2009 SENATE TRANSPORTATION

SB 2228

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2228

Senate Transportation Committee

Check here for Conference Committee

Hearing Date: January 23, 2009

Recorder Job Number: 7654

Committee Clerk Signature

John Hause

Minutes:

Senator Lee opened the hearing on SB 2228, a bill for an Act to establish a state biofuels blender pumps and renewable energy grant.

Senator Robinson introduced the bill and supports the concept embedded in this bill and thinks it is good for ND and good four our renewable energy. He goes on record of support and asked that the committee give a favorable consideration for this concept.

Senator Flakoll spoke in support of SB 2228 and presented amendments (90809.0101) and said that Lance Gaebe of the Governor's office will explain the amendments. He said the Ethanol Industry has been spectacular and making an impact on the farm industry. ND has done a number of things to move our renewable energy industry forward. He presented a diagram of how an ethanol blender pump works. #1 They would like to install 200 blender pumps over the next couple of years. He spoke of a partnership between SB 2018 which will provide the mechanism of 2 million dollars of general funds to move this initiative forward. The Corn Growers will also be offering a match to sweeten the pot. This bill will help our farmers, our ethanol industry and move it forward without mandates.

Bill/Resolution No. 2228

Hearing Date: January 23, 2009

Lance Gaebe, a member of the staff from Governor Hoven's office went over the amendments line by line #2. The Governor has budgeted 2 million dollars for this purpose and the Department of Commerce will administer.

Senator Potter asked what match is anticipated.

Gaebe said that others would go into more detail on this but there are Federal tax credits, Corn Growers and possible others that will be talked about.

Senator Potter asked if they saw this as a continuing project and at this level.

Gaebe said in the bill there is a carryover clause.

Senator Potter said the dollar amount has been taken out but he understands the Governor Budget has this at 2 Million dollars.

Gaebe said the dollar amount of 2 Million dollars remains in SB 2018.

Kent Satrang, General Manager of Petro Serve USA testified in support of SB 2228.

Written testimony #3. He also presented a written letter in support of SB 2228 from Lynn Nelson, General Manager of Farmers Union Oil of Southern Valley. #4

Senator Nodland asked about the blends and asked how they buy blended, and if it is from bulk dealers.

Satrang said the highest demand is probably E 30. He said the E 85 you possibly loose a little gas mileage. The blends are limited to your imagination and if you have 4 to 6 pumps you could have all sorts of blends and you could see what worked best in your vehicle. He also said that they buy their blends from the wholesalers like Cenex. Discussion followed on the style of the hoses, how many hoses, and what would be in them.

Thomas Lilja, Executive Director of the ND Corn Growers and ND Corn Utilization Council testified in support of SB 2228. The ND Corn Utilization Council has committed half a million dollars to this grant program to be administered by the ND Department of Commerce.

He said the blender pump initiative will lead our state to energy independence, save consumers money at the pump and help retain young people in production agriculture. Written testimony #5.

Mike Clemens, a farmer and member of the ND Corn Growers testified in support of SB 2228.

Robert Runck Jr, ND Soybean growers brought supportive testimony from Gordy's Inc. a locally owned family run corporation with service stations located in Casselton and Mapleton, ND. Written testimony #6.

Scott Radig, Director of the Division of Waste Management for ND Department of Health testified in support of SB 2228 and presented three short housekeeping amendments which will ensure that the appropriate petroleum product testing fees will be collected for alternative fuel products. Written Testimony #7.

Deana Wiese, administrator of the ND Ag Coalition encouraged the committees support of SB 2228, which establishes a cost-share program to increase the installation of biofuels blender pumps. Written Testimony #8.

Scott Rising, ND Soybean Growers testified in support of SB 2228.

Russ Newman, Tharaldson Ethanol of Casselton, the 5th largest ethanol plant in the country testified in support of SB 2228. He talked about the transportation of their product and the market and how positive this would be for them to sell their product locally. They support this bill and hope it passes.

Randy Schneider, president of the ND Ethanol Producers Association testified in support of SB 2228.

Jeff Weispfenning, Deputy Agriculture Commissioner testified on behalf of Agriculture Commissioner Roger Johnson in support of SB 2228. Written testimony #9.

Page 4 Senate Transportation Committee Bill/Resolution No. 2228 Hearing Date: January 23, 2009



Mike Williams, Fargo City Commission testified in support of SB 2228. He said the transit system in Fargo was using 20% blend of biodiesel since 2006 and it has been working good. He said that they look forward to using more farm products.

