



NEBRASKA ETHANOL BOARD

STATE OF NEBRASKA

DAVE HEINEMAN
GOVERNOR

TODD C. SNELLER
ADMINISTRATOR

NEBRASKA ETHANOL BOARD MEETING MINUTES

Embassy Suites
1040 P St
Lincoln, NE
August 21, 2009
8:30 a.m.

MEMBERS PRESENT

Tod Brodersen
Tim Else
David Hallberg
Steve Hanson
Jim Jenkins
Mark McColley
Mike Thede

STAFF PRESENT

Todd Sneller
Steve Sorum
Gerri Monahan
Billy DeFrain

ADVISOR PRESENT

Dr. James Hendrix

GUESTS

Dave Buchholz-David & Assoc.
Doug Durante—CFDC
Jacki Fee—Cargill
Bill Fenton—Cargill
Paul Kenney—KAAPA
Randy Klein—Nebraska Corn Board
David King—Union Pacific Railroad
Kevin Kenney—Clean Flex Power Systems
Paul Johnston- Nebraska Farm Bureau
Bobbi Kriz-Wickham-NE Dept. Ag
Don McCabe—Nebraska Farmer
Bob Miller—E Energy Adams
James Nygren—Farm Credit Services

Joe Oswald—E Energy Adams
Ron Prestor—Clean Flex Power Systems
Tim Scheer—Nebraska Corn Board
Martha Schlicher—Monsanto
Loran Schmit-ANEPP
Ralph Scott-Trenton Agri Products
Tom Slunecka—PhiBro Ethanol Group
Piyush Srivastav—NE Air Quality
Jim Stark—Green Plains Renewable Energy
Jay Ringenberg—NDEQ
Brian Wilcox—NPPD

Call Meeting to Order

A meeting of the Nebraska Ethanol Board convened on Friday, August 21 at 8:30 a.m. The meeting was held at Embassy Suites in Lincoln. 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 August meeting agenda as printed.” Hanson seconded. The motion carried by acclamation.

Minutes

Thede asked if members had reviewed minutes of the June 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 June 5, 2009 meeting as printed.” Brodersen seconded. The motion carried by acclamation.

Budget Status Report

Sorum presented NEB budget figures and projections for the fiscal year beginning 7/1/09. Cash on hand the first day of FY09-10 was \$453,684. The Legislative spending limit for the year is \$782,434. Projected revenue declines indicate resources insufficient to fully fund that level of spending in the second year of the biennial budget. The 2008 Farm Bill provision limiting denaturant levels to 2% will likely reduce Agency revenues by as much as 60%.

Compounding falling revenues is a \$200,000 cash transfer from Agency reserves to the Ethanol Producer Incentive Cash Fund. The transfer is scheduled for June 10, 2010. The Appropriation Committee of the Legislature has indicated a willingness to revisit the transfer order if revenues decline as projected. Given this combination of factors, The NEB adopted a core budget of \$560,329 for FY 09-10. Sorum presented a summary of budget expenditures for the first two months of the FY. Total cash expenditures and commitments through July totaled \$67,250 or 12% of FY09-10 core budget.

Sneller noted a wildcard in the past has been grant monies. The NEB staff is applying for state and federal grants and working with private sector partners and other advocacy groups in an effort to secure grant funds. Sneller also asked board members to continue work with the Appropriations Committee on Agency budget issues.

Monahan presented payment and per diem reports for June and July. For June: Contracts: \$760.70; Dues/Registrations/Subscriptions/Education: \$1,012.00; Meeting and Travel: \$3,004.93; Internal Agency Expenses: \$2,394.69; Dept of Agriculture, EPIC costs: \$3,928.31.

For July: Contracts: \$21,937.65; Dues/Registrations/Subscriptions/Education: \$570.69; Meeting and Travel: \$2,784.32; Other: \$1,563.89; Internal Agency Expenses: \$2,048.18; Department of Ag EPIC costs: \$1,256.07; Reimbursements: \$32.45.

Per Diems were paid to Brodersen, Else, Hanson, Jenkins, McColley and Thede for the June 5 meeting; to Jenkins for the ethanol irrigation meeting in Denver; and to Thede for the Green Plains Renewable Energy meeting in Central City and the meeting with Sneller in Palmer.

Brodersen moved, “to accept the June and July payments and per diem reports as presented.” Else seconded. The motion passed (yes-Thede, Brodersen, Else, Hallberg, Hanson, Jenkins, McColley; no-).

