



# NEBRASKA ETHANOL BOARD

STATE OF NEBRASKA

DAVE HEINEMAN  
GOVERNOR

TODD C. SNELLER  
ADMINISTRATOR

## NEBRASKA ETHANOL BOARD MEETING MINUTES

Chase Suites  
200 South 68th Street  
Lincoln, Nebraska

August 24, 2007  
8:30 a.m.

### MEMBERS PRESENT

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

### ADVISOR PRESENT

Dr. James Hendrix

### STAFF PRESENT

Todd Sneller  
Steve Sorum  
Gerri Monahan  
Billy DeFrain  
Mark Rathouz

### GUESTS

John Cooper—Cooper Engineering  
Jacki Fee—Cargill  
Loran Schmit—Schmit Industries  
Ed Gaither—E3 Biofuels  
Christine Wietzki—E3 Biofuels  
Paul Johnston—Nebraska Farm Bureau  
Jamie Wewel—Union Pacific Railroad  
Dwayne Braun—US Bio Platte Valley  
Chuck Pohlman—NECC  
Seth Harder—Husker Ag  
Piyush Srivastav—NE Air Quality  
Specialties  
Lee Ackerman—Ackerman Consulting  
Donna Garden- NDEQ

Brad Levich—Terracon Consultants  
Michael Henry—Terracon Consultants  
Manehi Duhardi—NECC  
Mike Salzwedel—DAS Budget  
Clark Smith-NDEQ  
Perry Stoner—NET TV  
Lyle Kothol—NECC  
Sarah Dempsey—NECC  
Denise Schlake—SECC  
Joe Francis—NDEQ  
Randy Sigle—NECC  
Ralph Scott—Trenton Ag

### **Call Meeting to Order**

A meeting of the Nebraska Ethanol Board was convened on Friday, August 24, 2007, at 8:30 a.m. The meeting was held at Chase Suites, 200 South 68<sup>th</sup> St, 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**

Chair 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." Thede seconded. The motion carried by acclamation.

### **Minutes**

Jenkins asked if members had reviewed minutes of the June 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 June 12, 2007, meeting as printed." Brodersen seconded. The motion carried by acclamation.

### **Budget Status Report**

Sorum presented budget report for first month of FY 2007-2008. Sorum reported that Agency 60 had a budget of \$580,333.87 for FY 2007-2008. This figure is a \$559,515 base budget and \$20,818 of encumbered funds.

Sorum reported that revenues are increasing as new ethanol plants begin production and that by mid-2008, Ethanol Board revenues should near \$700,000 on an annualized basis. Sorum also noted existing budgetary commitments, a \$25,000 contract renewal with David and Associates and a \$5,000 contract renewal with Morgan and Associates.

Monahan presented payment reports for June and July. During June, \$16,770.27 for contracts; \$33,711.08 for dues/registrations/subscriptions; \$2,793.00 for meeting and travel expenses. During July, \$255.02 for contracts; \$274.68 for dues/registrations/subscriptions; \$2,013.18 for meeting and travel expenses. Per diem payments were for members attending the June board meeting.

McColley moved "to accept the June and July payment and per diem reports as printed." Hilferty seconded. The motion carried (yes- Thede, Brodersen, Else, Hallberg, Hilferty, Jenkins, McColley; no-).

### **EPIC Fund**

Sorum reported that the EPIC fund balance was the highest in seven or eight years, due in large part to the \$15 million General Fund transfer and increased grain tax revenues. The current balance of the fund is \$14,786,168. Demand on the fund will increase as three additional qualified plants come online in the next three months. Sorum said the EPIC fund is projected to be able to meet its commitments for the next two years but will likely need an additional \$45 million in revenue by 2012 to avoid a deficit situation.

### **Nebraska LEAD program funding request**

Sneller recommended granting \$1,250 of funds to the LEAD program, half of the requested amount, with the intent of another vote in six months to decide whether to grant the LEAD program an additional \$1,250. Else moved “to approve \$1,250 for Nebraska LEAD program for FY 2007-2008 and to revisit the funding request in six months.” Hallberg seconded. The motion carried (yes- Brodersen, Else, Hallberg, Hilferty, Jenkins, McColley; Thede; no-).