Mike Rud, NDPMA testified in support of SB 2228. He does have some concern with underground storage tank. He did hand out some research done in lowa about problems with Underground tank storage #10 & #11. We do have to make sure everything is environmentally safe and that the marketer has very little liability. That is there concern.

Kayla Pulvermaere, NDFU testified in support of SB 2228.

Clerk handed out information in support from Penny Feria of the American Lung Association. #12.

No Opposing Testimony.

Closed hearing on SB 2228.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2228

Senate Transportation Committee

Check here for Conference Committee

Hearing Date: January 29, 2009

Recorder Job Number: 8110

Committee Clerk Signature (

Minutes:

Committee Work on SB 2228 an Act to establish a state biofuels blender pumps and renewable energy grant program.

Senator Potter asked if the amendment removed the fiscal note.

Senator Lee answered no.

Senator Nodland said he was inclined to like the bill. The fiscal note is 2 Million but it was recommended by the governor in his budget. Also the ND Corn Growers have offered a half million dollar grant and the Federal Tax credits make it even a better deal. He has talked with gas dealers that he thought would be against it but they were not because of the demand for the blend particularly the 30 % blend (Sweet Mix). He also visited with car dealer mechanics and they said that it is a true thing about the 30% blend giving better mileage performance. We have to continue to find other ways to lower our consumption of oil.

Senator Fiebiger agreed with what Senator Nodland said and he said that there was no opposing testimony.

There was some discussion on the concern about the holding tanks being environmentally safe.

Page 2 Senate Transportation Committee SB 2228

Hearing Date: January 29, 2009

Senator Nething said he wants the concept of biofuel blender pumps and the renewable energy grant programs to succeed.

Senator Nodland moved a Do Pass on amendment 90809.0101.

Senator Nething seconded.

Roll call vote: 6-0-0

Senator Nething moved a Do Pass as amended and rereferr to Appropriations.

Senator Nodland seconded.

Roll call vote: 6-0-0

Senator G. Lee will carry the bill.

Requested by Legislative Council 04/10/2009

Amendment to:

Reengrossed SB 2228

1A. State fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to

funding levels and appropriations anticipated under current law.

	2007-2009 Biennium		2009-201	1 Biennium	3 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				\$1,000,000		
Appropriations				\$1,000,000		

1B. County, city, and school district fiscal effect: Identify the fiscal effect on the appropriate political subdivision.

2007	7-2009 Bienr	nium	2009-2011 Bie		nium	2011-2013 Biennium		nium
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

This bill creates a biofuel blender pump incentive fund, which the Department of Commerce is to use to provide grants for the installation of biofuel blender pumps at retail locations.

B. **Fiscal impact sections:** Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

This bill requires the Department of Commerce to administer the biofuel blender pump incentive fund to provide cost-share grants for the installation of retail biofuels blender pumps. Any funds remaining in the biofuel blender pump incentive fund on November 30, 2010 will be transferred to the general fund.

- 3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:
 - A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.
 - B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

Based upon the appropriation contained in Senate Bill 2018, \$1,000,000 will be used for cost-share grants to encourage the installation of biofuels blender pumps.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.

\$1,000,000 in federal fiscal stimulus funds are appropriated in Senate Bill 2018 for this purpose. If federal fiscal stimulus funds aren't able to be used, the Budget Section can approve \$1,000,000 in general funds to be transfered to the biofuel blender pump incentive fund. The executive budget had included \$2,000,000 in general funds.

Name:	Justin Dever	Agency:	Department of Commerce
Phone Number:	328-7258	Date Prepared:	04/10/2009

Requested by Legislative Council 03/16/2009

Amendment to:

Reengrossed SB 2228

1A. State fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to

funding levels and appropriations anticipated under current law.

	2007-2009 Biennium		2009-2011	Biennium	2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						·
Expenditures			\$2,000,000			
Appropriations	· 		\$2,000,000		· · · · · · · · · · · · · · · · · · ·	

1B. County, city, and school district fiscal effect: Identify the fiscal effect on the appropriate political subdivision.

2007	7-2009 Bienr	9 Biennium		9-2011 Bienr	ium	2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

This bill creates a Biofuels Blender Pump Incentive Fund.

B. **Fiscal impact sections:** Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

This bill requires the Department of Commerce to administer the biofuel blender pump incentive fund to provide cost-share grants for the installation of retail biofuels blender pumps and allows any funds not used for the cost-share grants to be used for renewable energy and energy conservation programs and initiatives.

