



NEBRASKA ETHANOL BOARD

STATE OF NEBRASKA

DAVE HEINEMAN
GOVERNOR

TODD C. SNELLER
ADMINISTRATOR

NEBRASKA ETHANOL BOARD MEETING MINUTES

Country Inn & Suites
5353 North 27th
Lincoln, NE
March 10, 2011
8:30 a.m.

MEMBERS PRESENT

Tim Else
Galen Frenzen
Steve Hanson
Paul Kenney
Mark McColley

MEMBERS ABSENT

Tod Brodersen
Mike Thede

GUESTS

Dave Buchholz – David & Associates
Kim Clark – Neb. Corn Board
Art Hovey – Lincoln Journal-Star
Don Hutchens – Neb. Corn Board
Danielle Jensen – Nebraska Energy Office
Bobbie Kriz-Wickham – Neb. Dept of
Agriculture
Ron Lamberty – American Coalition for
Ethanol
Scott McPheeters – KAAPA Ethanol
Bob Miller – E-Energy Adams

TECHNICAL ADVISOR

Dr. James Hendrix, absent

STAFF PRESENT

Todd Sneller
Steve Sorum
Gerri Monahan
Billy DeFrain

Loran Schmit—ANEPP – Association of
Nebraska Ethanol Producers
Ralph Scott—Trenton Agri Products
LaMoine Smith – KAAPA Ethanol
Karen Snow – CFO Systems
Piyush Srivastav – Nebraska Air Quality
Specialists
Andy Tomsen – KAAPA Ethanol
Brian Wilcox – NPPD / ACE – Neb Public
Power District, American Coalition
Dayle Williamson – Sen. Nelson’s Ofc.
Chuck Woodside – KAAPA Ethanol

Call Meeting to Order

A meeting of the Nebraska Ethanol Board (NEB) convened on Thursday, March 10 at 8:30 a.m. The meeting was held at Country Inn & Suites in Lincoln. Chair Steve Hanson 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. Hanson asked guests, board and staff to introduce themselves.

Approval of Agenda

Hanson asked for additions or corrections to the agenda. None were suggested. Kenney moved "to approve the March 10, 2011 meeting agenda as printed." McColley seconded. The motion carried by acclamation.

Minutes

Hanson asked if members had reviewed minutes of the January 27, 2011 board meeting. Following a review, Hanson asked if there were any additions or corrections to the minutes as presented, excepting a typo on the cover page. Hearing none, he asked for a motion to approve the minutes. McColley moved, "to approve the January 27, 2011 meeting minutes as printed, noting a correction to the meeting date and location." Kenney seconded. The motion carried by acclamation.

Budget Status Report

Sorum presented the NEB budget report, including activity through February, representing 67% of the fiscal year. NEB has expended about 59% of its core budget and 49% of its appropriation through the first eight months of the Fiscal Year. Sorum reported that revenues are about 14% ahead of last year's, and also slightly higher than projections. Per state statutes, any NEB revenues in excess of \$525,000 will go to the Ethanol Producer Incentive Credit (EPIC) fund, which sunsets in November 2012. The NEB revenue cap expires at that same time.

NEB cash reserves are rebounding, Sorum reported. In 2009, the legislature transferred \$225,000 from the NEB cash reserve fund and reserves fell to \$181,000, a 20 year low. Careful management of agency resources and higher revenues replenished current reserves to \$231,600. Hanson asked if there should be a budget subcommittee meeting. Sorum said he felt that was good idea. Hanson suggested having a budget subcommittee meeting before the next NEB meeting.

Monahan presented payment and per diem reports for January and February 2011. January - Contracts: \$7,661.70; Dues/Registrations: \$1,686.38; Meeting and Travel Expenses: \$565.68; Other Expenses: \$236.09; Internal Agency Expenses: \$2,371.48; Department of Agriculture EPIC admin costs: \$2,299.30.

February - Contracts: \$671.90; Dues/Registrations: \$1,148.34; Meeting and Travel Expenses: \$2,070.18; Other Expenses: \$327.20; Internal Agency Expenses: \$2,407.48; Department of Agriculture EPIC admin costs: \$1,233.37.

Balance of the Dr. Spalding Ethanol Spill Remediation Fund: \$51,629; balance of Dr. Nouredini's Carbohydrate Utilization of DDGs project: \$7,571.50; balance of David & Associates Marketing contract thru June 30, 2012: \$41,431.30; balance of Morgan & Associates agency services contract thru June 30, 2011: \$4,264.00.

Per Diems were paid to Brodersen, Else, Frenzen, Hanson, Kenney, McColley and Thede for the January 2011 Board meeting.

Frenzen moved, "to accept the January and February 2011 payment reports, contract balances, and per diem reports as presented." Kenney seconded. The motion passed (yes-Else, Frenzen, Hanson, Kenney, McColley; no-; absent and not voting: Thede, Brodersen).

