



NEBRASKA ETHANOL BOARD

STATE OF NEBRASKA

DAVE HEINEMAN
GOVERNOR

TODD C. SNELLER
ADMINISTRATOR

NEBRASKA ETHANOL BOARD MEETING MINUTES

Holiday Inn
141 N 9th St.
Lincoln, Nebraska

April 4, 2008
9 a.m.

MEMBERS PRESENT

Tod Brodersen
Tim Else
Steve Hanson
Jim Jenkins
Mark McColley
Michael Thede

MEMBER ABSENT

Dave Hallberg

GUESTS

Mike Barwig--Tenaska
Nathan Brubec—LD Commodities
Dave Buchholz—David & Assc.
Mark Christensen – Neb. Senator
Craig Cook –Tenaska BioFuels
Jordan Dux—Adrian Smith Ofc.
Ed Gaither – EAD Engineering
Jacki Fee—Cargill
Leslie Fischer—EAD Engineering
Joe Francis – NDEQ
Bill Hord—Omaha World-Herald
Paul Johnston –NE Farm Bureau
Shelley Kaderly—NDEQ
Ron Kallhoff—NET
Randy Klein—NE Corn Board

ADVISOR PRESENT

Dr. James Hendrix

STAFF PRESENT

Todd Sneller
Steve Sorum
Gerri Monahan
Billy DeFrain
Mark Rathouz

Tory Kort—Chief Ethanol
Duane Kristensen—Chief Ethanol
Bobbie Kriz-Wickham – NE Dept. of Ag.
Bob Miller – E Energy Adams
Richard Perrin—UN-L
Brad Pracheil-NDEQ
Laurie Pfeifer—Aurora News-Register
Loran Schmit—Schmit Industries
Ralph Scott – Trenton Agri Products
Clark Smith—NDEQ
Piyush Srivastav – NE Air Quality
Brian Wilcox—NPPD / ACE
Dayle Williamson—Sen. Ben Nelson's Ofc.
Chuck Woodside—KAAPA Ethanol

Call Meeting to Order

A meeting of the Nebraska Ethanol Board was convened on Friday, April 4 at 9 a.m. The meeting was held at the Holiday Inn Downtown, 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. Sneller noted that he wanted to make time for Northeast Community College representatives to update the board on the progress of their biofuels curriculum, although this was not an agenda item. McColley moved “to approve the April meeting agenda as printed.” Brodersen seconded. The motion carried by acclamation.

Minutes

Jenkins asked if members had reviewed minutes of the February 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. McColley moved, “to approve the minutes of the February 29, 2008, meeting as printed.” Thede seconded. The motion carried by acclamation.

Budget Status Report

Sorum presented the budget report. Three-fourths of FY 2007-2008 has elapsed and Agency 60 has spent or committed slightly less about two-thirds of its budget. Less than 50% of the year’s operations budget has been expended and about 63% of the travel budget has been expended. Agency spending is below projected levels as revenues have fallen short of projections. The agency receives 1.25 cents per gallon of tax paid denaturant used at ethanol plants. Producers are able to blend between 1.9 and 5 %. As denaturants became more expensive relative to ethanol, blenders blend at lower levels. As a result, revenues for FY07-08 are expected to fall as much as \$300,000 short of projections.

Sneller noted that the Agency has a core budget for regular expenses and that staff will continue to travel and undertake projects as needed, keeping in mind the current budget constraints.

Monahan presented the spending and payment report for the months of February and March. For the month of February: Contracts: \$805; Dues/Registrations/Subscriptions: \$2,906.06; Meeting and Travel: \$2,015.34. E85 Grant Funding: up to \$55,000 awarded. Disbursements to date for UN-L’s Dr. Spalding Ethanol Research Project: \$66,558.13 with a balance of \$35,202.87. There were per diem payments for the Feb. 29 board meeting paid to Brodersen, Else, Hallberg, Hanson, Jenkins, and Thede. Else, Hallberg, McColley and Thede also received per diems for the *Emerging Issues Forum* on March 13 and 14.

For the month of March: Contracts: \$3,037.72; Dues/Registrations/Subscriptions: \$1,769.32; Meeting and Travel: \$4,062.68.

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

Sneller noted that on April 10 a report on progress of the grant funds for the E85 workshops is due. Rathouz and Monahan will be submitting the report, and the Agency will be reimbursed with grant funds as expenses for the project are incurred. Sneller also noted matching funds commitments for the project from NEVC and CFDC. Sneller made a point of clarifying that the NEB would be reimbursed for workshop expenditures covered by the grant.

Sneller summarized the progress of the ongoing audit of the Agency. The auditors have not noted any issues with the NEB as of yet. Recommendations from the auditors may be forthcoming.

EPIC Fund

Sorum reported that there had not been a great deal of change in the EPIC fund since his last report. The EPIC fund had revenue of \$3.7 million from the grain check-off in March. A \$20 million transfer from the general fund is expected in June. There are currently 10 plants earning production credits.

