



NEBRASKA ETHANOL BOARD

STATE OF NEBRASKA

DAVE HEINEMAN
GOVERNOR

TODD C. SNELLER
ADMINISTRATOR

NEBRASKA ETHANOL BOARD MEETING MINUTES

Ramada Inn and Convention Center
301 2nd Ave
Kearney, NE
June 5, 2009
9:30 a.m.

MEMBERS PRESENT

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

MEMBER ABSENT

Dave Hallberg

GUESTS

Dave Buchholz-David & Assoc.
Mark Christenson—Ne. State Senator
Milford Hanna—UN-L
Brad Holen—Amerifuels
Loren Isom—UN-L
Paul Johnston-Farm Bureau
Galen Frenzen—Future Board Member
Paul Kenney—Future Board Member
Randy Klein—Corn Board
Duane Kristensen—Chief Ethanol
Randall Sigle—NECC

STAFF PRESENT

Todd Sneller
Steve Sorum
Gerri Monahan
Billy DeFrain

ADVISOR PRESENT

Dr. James Hendrix

Bobbi Kriz-Wickham-NE Dept. Ag
Ed Maixner—Kiplinger Ag Letter
Bob Miller-E Energy Adams
Rick Nelson—NPPD
Lori Potter—Kearney Hub
Loran Schmit-ANEPP
Ralph Scott-Trenton Agri Products
Piyush Srivastav—NE Air Quality
Paul Strommen—MABE
Jamie Wewel—UPRR

Call Meeting to Order

A meeting of the Nebraska Ethanol Board (Agency) convened on Friday, June 5 at 9:30 a.m. The meeting was held at Ramada Inn and Convention Center, Kearney. 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.

Approval of Agenda

Thede asked for additions or corrections to the agenda. Seeing none, McColley moved “to approve the June meeting agenda as amended.” Brodersen seconded. The motion carried by acclamation.

Minutes

Thede asked if members had reviewed 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. McColley moved, “to approve the minutes of the March 6, 2009 meeting as printed.” Hanson seconded. The motion carried by acclamation.

Budget Status Report

Sorum presented the Agency Budget Status Report for activity through 11 months of the fiscal year. The agency has expended and committed about 75% of its appropriated funds through May.

The Legislature appropriated \$560,000 to the NEB for FY 2010 and 2011. The agency requested \$744,000 for each year but the Governor and the Appropriations Committee each suggested \$560,000 annual budgets. The legislature passed and the governor signed an appropriations bill granting \$560,000. The budget cuts were not unique to the NEB as virtually all state agencies were limited to the previous year appropriation in the face of lower state revenues.

Future NEB revenues are projected to be significantly less as the 2009 federal Farm Bill reduced the maximum level of denaturing allowed by ethanol producers from 4.9% to 2%. As this source of revenue accounts for approximately 82% of the agency’s total, revenue projections indicate potential revenue losses of 52%. In addition, four idled Nebraska plants, and production levels below capacity at several others have also reduced Agency revenue.

The appropriations bill passed by the Legislature also scheduled a transfer of \$200,000 from NEB cash reserves to the state’s general fund. Sneller testified to the Appropriations Committee that this transfer and reduced revenue projections would put the Agency in a difficult budgetary position. McColley, Sorum and ANEEP’s Loran Schmit brought this to the attention of individual members of the committee as well. The final version of the bill postponed the transfer until June 15, 2010 with the idea the NEB can make a case for rescinding the transfer during the 2010 legislative session. If revenues are near projections, the Appropriations Committee could remove the transfer language. If the transfer happens and revenues meet projections, the NEB will fall \$175,000 short of funding its full appropriation in FY2011.

Sneller said the Agency's past budget committees had looked at revenues and agreed on a reduced budget, operating on the concept of a core budget and planning to spend only around 85% of appropriations, allowing the Agency to build a cash reserve fund, which the Agency draws on in slow revenue months. The consequence of this policy has been the appearance of having a large cash reserve that is not being used, Sneller said. The Agency must continue to be prudent, and solicit grant funds for research from the private sector instead of spending cash. Sneller acknowledged McColley's help in lobby legislators on Agency budget issues.