### **Ethanol Marketing Programs**

Sneller summarized recent work of Dave Buchholz of David and Associates for the Ethanol Board. Buchholz is working on e10 brochures with the new pump logo. New pump labels with the new logo were produced, and a new edition of the Ethanol Fact Book has been printed. Sneller also asked the board to reauthorize the budget committee’s approved payment for a reorder of 10,000 ethanol bumper stickers at the price of up to \$1,625. Brodersen moved “to approve up \$1,625 for 10,000 bumper sticker reorder.” Hallberg seconded. The motion carried (yes- Else, Hallberg, Hilferty, Jenkins, McColley, Thede, Brodersen; no-).

### **State and Federal Legislation**

Sorum reported that there were no significant developments in legislation since the June 2007 board meeting. Sneller reported that an EPIC fund report was given to the clerk of the Nebraska legislature. Sneller noted that he would report on the details of an August 17 meeting with himself, Chairman Jenkins and Governor Heineman during his administrator’s report. Sneller also noted the upcoming Governors’ Ethanol Coalition meeting on August 29-30.

Hallberg summarized the progress of the ethanol industry, from being marketed as a carbon monoxide mitigation program in the ‘80s, to the marketing of ethanol as an alternative to MTBE in the ‘90s, to the expanded production due in large part to the federal Renewable Fuels Standard signed into law in 2005. Hallberg noted challenges to the ethanol industry including price manipulation by oil companies and the need to reconcile the House and Senate energy bills.

Hallberg noted that the 110<sup>th</sup> Congress has little time left to pass significant ethanol legislation, and that unless a bill is passed and signed by Thanksgiving, any legislation is unlikely before the end of 2007. Hallberg shared concern that unless more ethanol consumption is mandated by government, producers may see price drops that will hurt the industry. Building a coalition with environmental groups and auto manufacturers to mandate increased ethanol consumption would be beneficial to ethanol producers.

Sorum reported on the Nebraska Department of Revenue’s ruling regarding sales taxes on yeasts and enzymes. Revenue decided that sales tax should be applied to yeast purchased by producers because the residual yeast remaining in DDG is a non-essential component of DDG. Revenue wants to impose a three-year retroactive tax, and possibly additional penalties, on producers. Hendrix suggested that a study could be conducted, and if it could be shown that yeast or enzymes add amino acids not otherwise present in corn, the yeast and enzymes could be considered “essential” and thus exempt from taxation. Sorum suggested that state statutes could also be changed so that producers would not be liable for sales tax on yeast and enzymes. The taxes and penalties are estimated to cost the average Nebraska ethanol plant between \$30,000-50,000 per year.

## **Plant Reports**

Sneller reported 1,200 guests attended the US BioEnergy grand opening in Ord. There are 16 plants in Nebraska producing 1.1 billion gallons per year, with 10 more under construction. Production capacity in Nebraska will double to 2.2 billion gallons per year in the next 18 months as the new plants and other expansion projects are completed. Forty-five additional plants are proposed, optioned, or have begun ground work. Sneller reported that 67% of motor fuel sold in Nebraska contains ethanol. Sorum reported that 6% of all motor fuel sold in Nebraska is ethanol, and that annual gasoline consumption in Nebraska is increasing.

Dwayne Braun of US BioEnergy reported they are hearing reports of a record corn crop. He said the ethanol producers appreciate the efforts of the Ethanol Board. Ralph Scott of Trenton Agri Products reported that extreme summer heat is creating difficulties with the fermenters and that the plant has a two-day shut down scheduled for maintenance and repairs. Seth Harder of Husker Ag said the Plainview plant is currently running at capacity and their expansion work should be completed by November. Jacki Fee of Cargill reported that the Blair plant expansion is underway and they have installed new distillation equipment.

## **Special Presentation: Renewable Fuels Technology Program**

Sarah Dempsey and Chuck Pohlman of Northeast Community College in Norfolk discussed the Renewable Fuels Technology program NECC now offers, as a two-year associate degree in Applied Sciences and as a less-intensive certification program. There are currently 11 students enrolled in the program at NECC and other Nebraska community colleges are in the process of approving the curriculum. Dempsey noted that high demand for jobs at ethanol plants make the program necessary because there is very little formal ethanol training, and many of their enrolled students have previous post-high school education.