EPIC Fund Report

Sorum provided an update on the EPIC Fund. At the previous meeting, he reported a negative balance in the EPIC Fund had triggered statutory proration of production credits. The nearly \$5 million in January and February grain tax revenues have brought the fund near levels where credits can be redeemed in a more timely fashion. Two pending bills in the legislature would transfer funds to EPIC from the general fund in FY2012 and the state's reserve fund on an "as needed" basis beginning in FY 2012. These bills would fully fund EPIC through its lifetime.

Ethanol Marketing Programs

Buchholz updated NEB on marketing activities. David & Associates has been working with the Corn Board and others on the "Trucks and Bucks" giveaway through the Nebraska Lottery. This kicks off in April with drawings for \$5000 worth of E85 fuel. He has also been working on an updated ethanol plants map brochure and a blender pump guide for retailers.

Hanson said it was important to concentrate on the energy security message because of the recent Senate bill which would ban E15. Sneller noted that NEB staff had distributed a news release promoting the new Energy Security Issue Brief. The ethanol industry also faces messaging and marketing challenges. Monahan had spotted a poll in the Kearney Hub, in which only 47% of respondents said they buy E10 and 7% said they buy E85 most of the time. The "Fuel, Feed and Food" Issue Brief will be updated.

Sneller said that collaboration with the Corn Board and national groups in the flexible fuel vehicle (FFV) outreach. Cooperative marketing efforts are important and Nebraska should lead by example in terms of ethanol use.

Chuck Woodside, Chair of the Renewable Fuels Association (RFA), cited a new report released in March 2011 by RFA, "The Use of Ethanol Blended Fuels in Non-Road Engines."

<http://ethanolrfa.org>

Sneller noted that former board member David Hallberg wrote an editorial stating the US produces an ethanol volume every year that is equal to the gasoline that can be refined from oil stored in the Strategic Petroleum Reserve.

FFV Promotional Events

Sneller introduced Kim Clark of the Nebraska Corn Board. Clark and Sneller presented details about collaborative efforts in support of the Nebraska FFV Awareness Campaign. The presentation is online at the Nebraska Ethanol Board's "NEB Meetings" page at <http://www.ne-ethanol.org/events/nebmeetings.htm>. It's important to cooperate with other organizations for one message, one mission.

Upcoming marketing events for NEB staff and board members include county fairs, state fair, Husker Harvest Days, Kearney Raceway Park, Nature Center, and I-80 visitor stops.

Ron Lamberty, American Coalition for Ethanol (ACE) talked about blender pumps, choices at the pump, and nozzle covers. Additional information about the Blend Your Own ethanol campaign (BYO) can be found at www.ethanol.org.

The USDA will be presenting blender pump workshops in Nebraska in the coming weeks. Three ethanol infrastructure financial case scenarios will be developed by USDA for discussion. The NEB and NE Corn Board will help support the USDA workshops.

The Nebraska Environmental Trust has recommended a grant award for NEB's Ethanol Awareness Clean Air Program. Letters of support are being sought.

Special Presentation—Chuck Woodside, KAAPA Ethanol

Sneller introduced Chuck Woodside of the KAAPA Ethanol plant in Minden. Woodside played a promotional DVD produced by KAAPA. The video is online at NEB's "NEB Meetings" page at <http://www.ne-ethanol.org/events/nebmeetings.htm>.

A discussion followed the video. Frenzen asked Woodside how to address the food prices issue. Woodside said it's difficult to keep Nebraska state senators informed. Because of a higher turnover due to term limits, many senators do not have much familiarity with the ethanol industry. Sneller noted he had tried to address the corn prices issue with the Nebraska Cattlemen. Don Hutchens said it is important to get other groups to respond to the food prices issue as well. Woodside noted that many Nebraska ranchers understand the benefits of feeding with DDGS, which cost less than corn.

State and Federal Legislation

Chuck Woodside noted the industry faces many legislative and policy challenges, including the impending expiration of the Volumetric Ethanol Excise Tax Credit (VEETC), a credit of \$.45 for every gallon of ethanol blended into gasoline. Hutchens noted that discussions at the Commodity Classic conference in Tampa, Florida, indicated that VEETC, direct payment subsidies and crop insurance will likely face scrutiny as the next farm bill is written.

Woodside also reported on RFA's work on the California Air Resources Board's (CARB) Low Carbon Fuels Standard (LCFS). RFA and Growth Energy are challenging the LCFS and also trying to address the indirect land use change issue.

Schmit reported that LB698, the bill which would eliminate mandatory labeling of E10, has gone to general file. He is trying to persuade a senator to designate it as a priority bill during the current legislative session. The Association of Nebraska Ethanol Producers (ANEPP) held a meeting of its Environmental, Health and Safety (EHS) committee the previous week. ANEPP has met with the Nebraska Department of Environmental Quality (NDEQ) to work on compliance enforcement issues with ethanol plants. Loran noted that in one case a plant had the opportunity to expand its production capacity, but needed a modification to its emissions permit to do so. Because of NDEQ's slow response time, this opportunity was missed.