Monahan presented payment and per diem reports for March, April and May. For March: Contracts: \$17,055.60; Dues/Registrations/Subscriptions/Education: \$1,453.42 Meeting and Travel: \$2,416.81; Internal Agency Expenses: \$2,667.35; Dept of Agriculture, EPIC costs: \$1,529.68; Reimbursement for GBC travel: \$569.40.

For April: Contracts: \$972.60; Dues/Registrations/Subscriptions/Education: \$2,817.78; Meeting and Travel: \$2,172.16; Other: \$359.99; Internal Agency Expenses: \$2,006.52.

For May: Contracts: \$6,916.89; Dues/Registrations/Subscriptions/Education: \$739.46; Meeting and Travel: \$814.06; Other: \$15.06; Internal Agency Expenses: \$2,504.54.

Spalding Ethanol Research Project Balance: \$31,727.67.

Per diems for the March board meeting were paid to Brodersen, Else, Hallberg, Hanson, McColley and Thede. Per diems for the Ethanol Forum were paid to Else and Hallberg. Per diems for the Governor's Ag Conference were paid to Hanson and Thede.

McColley moved, "to accept the March, April and May payments and per diem reports as presented." Brodersen seconded. The motion passed (yes-Thede, Brodersen, Else, Hanson, Jenkins, McColley; no-; absent and not voting: Hallberg).

EPIC Fund Report

Sorum provided an update on the Ethanol Production Incentive Cash Fund (EPIC). The Legislature directed an \$8.25 million transfer from the general fund to the EPIC fund at the end of FY10 and an additional \$3 million transfer at the end of FY 2011. Based on a joint projection by the NEB and the Dept. of Revenue, the fund will be able to meet expected obligations through FY 2010 and well into FY 11 as a result of the transfer.

NEB Research Initiative

Sorum provided an update on the NEB's research initiative. A Request for Proposal (RFP) was issued in January. Five proposals were received but only three fit prescribed criteria. One proposed a water use and quality assessment of Nebraska's ethanol industry, another to research energy consumption in distillation columns, and a third to develop new carbohydrate products from DDGs (Dried Distiller Grains). A review committee was named. Dr. Jim Hendrix, the NEB's technical advisor, chaired the committee that also included Chairman Thede, Sorum, and Cargill's Jacki Fee. After a thorough review of the proposals, the committee voted unanimously to recommend Dr. Hossein Nouredini's proposal to create new food products from DDGs. The total cost of the project is \$60,983 with the NEB supplying \$30,286. Dr. Nouredini was informed that the availability of funds may be in jeopardy due to Agency budget issues.

Sorum asked the board for direction on how to proceed. Sneller suggested the Agency might solicit private donations to help fund the selected research project. Jenkins said that because the Agency committed to spending more money on research, it should follow through and use cash reserves to fund the research project. Sorum agreed it was not appropriate to alter the terms after calling for proposals. McColley agreed.

Hanson moved, “to award the selected project, Dr. Nouredini’s University of Nebraska-Lincoln (UNL) proposal titled Distillers Grains: Carbohydrate Utilization, \$30,286.” Jenkins seconded. Following discussion the motion passed (yes-McColley, Thede, Brodersen, Else, Hanson, Jenkins, no-; absent and not voting-Hallberg).

Ethanol Marketing Programs

Dave Buchholz, David & Associates, provided an update on marketing activities. The Agency and the Nebraska Corn Board are working on the “Trucks and Bucks” promotion with the Nebraska Lottery, which will give away four flex fuel Toyota Tundra’s. They are close to printing a new issue brief, on the environmental impact of ethanol. They are also working on a white paper by Dave Vander Griend on the value of ethanol co-products and the life-cycle assessment of ethanol.

Sneller said the Agency would again have two booths at the Nebraska State Fair, and that 2009 is the last year the fair is in Lincoln before moving to Grand Island. Sneller encouraged board members and ethanol plants to help staff the booths. Staff is looking at several USDA grants and loan programs to see what projects might be eligible for ethanol development, and DeFrain recently submitted a grant application for more E85 workshops, and would be submitting another grant application soon. The Agency may also try to promote higher ethanol blends through the “clean cities” grant program, which named Omaha a Clean City city.