Funding for the program came from the Department of Labor and the curriculum was purchased from Minnesota West Community College. Classes included microbial biology, electrical engineering, pump mechanics and others.

## **Special Presentation: DEQ Regulatory Update**

Donna Garden of the DEQ Water Quality division presented information about water permitting issues for ethanol plants. Plants use less water and use it more efficiently than 10 years ago; many new plants indicate no process waste water. DEQ sees fewer problems with plants now than 10 years ago. Water permits are granted for either surface water or ground water. Plants that expel wastewater in areas with more running water have an easier time complying with standards because the average pollution concentration will be lower. Discharging in dry creeks could create higher pollution concentrations.

Todd Ellis of the Air Quality division reported on testing issues with fermenter emissions. Fermenters emit differing levels of CO<sub>2</sub> which varies through the different stages of fermentation. Ellis said the solution was to increase the number of test taken during the testing period, as more data points would yield a more accurate overall reading.

Clark Smith of the Air Quality division reported on permitting issues for the emissions of Hazardous Air Pollutants (HAP). Major source emitters are facilities which emit 10 tons per year of a single HAP or 25 tons per year of multiple HAPs. The permitting program requires periodic testing of major emitters and requires emissions reduced to 20 tons per year. Even after major

source emitters reduce emissions, they are required to maintain that reduction in emissions and submit to periodic emissions testing.

### **Chairman's Report**

Chair Jenkins acknowledged Hilferty's eight year term and contributions to the Ethanol Board. Jenkins said Hilferty served as a mentor to him. An e10 logo baseball signed by board and staff and a clock with a plaque were presented to Hilferty for his service. Hilferty said that serving on the board had been a pleasure, he had made friends, and that the staff made his work easier.

Chair Jenkins summarized the August 17 meeting with Larry Pearce of the Energy Office, Sneller and Governor Heineman. The governor expressed interest in expanding the focus of the board to include other renewable energies such as wind and biodiesel. Jenkins, who has wind projects, expressed concern that the Board agenda not be subsumed by a broader focus on additional renewable energy sources. Jenkins does not believe that the ethanol industry is "on the same page" as the Nebraska Cattlemen, and that the industry needs "the right federal and state policy." Jenkins suggested board members write and submit editorials to area newspapers touting ethanol. Jenkins also announced that Steve Hanson, a wheat farmer from Elsie, will be filling the seat on the Nebraska Ethanol Board to be vacated by Hilferty.

Sneller said that many do not understand the role of public policy in expanding ethanol demand and consumption. Sneller urged that the board should not assume additional responsibility as a greater renewable energy agency, but should contribute to a statewide renewable energies association were one to develop. Sneller noted that the agenda for a future board meeting should include issues arising from induced business from the construction of ethanol plants.

### **Administrator's Report**

Sneller mentioned DeFrain's job reclassification, from Staff Assistant I to Public Information Officer I, and that the reclassification should help with retention of an employee holding the position. Sneller also announced the September TRANSCAER training meetings and the Ethanol Summit. Volunteers were requested for ethanol booth service at the Nebraska State Fair.

Sneller informed the board that he and Monahan would be attending the Governors' Ethanol Coalition meeting in Omaha the following week. The meeting includes representatives from 12 to 16 other states. Sneller also noted progress Rathouz was making on his allied industries project.

### **Trip / Meeting Reports and Travel Authorization**

Sneller outlined recent meeting and travel reports and noted that both he and Sorum had heard many requests in the field for more DDG supplies; Sneller and Sorum heard reports from feeders using up to 60% of DDG in their feed. There were no requests for upcoming travel authorizations.

### **Next Meeting Date and Time**

The next meeting was tentatively set for the week of October 5-12. Sneller discussed the possibility of meeting in a location other than Lincoln, perhaps at an ethanol plant or convention facility further west. Jenkins asked that meetings be held no further east than Lincoln.

**Adjourn**

McColley moved, “to adjourn the meeting.” Brodersen seconded. The motion carried by acclamation.

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Mike Thede, Secretary