Special Presentations

Clark Smith from the Nebraska Department of Environmental Quality delivered a presentation on the May 10 deadline for Major Source emissions status. Sneller introduced Smith and noted that DEQ staff are good at communicating with NEB staff on emerging regulatory issues.

Smith reported that according to testing, many ethanol plants have trouble complying with Hazardous Air Pollutant (HAP) standards. Two plants (sources) have actually emitted above Major Source emissions levels. Major Source emitters are sources with actual emissions exceeding 10 tons per year of a single HAP or 25 tpy of all HAPs. A Major Source is subject to the Maximum Available Control Technology (MACT) standards, Class I operating permit status, and emissions fees. Ethanol plants with emissions above the Major Source threshold after May 10, 2008 will be permanently designated a Major Source. All Major Sources after May 10 will permanently be subject to the Miscellaneous Organic NESHAP (MON) standard, which regulates "process units" including storage tanks, fermentation tanks and distillation tanks. These units have high emissions of acetaldehyde, a HAP.

Smith summarized a number of methods which can mitigate acetaldehyde HAPs and summarized specifics of MON requirements. DEQ studied the effectiveness of scrubbers meeting the 20 ppmv HAP requirement. Only one of eight tests showed results below the allowable limit. Sources which rely on chemical additives in their scrubbers are technically major sources, and this use of additives must be written in their emissions permit.

Richard Perrin of the University of Nebraska-Lincoln Ag Economics department presented on the affect of ethanol on food prices. Perrin said that ethanol has some role, but is not solely responsible, for the rise in food prices. Other factors increasing grains prices include rising world population and income, higher demand for dairy and meat, which take four times the grain to produce, rising energy prices, and the speculative market for commodities. Perrin estimated that ethanol is responsible only about for 25-40% of the increase in global grain prices. The actual increase in food prices is higher than what the increase in grain prices alone can account for. Ethanol has also kept gas prices about 15% lower.

Perrin noted that developing countries have a greater percentage of their GDP in agriculture, and therefore a rise in grain prices could benefit them more greatly than other countries.

Ethanol Marketing Programs

Dave Buchholz of David and Associates provided a brief update on ethanol marketing activities. Buchholz noted the “constant PR battle” ethanol has and suggested a renewed push for labels. David & Assc. is planning reprints of current materials but has no new major projects under consideration. Buchholz noted his appreciation of his firms’ relationship with the Board and noted that their current contract is an “up-to” amount and that the board was not required to expend the maximum amount of the contract.

Sneller asked DeFrain to keep in touch with Buchholz as needed for materials reprints, including “Food and Fuel” and “Economic Impact” issue briefs.

Chuck Pohlmann of Northeast Community College provided an update on the biofuels curriculum. Pohlmann reported they were making progress in having the curriculum approved at other Nebraska community colleges. The program was approved last June and has 12 students currently enrolled. Central Community College is seeking curriculum approval in June, and they plan for all Nebraska community colleges to offer a 17 hour certification program.

Contract Renewal—David and Associates

Monahan described the terms of the Agency’s contract with David and Associates. The four year contract for marketing and promotion services for up to \$20,000 requires annual renewal by the board. This would be the third renewal of contract. Bids will go out for 2009-2010.

Brodersen moved “to renew the David & Associates contract for agency advertising, marketing, and public relations services for up to \$20,000 for July 26, 2008 through July 25, 2009.” Hanson seconded. The motion carried (yes- Thede, Brodersen, Else, Hanson, Jenkins, McColley; no-. Absent and not voting, Hallberg).

Contract Renewal—Morgan and Associates

Sneller described the terms of the Agency’s contract with Morgan and Associates. The four year contract for staff support services up to \$5,000 requires annual renewal by the board. This would be the second renewal of the contract. McColley moved “to renew the Morgan & Associates contract for agency services, research and special projects for up to \$5,000 for FY 2008-2009.” Thede seconded. The motion carried (yes- Brodersen, Else, Hanson, Jenkins, McColley, Thede; no-. Absent and not voting, Hallberg).

ACE and NEVC Membership Renewal

Sneller noted that the Agency annually reviews its memberships. Memberships for the American Coalition of Ethanol and National Ethanol Vehicle Coalition were up for renewal. Both organizations frequently collaborate with the Agency on various projects and participate in events like the *Ethanol Emerging Issues* Forum.

McColley moved “to approve payment of membership dues for the American Coalition of Ethanol of \$1,000 and the National Ethanol Vehicle Coalition of \$2,500.” Brodersen seconded.

The motion carried (yes- Brodersen, Else, Hanson, Jenkins, McColley, Thede; no-. Absent and not voting, Hallberg).

State and Federal Legislation

McColley provided an update on LB 500. The bill would provide unemployment benefits to apprentices attending weeklong training sessions for skilled trades. LB 500 passed and McColley has upcoming meetings with the Labor Commission regarding the bill's implementation and pending revisions to its language.