EPIC Fund Report

Sorum provided an update on the Ethanol Production Incentive Cash Fund (EPIC). The fund showed a balance of \$2.9 million on July 31, 2009. The legislature has ordered transfers from the state’s general fund to the EPIC fund of \$8 million in 2010 and \$3 million in 2011. These scheduled transfers and the prospect of higher than projected grain tax revenues will enable the EPIC Fund to meet obligations in the next biennium.

NEB Research Initiative

Hendrix summarized the Board’s decision to grant research funds through the Request for Proposals process. The Board accepted the selection committee’s recommendation to grant Dr. Hossein Nouredini research funds up to \$30,286 to identify and research other potential byproducts of ethanol production.

Nouredini presented a summary of his project to the board. Project goals are to develop a hydrolysis system to create high concentrations of monomeric sugars; achieve greater than 75% conversion of hemicellulose in DG to soluble fibers; create a marketable soluble fiber end product; refine a method of removing carbohydrates and oil from DG, and to create a highly concentrated protein substrate for use as a feed supplement.

Nouredini will report findings to the Board. Hanson asked about construction costs of necessary equipment and facilities to process the target products. Nouredini said final cost estimates will be part of his results. Sneller asked if the protein substrate could be used as a food supplement. Nouredini said the process was not certified as food grade, and that certifying the process would be costly.

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 vehicles (FFV) Toyota Tundras. David & Associates has also updated and reprinted the ethanol plant map brochure.

Monahan noted that the Agency would once again have booths at the Nebraska State Fair, one at Devaney and one in Ag Hall. Staff would also be volunteering at the Beef Pit again.

Sneller noted that while updating the ethanol map brochure, staff had noticed that many plants have added additional employees. Sneller also noted that a recent order of ethanol bumper stickers authorized by Thede required authorization from the board.

McColley moved, “to approve Chair’s previous authorization of up to \$1,500 for a reorder of ethanol bumper stickers.” Brodersen seconded. The motion passed (yes: Brodersen, Else, Hallberg, Hanson, Jenkins, McColley, Thede; no:).

Sneller summarized a marketing sponsorship the Agency had arranged with the Lincoln Saltdogs baseball team. The partnership includes a sponsor of the game package, rotating concourse sign displayed for all events at Haymarket Park, radio commercial time during game broadcasts, etc. Board members authorized the sponsorship between the June and August Board meetings. Hanson moved, “to publically approve previous authorization by board members for sports marketing partnership through 2010 with Lincoln Saltdogs baseball for \$5,640.” The motion passed (yes: Else, Hallberg, Hanson, Jenkins, McColley, Thede, Brodersen; no:).

Sneller noted that with the impending “blend wall,” increased FFV and E85 infrastructure were topics at the recent American Coalition for Ethanol (ACE) convention. Growth Energy acquired the National Ethanol Vehicle Coalition’s (NEVC) website, and the Clean Fuels Development Coalition (CFDC) has agreed to work collaboratively with the Agency and other advocacy groups in seeking grant funds for E85 infrastructure and FFV projects.

LEAD Funding Request

Thede noted the Agency’s past support of the Nebraska LEAD program. Else noted that Agency budget constraints might prevent the Agency from supporting the full funding request. Sneller said that the Agency has typically split the funding request in half, and granted the other half at a later date. Else moved, “to approve half of the Nebraska LEAD program’s request of \$2,500 for FY 2009-2010 and revisit the second half of funding in six months.” Hanson seconded. The motion passed (yes: Hallberg, Hanson, Jenkins, McColley, Thede, Brodersen, Else; no:).

Special Presentations

Sneller introduced Doug Durante, Executive Director of the CFDC, as guest speaker. Durante provided an update on federal legislative and regulatory issues affecting the ethanol industry. The full audio of Durante’s presentation is on the Agency’s “NEB Meetings” page at <http://www.ne-ethanol.org/events/nebmeetings.htm>.

Sneller introduced Martha Schlicher of Monsanto as the next guest speaker. Schlicher is the Bioenergy Technology Lead at Monsanto. She spoke about meeting the goal of increased ethanol production and increasing crop yields. The full audio of Schlicher’s presentation is on the Agency’s “NEB Meetings” page at <http://www.ne-ethanol.org/events/nebmeetings.htm>.

CFDC Membership Renewal

The CFDC requested membership renewal and continuing support from the Agency. CFDC helps to represent NEB interests in Washington, D.C. and across the nation to expand opportunities for ethanol. Thede reminded the Board of the Agency budget situation. Hallberg expressed support for continued CFDC membership and recommended renewal. Sneller noted that it is important to maintain organizational partnerships and that funding is difficult. Programs like Ethanol Across America, Issue Briefs, White Papers and Ethanol Minute radio program should continue, and that this proposal was not to immediately pay membership dues but to commit to membership renewal and payment of dues for 2010.

