

**NEBRASKA ETHANOL BOARD
MEETING MINUTES**

**Country Inn & Suites
5353 North 27th Street
Lincoln, Nebraska**

**June 12, 2007
8:30 a.m.**

MEMBERS PRESENT

Tod Brodersen
Tim Else
David Hilferty
Jim Jenkins
Mark McColley
Michael Thede

MEMBER ABSENT

Dave Hallberg

GUESTS

Douglas Molfert – Northern Utilities
Jenny Moerer – E Energy Adams
Cynthia Thomsen – WIFE
Perry Stoner – NET TV
Paul Johnson – NE Farm Bureau
Bill Hord – Omaha World-Herald
Christine Wutili – E3 Biofuels, Mead
Michael Henry – Terracon
Troy Lindsey – Conoco Phillips
JC Schmidt – Schmidt Industries
Carl Sitzmann – E Energy Adams
Angie Ullman – Terracon
Mike Ringler – Terracon
Duane Matson – Central Comm. College
Katie Hadenfeldt – Union Pacific
Ed Gaither – E3 Biofuels Mead
Kathy Hall – Northern Utilities

STAFF PRESENT

Todd Sneller
Steve Sorum
Gerri Monahan
Billy DeFrain
Mark Rathouz – intern

ADVISOR ABSENT

Dr. James Hendrix

Bob Bettger – NE Dept. Natural Resources
Randy Klein – NE Corn Board
Mike Salzwedel – DAS Budget
Norm Hall – Ryan & Associates
Ron Kallhoff – NET
Carolyn Johnsen – UN-L
Eric Lee – RAE
Art Hovey – Lincoln Journal-Star
Jeff Johnson – Olsson & Associates
Nick Wagoner – CCC Columbus
George Hoeffler – Northern Utilities
David Ansorier – Northern Utilities
Brooke – NET TV
Don McCabe – Nebraska Farmer
Doug Durante – CFDC
(NET TV Camera operator)

Call Meeting to Order

A meeting of the Nebraska Ethanol Board was convened on Tuesday, June 12, 2007, at 8:30 a.m. The meeting was held at the Country Inn & Suites, 5353 North 27th St., Lincoln, Nebraska. Chairman 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

Chairman Jenkins asked if there were any additions or corrections to the agenda. Hearing none, he asked for a motion to approve the agenda. McColley moved, "to approve the agenda as printed." Brodersen seconded. The motion carried by acclamation.

Minutes

Chairman Jenkins asked if members had reviewed minutes of the previous 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 April 19, 2007, meeting as printed." Thede seconded. The motion carried by acclamation.

Budget Status Report

Sorum introduced Mike Salzwedel from the DAS Budget office. Sorum reported that Agency 60 had spent or committed 92% of its core budget through 92% of the fiscal year. The Board has spent or committed 89.8% of Total Personal Services budget, 95.8% of Total Operating Expenses, and 93.3% of Total Travel Expenses.

Based on revenues and ethanol production estimates, Sorum reported that 87 to 88% of NEB revenues originate from the ethanol industry. With revenues running about \$33,000 per month, the yearly totals are down slightly from projections. Sorum also reported the Legislature authorized an annual budget for the NEB in LB321. The legislature appropriated \$559,535 annually for the each of the next two fiscal years. LB322 caps NEB revenues from the Ag Alcohol Fuel Tax Fund to \$550,000 annually until 2012. Any revenues in excess of that number shall be credited to the EPIC fund.

Monahan presented the April and May payment reports. For the month of April total expenditures were as follows: Dues/Registrations/Subscriptions \$173.76, Meeting and Travel Expenses \$1,654.70. For the month of May, total expenditures were as follows: Contracts \$2,317.45, Dues/Registrations/ Subscriptions \$2,992.24, Meeting and Travel Expenses \$2,481.30, Other Expenses \$2,344.95. There were no Federal funding expenditures to date for 2007. There was an additional \$25,122 received from the American Petroleum Institute for the Ethanol Research Project by Dr. Spaulding of UNL.

Monahan reported that the following per diems were paid in April: April Board Meeting in Lincoln – Brodersen, Hallberg, Hilferty, Jenkins, McColley, Thede. Hilferty moved "to accept the May and April payment and per diem reports as printed." Brodersen seconded. The motion carried (yes- Thede, Brodersen, Else, Hilferty, Jenkins, McColley; no-). Absent and not voting- Hallberg.

EPIC Fund

Sorum reported the EPIC fund balance is \$6.7 million. LB322 transfers \$15 million from the General Fund to EPIC and extends the grain check-off for two additional years ending in 2012. This action is expected to keep EPIC fully funded for the next two years.

Ethanol Marketing Programs

Sneller recapped the event he and DeFrain attended in Holdrege on June 8 for an E-85 pump opening. Sorum reported on pooling resources with the Corn Growers Association and the NE Corn Board for a two column by 4 inch ad in local Nebraska newspapers. Sorum also noted new E-10 pump labels and that 90% of Nebraska-produced ethanol is exported outside the state.

Agency Advertising/Marketing/PR Contract Renewal

Monahan noted that under statute state agencies are required to seek multiple bids on contracts exceeding \$50,000, when that amount includes renewal periods. The NEB was asked to renew the David & Associates contract for agency advertising, marketing and public relations services. The contract is for FY 2007-2008 and allows up to \$20,000. Brodersen moved to renew the contract, McColley seconded. The motion carried (yes- Brodersen, Else, Hilferty, Jenkins, McColley, Thede; no-). Absent and not voting- Hallberg.