The end of the comment period on the Environmental Protection Agency’s (EPA) E15 waiver is approaching, and Department of Energy Secretary Steven Chu said that E15 would be necessary to meet Renewable Fuels Standard (RFS) requirements. Approval of E15 hinges on Underwriters Lab (UL) approving an E15 system, which they have delayed doing despite endorsing system components for E15. Sneller has been meeting with Nebraska Attorney General Jon Bruning and working with other attorneys general in demanding timely action from UL.

Sneller asked the board for a motion to authorize staff to apply for grant funds for E85 workshops. Brodersen moved that “The Nebraska Ethanol Board members authorize NEB staff to apply for USDA Rural Business Enterprise Grant.” Else seconded. The motion carried by acclamation.

Ethanol In Stationary Engines

Loren Isom, University of Nebraska –Lincoln Industrial Agricultural Products Center, presented a summary of his research on the use of ethanol in stationary engines.

Audio of Isom’s presentation and his power point are on the Agency’s “NEB Meetings” page at <http://www.ne-ethanol.org/events/nebmeetings.htm>.

Special Presentation: Ed Maixner

Sneller introduced Ed Maixner as the next guest speaker. Maixner is the editor of the Kiplinger Agriculture Letter and spoke on the many factors affecting food and energy prices. The full audio of Maixner's presentation is on the Agency's "NEB Meetings" page at <http://www.ne-ethanol.org/events/nebmeetings.htm>.

Nebraska Dept. of Agriculture Funding Request

Bobbi Kriz-Wickham presented a funding request to the Board for the Nebraska Department of Agriculture. Kriz-Wickham said that it is the Ag Department's goal to foster stronger trade relations with Montana because the state exports cows and calves to Nebraska. More cattle in Nebraska would increase DDG demand for ethanol plants.

Hanson said he had met with this group the previous year in Paxton, and that it had been a valuable meeting. Hanson is planning on attending this year as well.

Jenkins said that it is important to continue to support the cattle industry, and that a working relationship between the cattle and ethanol industries is critical. Jenkins proposed granting \$750 for the Ag Dept. program.

Jenkins moved, "to approve \$750 for the Nebraska Department of Agriculture's Big Sky Cattle Drive, as a way to help increase demand for Nebraska ethanol co-products." Hanson seconded. The motion passed (yes-Brodersen, Else, Hanson, Jenkins, McColley, Thede, no-; absent and not voting-Hallberg).

NEVC Membership Renewal

Sneller noted that Monahan had e-mailed board members for approval of Agency membership renewal with the National Ethanol Vehicle Coalition (NEVC) as deadline for payment fell between board meetings. The board reauthorized membership payment. Sneller noted that NEVC is an diverse organization of auto manufacturers, equipment manufacturers and fuel distributors, and is an expert in E85 issues. NEVC voted to merge with Growth Energy and will keep an office in Jefferson, MO and possibly in Omaha. Growth Energy will ask Bernie Punt of Siouxland Energy and Chair of NEVC to serve as an NEVC representative on the Growth Energy Board.

McColley moved, "to reauthorize payment of NEVC membership dues in amount of \$2,500 for FY 2009-2010." Brodersen seconded. The motion carried by acclamation.

New Contract—David & Associates

Sneller expressed his approval of past Agency work with David & Associates for advertising/marketing/promotions and noted that their work always comes in under budget. Every three years, the Agency must go through a bidding process for its marketing services. DAS State Purchasing approved a new contract with David & Associates without requiring the Agency to undergo the RFP process so long as the contract was less than \$50,000 over a three year period. DAS Purchasing will request the Agency to go through the RFP process next time regardless of contract amount.

Brodersen moved, "to award David & Associates a three year advertising/marketing/promotions contract up to \$50,000 for the time period of July 25, 2009 to June 30, 2012. McColley

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

Morgan & Associates Contract Renewal

Sneller noted that this was the final year of a three year contract with Morgan & Associates for staff assistance and special projects assistance. The contract is for services up to \$5,000. The contract can be renewed for one more year.

Hanson moved, “to approve one more renewal year for Morgan & Associates contract for assistance to the Nebraska Ethanol Board, up to \$5,000 for July 1, 2009 through June 30, 2010.” Else seconded. The motion passed (yes-Hanson, Jenkins, McColley, Thede, Brodersen, Else, no-; absent and not voting-Hallberg).

