who had forward-contracted corn at \$2.80 per bushel now look like geniuses.

BREAK

Special Presentation

Hallberg introduced the special presenter. Hallberg said that GHG emissions are the most important issue for the ethanol industry at this phase of its development. Fed chairman Ben

Bernanke has urged that the US reduce or eliminate the import tariff on foreign ethanol, which would make the issue of carbon emissions more important for domestic ethanol. Public opinion has shifted as people want cleaner and cheaper fuels; ethanol is more frequently criticized. Oil companies are pushing for oil development from tar sands and oil shale. Their ultimate goal is to persuade the public that tar sands and shale oils are no worse than biofuels. With that, Hallberg introduced Adam Liska. Dr. Liska is a post-doctoral research associate at UN-L's Dept. of Agronomy and Horticulture and is developing a lifecycle GHG emissions model for ethanol.

Liska began first by summarizing GHG emissions as related to the RFS. The RFS requires corn ethanol to lower GHG by 20%, advanced biofuels lower GHG by 50%, and cellulosic ethanol by 60%. A 2006 study found that corn ethanol on average reduces net GHG by 13% compared to gasoline, but there are diverse results among individual facilities. Thus, Liska is developing a computer program that will allow users to estimate net lifecycle GHG emissions of ethanol produced at any facility including GHG emissions resulting from production of the feedstock itself. The user need only input variables specific to the scenario they wish to recreate.

Liska's model is called the BESS model for Biofuel Energy Systems Simulator and includes four main components for GHG emissions estimates: Crop production, biorefinery, cattle feedlot for DDG use, and anaerobic digestion unit. BESS also creates three types of lifecycle analysis: net energy yield and efficiency, net emissions analysis, and input requirements (feedstocks, water, fossil fuels, etc).

Using BESS, Liska found the average dry mill corn ethanol plant in Nebraska has 48% lower lifecycle GHG emissions over gasoline, with a range from 17% reductions (coal fired plant) to 65% (closed loop system). Net energy balance in Nebraska plants range from 1.31 to 2.13, depending on fuel sources and milling type. Assuming a European Union-style carbon cap and trade market system, ethanol producers could sell about 20 cents worth of carbon credit for every gallon of ethanol they produce.

Chair's Report

Chair Jenkins complimented the staff dealing with new issues well. Jenkins noted that ethanol is being held to a higher environmental standard than other energy sources, and that he feels that the ethanol industry has not dealt with such criticism effectively.

Officer Elections

Chairman Jenkins turned the meeting over to Todd Sneller to begin elections. Sneller reminded everyone in attendance that the board annually elects a chairman, vice chairman and secretary of the Ethanol Board. Sneller opened the floor to nominations for chairman. Thede nominated Jim Jenkins for chairman. Thede moved, "to close nominations for chairman and cast a unanimous vote for Jenkins as chairman." Hallberg seconded. The motion carried by acclamation.

Sneller opened the floor to nominations for vice chairman. Brodersen nominated Mike Thede for Vice-Chairman. Brodersen moved, "to close nominations for vice-chairman and cast a unanimous vote for Thede as vice-chairman." Hanson seconded. The motion carried by acclamation.

Sneller opened the floor to nominations for secretary. Else nominated Steve Hanson for secretary. Else moved, “to close nominations for secretary and cast a unanimous vote for Hanson as secretary.” Brodersen seconded. The motion carried by acclamation. Sneller then turned the meeting over to Chairman Jenkins.

Administrator’s Report

Sneller noted that Agency 60 would soon be audited. He asked board members if they were planning to attend the Emerging Issues Forum set for March 13-14 in Omaha. He noted that he had been working closely with Joe Francis of Nebraska Department of Environmental Quality and Loran Schmit on the issue of ethanol safety and training, and that Agency 60 once again sent out a new round of “Fighting Ethanol Fires” DVDs to local fire departments.

Trip/Meeting Reports and Travel Authorization

Sneller recapped board and staff travel since the January 2008 board meeting. There were no new travel requests. Sneller mentioned his upcoming trip to DC for a “food vs. fuel” debate at the OPIS conference.

For upcoming travel requests, Sneller noted an NEVC meeting in St. Louis (Sneller); the National Ethanol Conference in Orlando (Sorum); the Ethanol Emerging Issues Forum in Omaha (Staff and Board); OPIS Ethanol Conference in D.C. (Sneller); Ethanol 2008 Conference in Sydney, Australia (Sneller); and a GEC meeting in Chicago (Sneller and Monahan). Sneller noted that airfare and board for the Sydney trip would be paid by the organizing group. Airfare and hotel for the GEC meeting would be paid by the organizing group

Next Meeting Date and Time

Sneller suggested April 4th for the next meeting, to be held in Lincoln as the state legislature would still be in session. McColley had indicated before the meeting that this date would work. The next meeting was set for April 4 in Lincoln.

Adjourn

Brodersen moved, “to adjourn the meeting.” Hallberg seconded. The vote carried by acclamation.

X

Steve Hanson, Secretary