Agency Services/Research/Special Projects Contract Renewal

Thede moved to approve a contract renewal with Morgan & Associates for agency services, research and special projects for up to \$5,000 for FY 2007-2008. Brodersen seconded. The motion carried. (yes- Else, Hilferty, Jenkins, McColley, Thede, Brodersen. no-). Absent and not voting- Hallberg.

Ethanol Remediation Research Grant Addendum

Sneller talked about Dr. Roy Spalding of UNL's ethanol remediation project researching the impact and potential solutions to a large-scale ethanol spill. Brodersen moved to addend the ethanol remediation research contract by an additional \$25,122. Thede seconded. The motion carried (yes- Hilferty, Jenkins, McColley, Thede, Brodersen, Else; no-). Absent and not voting – Hallberg.

State and Federal Legislation

Sorum summarized state legislation enacted during the 2007 legislative session, which had minimal impact on the NEB and Nebraska's ethanol industry. LB 321 determined NEB funding and LB 322 determined EPIC funding. Sorum asked that discussion of federal legislation be delayed until Durante's special presentation as federal legislation was the featured topic.

Ethanol Plant Reports

Sneller reported he and Sorum were trying to visit developing and prospective sites to gauge progress. Sneller noted a significant pace in development delays at nearly every site. Eric Lee of Renewable Ag Energy reported that the Gothenburg plant was wrapping up modeling and is on track to begin construction fall 2007. Carl Sitzmann of E-Energy Adams reported that the Adams plant is 60% complete and will begin production October 2007. Representatives from Northern Utilities reported they are waiting on permits and

are surveying the construction site; construction should begin fall 2007. Katie Hadenfeldt of Union Pacific stressed the importance of increased communication among Union Pacific and plants under construction to best meet logistical railway needs of future ethanol plants. Hilferty reported the Madrid plant may be ready for startup in July or August and that a second project is underway near the same site.

Special Presentation: Water Issues

Bob Bettger of the Nebraska Department of Natural Resources (DNR) discussed how the DNR grants permits in areas where water is fully over-appropriated. LB 962 is a state water law that provides an Integrated Management Plan, which includes annual evaluations of long-term water supply. Bettger also said that feasibility studies of prospective ethanol plants should address water needs, sources and offsets. Bettger said that newer technologies, like using an underground drip tape system with center pivot irrigation, could help conserve or recapture water.

Special Presentation: National Ethanol Report

Doug Durante of the Clean Fuels Development Coalition (CFDC) presented an overview of the national ethanol industry with a focus on the impacts of pending legislation in the U.S. House of Representatives and the Senate. Durante said that there is no natural demand for ethanol, that it is a policy-driven industry. With the potential for increased turmoil in the Middle East and the banning of additive MTBE, the ethanol industry has an advantageous future ahead but will face challenges.

Durante reported national ethanol production will exceed the Renewable Fuels Standard (RFS) requirements. The RFS requires at least 7.5 billion gallons of ethanol by 2012, but the CFDC estimates annual ethanol production will be 9.8 billion gallons. Durante stressed the importance of ethanol interests opposing Alternative Fuel Standards (AFS) as opposed to RFS, because AFS includes finite fossil fuels like coal-to-liquid gas and natural gas which run contrary to the ethanol industry's profitability. The CFDC also strongly opposes a tariff elimination on foreign ethanol as the increased supply will lower prices for domestic producers and send money to foreign economies in the form of the 50 cent per gallon subsidy.

Durante reported that a parallel energy bill in the Senate would require 15 billion gallons of biofuels by 2015, but it proposes to cap the level of corn starch-produced ethanol at 15 billion gallons. The bill would require additional ethanol be "Advanced Renewable Fuels", that is cellulosic or biomass ethanol.

Durante debunked the most recent media criticisms of ethanol; the perception that ethanol is causing a rise in food prices and that ethanol has a negative net energy balance and higher lifecycle CO₂ emissions than fossil fuels. He also suggested the industry produce a written FAQ addressing and debunking criticisms of ethanol.

Fiscal Year Membership Renewals

Hilferty moved to approve payment of membership assessment fees and dues for the American Coalition for Ethanol, the National Ethanol Vehicles Coalition and the Clean Fuels Development Coalition for FY 2007-2008. ACE assessment \$1,000; NEVC dues

\$2,500; CFDC assessment \$25,000. Thede seconded, the motion carried yes-) Jenkins, McColley, Thede, Brodersen, Else, Hilferty; no-). Absent and not voting: Hallberg

Chairman's Report

Jenkins spoke on ethanol's vital role in growing Nebraska's economy and addressed cattle industry complaints of rising feed prices. Corn subsidies had for years artificially driven down cattle prices because cheaper corn resulted in overfeeding cattle. Jenkins noted that the U.S.'s energy independence via ethanol is more important with increasing tensions in the Middle East.

Administrator's Report

Sneller reminded the board that ethanol producers may soon sign on to new, voluntary OSHA program geared toward safe workplace practices. Sneller also reminded members of the upcoming ACE Conference in St. Paul, Minnesota August 7-9. Sneller asked that the Nebraska LEAD Program grant proposal be added to next NEB meeting agenda.

Trip / Meeting Reports and Travel Authorization

Sneller outlined recent meeting and travel reports. Authorizations requested include the Fuel Ethanol Workshop June 26-29 in St. Louis, MO; Western Petroleum Marketers Retailers July 18-20, Salt Lake City; American Coalition for Ethanol August 7-9, St. Paul, MN. McColley moved to approve the travel requests. Hilferty seconded. The motion carried (yes- McColley, Thede, Brodersen, Else, Hilferty, Jenkins; no-). Absent and not voting – Hallberg.

Next Meeting Date and Time

The next meeting was scheduled for Friday, August 24, in Lincoln.

Adjourn

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

Mike Thede, Secretary