Sneller thanked Schmit for his hospitality at ANEPP's legislative reception on March 9 and for recognizing NEBs 40 year anniversary.

Sneller asked plant representatives for updates. Ralph Scott said the Trenton plant is working well. Bob Miller of E-Energy Adams said the plant is running smoothly, and said the plant is open for tours.

IT Purchasing

DeFrain summarized two options for staff computers. One option would be to upgrade the current computers with additional memory and install Windows 7, which would cost \$185 per computer. The second option would be to purchase new computers. DeFrain found a model from Hewlett-Packard for \$620 each.

DeFrain recommended that the board buy three new staff computers, as upgrading current staff computers would be the last upgrade those computers would be capable of. The newly purchased computers would also be capable of upgrades in the future, and DeFrain said he could install additional memory in the computers as needed. Hanson and McColley agreed with the recommendation. DeFrain noted that one new staff computer was purchased last year.

Kenny moved, "to approve the purchase of three new computers for staff at \$620 each." McColley seconded. The motion carried (yes: Else, Frenzen, Hanson, Kenney, McColley; no-; absent and not voting: Brodersen, Thede).

Emerging Issues Forum

Sneller provided an update on the annual Emerging Issues Forum, set for April 7-8 at the Magnolia Hotel in Omaha. Registration was about 60% full at the time of the meeting, and there is some competition with other events. He noted DeFrain had set up an online registration system. Sneller asked board members to let staff know if they wish to attend the Forum.

Map Brochure Reprint

Sneller noted that staff is updating the plant map brochure with new data. Sneller said the brochure is a good handout to legislators, and at public events. The brochure also displays the NEB's mission on its back page. A reprint through the State's print shop will be relatively inexpensive.

Frenzen moved, "to approve \$640 for the reprinting of 2,000 copies of the Nebraska Ethanol Plant brochure." Else seconded. The motion carried (yes: Else, Frenzen, Hanson, Kenney, McColley; no-; absent and not voting: Brodersen, Thede).

Chair's Report

Hanson delivered his report. He said this is a time for the industry and NEB to be proactive on the energy security issue and the costs of gas and oil, and noted ethanol is a cheaper and cleaner alternative. He was pleased with cooperative projects like the KAAPA DVD. Ethanol use should be closer to 85% in Nebraska. He noted that if one area retailer offers E85, others will have to also offer it to remain competitive.

Hanson also noted the Board had completed Sneller's performance evaluation and recommended the Board retain Sneller as the agency administrator. Hanson said Sneller was doing an excellent job, and also thanked NEB staff for their efforts.

Administrator's Report

Sneller noted a response from former board member David Hallberg to a negative opinion column in the Lincoln Journal-Star, and also noted replies from Kim Clark of the Corn Board and Dan McGuire from the Wheat Board. NEB staff is looking at revamping Issue Briefs to make the main points more prominent. He also noted a pending request with Don McCabe of Nebraska Farmer Magazine for a guest editorial. Sneller asked for board member help in covering public events such as new pump openings.

Sneller also thanked NEB staff, and showed a certificate of appreciation NEB had received from Northeast Community College for NEB's contribution to the Gary Kuester Memorial Scholarship for Renewable Fuels Technology Program students.

Travel Reports and Authorization

Sneller summarized upcoming travel requests and asked the Board for authorization. He noted that in most cases he is asking for partial reimbursement from the groups asking him to travel, but in some cases may need to spend up to \$600 for travel. He also noted Sorum planned to attend the Fuel Ethanol Workshop (FEW) in Indianapolis and would probably drive.

McColley moved, "to approve Sneller's out-of-state travel requests as presented, allowing up to \$600 for Sneller to attend the BIO conference in Washington, DC in June, and up to \$1,000 for Sorum to attend the FEW Convention in Indianapolis in June. Frenzen seconded. The motion passed (yes: Frenzen, Hanson, Kenney, McColley, Else; no-; absent and not voting: Brodersen, Thede).

Next Meeting Date and Time

Sneller proposed meeting dates in early June. He suggested that agenda items include CFDC membership renewal and Doug Durante of CFDC as a guest speaker. Sorum suggested NEB budget subcommittee meet before the next board meeting to discuss budget priorities. Hanson suggested a budget subcommittee meeting in Kearney and requested Country Inn & Suites as a location for the June NEB meeting. The next meeting was set for June 9 at Country Inn & Suites in Lincoln.

Adjourn

Frenzen moved, "to adjourn the meeting." Kenney seconded. The motion carried by acclamation.

Paul Kenney, Secretary