Ethanol Plant Status Reports, ANEEP Update

Sneller asked for updates from ethanol producers. Ralph Scott reported that the Trenton plant was running at full capacity. Bob Miller of E-Energy Adams reported that they are running at full capacity and the uptick in the market had made things easier. Duane Kristensen of Chief Industries reported that his plant is also running at full capacity and that the near term outlook looks good. Association of Nebraska Ethanol Producers (ANEPP) believes that ethanol production capacity may be overbuilt, and that in six months or so it will be more difficult to maintain a profit. ANEEP will also be meeting with the Nebraska Department of Environmental Quality (DEQ) on environmental programs.

Sneller said that it appears the Albion plant will resume production within 30 days, and the Ord and Central City plants will resume production sometime in July. Sneller said he had also been speaking with Ken Cassman and Adam Liska from UN-L, working on submitting comments to the EPA regarding the proposed E15 waiver. Liska has recently been hired as faculty at UN-L. Doug Durante planned to attend the EPA hearing on Tuesday to testify that the emissions modeling coming out of UN-L is good work and should be incorporated into GHG analyses.

State and Federal Legislation

Sneller noted that Hallberg has been working with the Governors’ Biofuels Coalition, the Clean Fuels Development Coalition and the White House on public policy issues, and that more announcements from the president regarding biofuels were pending. The EPA is holding hearings on the RFS rules; June 9 is the last day for submitting comments. The Agency plans to sign on to the UN-L comments.

Monahan will implement some of the administrative changes due to new statutes. All meals over \$5 now require a receipt for reimbursement. Monahan will incorporate these new changes into the Agency manual. Monahan also said that license plate numbers would be required for mileage reimbursement. Direct deposit forms for per diems and expense reimbursement will be required in the near future. State Accounting is to send an automated e-mail when deposits are made. The updated state travel reimbursement policies were included in meeting folders.

Chair’s Report

Thede delivered his Chair’s Report. Thede said he felt the Agency had a good discussion during the board meeting. He attended a meeting in Central City regarding the startup of the ethanol plant now owned by Green Plains Renewable Energy, which is looking at a mid-July start date.

Green Plains is making an effort to get to know Central City and generate a positive public image. Green Plains intends to buy as much area corn as possible, which should help improve their public image after the corn contracts producers had with VeraSun fell through.

Administrator's Report

Sneller delivered his administrator's report. The Agency occasionally receives a request from the journalism community, and recently received a request from UN-L for cooperation on a special ethanol project. Staff has solicited ethanol plants to grant access to students for the project. Staff will also be looking at upcoming USDA SBIR loan and grant programs, looking for potential projections in cooperation with producers and fuel marketers.

Randy Sigle of Northeast Community College provided a brief update on the biofuels technology program. Sigle thanked the Board for its role in the program, and said that the first class graduated in May with Associate of Applied Science degrees in Renewable Fuels Technology. The class had nine graduates, with some choosing to continue with further education and others already hired for jobs in ethanol plants. They are also offering online classes for the program at ethanoltraining.org. The program has hired two new faculty members, Rachele Razinsky, formerly of DEQ, and Clark Clobaum, a graduate of the program.

During the next two weeks they will be training operators on their simulation system at the facility in Norfolk. The \$140,000 system mimics a real operating ethanol plant. The program is funded by a three year federal grant, now in its third year. The program is offering on site training to plants in one or two day seminars at no cost to the plants. The training seminars have received a positive response from the industry. Sigle invited anyone to visit their facility at any time.

Travel Report

Sneller noted that a summary of past travel and future travel requests was in the meeting folders. He did not expect to make the trip to Washington, DC after all, and the NEVC trip may done via teleconferencing. Sneller also noted meetings in St. Louis with Abengoa, and the upcoming ACE conference and board meeting.

Else moved, "to approve Sneller's upcoming out-of-state requests for Abengoa meeting in St. Louis; ACE board meeting and conference in Milwaukee; and ACE board meeting in Sioux Falls, South Dakota." Jenkins seconded. The motion passed (yes-Jenkins, McColley, Thede, Brodersen, Else, Hanson; no-; absent and not voting-Hallberg).

Next Meeting Date and Time

The next meeting date was set for Friday, August 21 in Lincoln.

Adjourn

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

Handwritten signature of Tim Else in cursive script, followed by the title "Sec." in a smaller, similar script.

Tim Else, Secretary