Sneller described LR 350. Sen. Dubas introduced the resolution which will study the feasibility of increased renewable energy development in Nebraska. The study is to be completed before the 2009 legislative session.

Sneller did not expect a farm bill to be introduced in April. Thede expressed concerns with farm bill funding, noting that foreign ag offices may have budgetary concerns. Jordan Dux of Rep. Adrian Smith's office said that a provision extending the current farm bill through April 18 had been passed. Bobbie Kriz-Wickham of the Nebraska Department of Agriculture noted that the president does not support additional extensions of the farm bill and expects the current bill will be extended through the November 2008 election.

Sneller reported that it was unlikely there would be technical corrections to the Renewable Fuels Standard. There are multiple groups vying for influence over the carbon emissions modeling to be used in determining the lifecycle GHG baseline in the RFS, including the University of California at Berkeley. New plants will have to comply with higher lifecycle GHG standards.

Ethanol Plant Status Report

Sneller noted that Jack Alderman is resigning from E-Energy Adams and moving on to develop projects elsewhere. Ralph Scott from Trenton Agri Products noted his presentation on ethanol fire safety and systems at the Nebraska Fire Chiefs conference in Grand Island. Fire chiefs from Chadron, Wood River and Grand Island attended the day long ethanol fire fighting training.

Duane Kristensen of Chief Ethanol reported on formation of the Association of Nebraska Ethanol Producers (ANEPP), of which Kristensen is president. ANEPP now has a bank account and a tax ID number. Kristensen said he'd like all plants in Nebraska to participate in the group to help address issues important to the industry, and that ANEPP is not interested in conducting the same activities that the Ethanol Board does. Jenkins noted that it was past time that Nebraska ethanol producers had a focused group to represent them in the legislature. Sneller commended Kristensen on his work with ANEPP.

Jacki Fee reported that the Cargill expansion will be online in 30 to 45 days. Bob Miller of E-Energy Adams reported they are having issues with a regulator who wants them to install a sprinkler system in DDG storage buildings. Sneller noted that regulatory issues frequently differ between different offices across the state, and that the Agency would work with other regulatory agencies and with ethanol plants to resolve such issues.

Ralph Scott reported that Trenton's annual spring outage was scheduled for next week and they would conduct inspections of the facility then. Nathan Brubec of Louis Dreyfus Commodities in Norfolk reported that their plant operations are running more smoothly.

Chair's Report

Chair Jenkins noted his appreciation for Dr. Perrin's report. Jenkins commented on the negative article in TIME magazine, which had many misstatements. Jenkins said it's important to understand the food and energy dynamic, especially when considering the average food animal travels 1,200 miles in its life, diesel prices largely impact food prices. Jenkins asked how the Agency could combat this negative message.

Sneller replied that the Agency tries to highlight this issue and related ethanol issues at meetings, other public forums and through proactive information and education programs like *Ethanol Across America*. Sneller traveled to DC to participate in a debate on the food and fuel topic and was going to Australia following the meeting to speak on the topic. Sneller noted that negative media portrayals of ethanol remain common, especially the food price issue and the lifecycle emissions issue. He reiterated Hallberg's point that oil from tar sands look clean only if biofuels look dirty. He noted the massive media campaign by the petroleum will continue to mislead the public and policy makers on biofuels.

Administrator's Report

Sneller reported that the *Ethanol 2008: Emerging Issues* Forum was a success and that the Agency would plan another forum in 2009. DVDs of Forum presentations will be distributed soon. Sneller noted the Board received a copy of the book "Energy Victory", from KAAPA. The author of book advocates moving to an alcohol fuel based energy economy.

Trip/Meeting Reports and Travel Authorization

Sneller recapped board and staff travel since the February 2008 board meeting. Sneller asked for authorization for a GEC meeting in California in June and an EPAC meeting in Montana in July. Sneller was not yet sure whether he would be attending either, but said he may be invited to speak at one or both meetings.

Hanson moved "to approve travel requests for Sneller to attend GEC meeting in California in June and EPAC meeting in Montana in July." Brodersen seconded. The motion carried (yes- Hanson, Jenkins, McColley, Thede, Brodersen, Else; no-. Absent and not voting, Hallberg).

Next Meeting Date and Time

Sneller suggested a meeting location near one of the upcoming E85 Direct Marketing Workshops. July would be easier to schedule the next board meeting. Sneller said he would look at several different dates and remain in contact with the board.

Ron Kallhoff of NET thanked the Ethanol Board for helping to fund NET's "Beef State" TV documentary. Kallhoff invited board and staff to the May 29 premiere to be held at the Cornhusker Hotel in Lincoln. Sneller noted that anyone with ties to the cattle industry would enjoy the program.

Adjourn

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

X

Steve Hanson, Secretary