Hallberg moved, “to approve \$25,000 annual dues level for calendar year 2010 to support Clean Fuels Development Coalition and their relationship with the Nebraska Ethanol Board.” Jenkins seconded. The motion passed (yes: Hanson, Jenkins, McColley, Thede, Brodersen, Else, Hallberg; no:).

State and Federal Legislation

Hallberg provided an update on the Underwriters’ Labs (UL) issue. The oil industry’s strategy is to slow or prevent ethanol expansion through regulatory obstacles like the UL certification of gas dispensing equipment for ethanol blends. The resulting blend wall is a consequence of these regulatory hurdles. Resolving the UL issue may require legislation, hopefully in Senate bill S1627, which will need support of the ethanol industry in order to pass. Hallberg predicted there would be no bill extending ethanol tax credits until the spring, and it will mostly likely be attached to a final giant omnibus bill. Hallberg said the next year will be a critical one for the ethanol industry.

Sneller said staff has been monitoring energy studies conducted by the state legislature. Loran Schmit has worked with the Association of Nebraska Ethanol Producers (ANEPP) on legislative issues. Loran, the Agency, Nebraska Department of Environmental Quality (NDEQ) and the community colleges have been organizing a summit to interact on job training and recruitment issues for the industry.

Ethanol Plant Status Reports, ANEPP Update

Sneller noted that the Omaha World-Herald recently reported that ALTRA in Carleton would be holding an auction of its assets. Green Plains Renewable Energy’s (GPRE) recently acquired facilities in Ord and Central City are both online.

Sneller asked for updates from ethanol producers. Jim Stark from GPRE thanked the board for help in its acquisition of the plants. The Ord plant was online within 18 days of acquisition. Stark also thanked AgStar Financial Services for making it a smooth transition. GPRE is still hiring a few positions at Ord and Central City. The Central City plant was online within 24 days of acquisition.

Personnel

Thede noted that this would be the last meeting for Jenkins and Hallberg, whose terms expire at the end of August. Jenkins was first appointed by Gov. Mike Johanns in 2004, and was later reappointed by Gov. Dave Heineman. Jenkins was Chair of the Ethanol Board from 2007 to 2008, and as a livestock producer carried weight with other livestock producers, helping to smooth over relations between the two industries. Jenkins wrote an issue brief for the Ethanol Across America campaign and testified before the US Senate on behalf of the board. Thede thanked Jenkins for his service and presented him with a gift.

Jenkins thanked the board for the recognition, acknowledging the effectiveness of the staff and said that the Agency was an example of what can happen when the state comes together with bipartisan support.

Thede then recognized Hallberg’s service to the Board. Hallberg was first appointed to the Board in 1998 by Gov. Ben Nelson and then was reappointed by Governors Johanns and Heineman. He

served as a legislative director in the House of Representatives and Senate. He founded the Renewable Fuels Association and has been involved in the development of biofuels projects and public policy, holding two patents and has other patents pending. Hallberg represented Gov. Johanns at the Tokyo Ethanol Conference, and recently was awarded the Merle Anderson award at the ACE conference. Theede thanked Hallberg for his service and presented him with a gift. Hallberg said he felt honored by his 35 years in this industry.

Chair's Report

Theede delivered his Chair's Report. Theede said that while listening to Durante's and Schlicher's presentations, he realized how the production of corn has changed. He noted that while recently walking through his own corn fields, all of his plants had two ears of corn, and that was uncommon only five years ago. The industry is on the edge of tremendous leaps in corn production. Theede was frustrated that corn ethanol is limited to 15 bgy under the Renewable Fuels Standard (RFS).

Administrator's Report

Sneller delivered his administrator's report. He thanked Durante and Schlicher for their presentations; and Jenkins and Hallberg for their service on the board and for spending so much time with the Board and helping to focus its mission. Sneller noted that the Board would be welcoming two new members at its next meeting.

Travel Report

Sneller noted that Brian Wilcox had invited him to serve on the ACE nominating committee. The Board had previously authorized the trip to Sioux Falls for an ACE meeting. Sneller also noted that a Governor's Biofuels Coalition meeting was not yet scheduled but a possibility later this year. There were no new travel requests requiring Board authorization.

Next Meeting Date and Time

The next meeting date was tentatively set for early November in Lincoln.

Adjourn

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



Tim Else, Secretary