- 3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:
 - A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.
 - B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

Based upon the recommended appropriation contained in Senate Bill 2018, \$2,000,000 will be used for cost-share grants to encourage the installation of biofuels blender pumps or for renewable energy and energy conservation programs and initiatives.

C. Appropriations: Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.

\$2,000,000 is appropriated in Senate Bill 2018 as part of the executive budget recommendation for this grant program.

Name:	Justin Dever	Agency:	Department of Commerce
Phone Number:	328-7258	Date Prepared:	03/18/2009

Requested by Legislative Council 02/02/2009

Amendment to:

SB 2228

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2007-2009 Biennium		2009-2011	Biennium	2011-2013 Biennium		
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	
Revenues						<u> </u>	
Expenditures			\$2,000,000				
Appropriations			\$2,000,000				

1B. County, city, and school district fiscal effect: Identify the fiscal effect on the appropriate political subdivision.

2007	7-2009 Bienr	nium	2009	2009-2011 Biennium		2011-2013 Biennium		nium
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

This bill creates a Biofuels Blender Pump Incentive Fund.

B. **Fiscal impact sections:** Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

This bill requires the Department of Commerce to administer the biofuel blender pump incentive fund to provide cost-share grants for the installation of retail biofuels blender pumps and allows any funds not used for the cost-share grants to be used for renewable energy and energy conservation programs and initiatives.

- 3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:
 - A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.
 - B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

Based upon the recommended appropriation contained in Senate Bill 2018, \$2,000,000 will be used for cost-share grants to encourage the installation of biofuels blender pumps or for renewable energy and energy conservation programs and initiatives.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.

\$2,000,000 is appropriated in Senate Bill 2018 as part of the executive budget recommendation for this grant program. As amended, this bill creates a continuing appropriation for a biofuel blender pump incentive fund.

Name:	Justin Dever	Agency:	Department of Commerce	
Phone Number:	701-328-7258	Date Prepared:	02/05/2009	

Requested by Legislative Council 01/15/2009

Bill/Resolution No.:

SB 2228

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2007-2009 Biennium		2009-2011	Biennium	2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues					-	
Expenditures			\$2,000,000			
Appropriations			\$2,000,000			

1B. County, city, and school district fiscal effect: Identify the fiscal effect on the appropriate political subdivision.

2007	7-2009 Bienr	ium	2009-2011 Bienn		ium	201	011-2013 Biennium	
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
							·	

2A. **Bill and fiscal impact summary:** Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

This bill creates a State Biofuels Blender Pump and Renewable Energy Grant program.

B. **Fiscal impact sections:** Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

This bill requires the Department of Commerce to establish a program to cost-share the installation of retail biofuels blender pumps and allows any funds not used for the cost-share grants to be used for renewable energy and energy conservation programs and initiatives.

- 3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:
 - A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.
 - B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

Based upon the recommended appropriation contained in Senate Bill 2018, \$2,000,000 will be used for cost-share grants to encourage the installation of biofuels blender pumps or for renewable energy and energy conservation programs and initiatives.

C. Appropriations: Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.

\$2,000,000 is appropriated in Senate Bill 2018 as part of the executive budget recommendation for this grant program.

Name:	Justin Dever	Agency:	Department of Commerce
Phone Number:	701-328-7258	Date Prepared:	01/22/2009

January 22, 2009

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PROPOSED AMENDMENTS TO SENATE BILL NO. 2228

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new chapter to title 17 of the North Dakota Century Code, relating to the creation of a biofuel blender pump incentive fund; to amend and reenact sections 19-10-19, 19-10-20, and 19-10-21 of the North Dakota Century Code, relating to petroleum products; and to provide a continuing appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new chapter to title 17 of the North Dakota Century Code is created and enacted as follows:

<u>Definitions.</u> For purposes of this chapter, unless the context otherwise requires:

- 1. "Biodiesel" means any non-petroleum-based diesel fuel made from a renewable resource such as vegetable oil or animal fat.
- 2. "E85 fuel" means a petroleum product that:
 - a. <u>Is a blend of agriculturally derived denatured ethanol and gasoline or natural gasoline;</u>
 - b. Typically contains eighty-five percent ethanol by volume but must at a minimum contain sixty percent ethanol by volume; and
 - Complies with the American society for testing materials specification D 5798-96.
- 3. "Motor fuel retailer" means a person that acquires motor vehicle fuel from a supplier or distributor for resale to a consumer at a retail location.
- 4. "Retail location" means a site at which motor vehicle fuel is dispensed through a pump from an underground or aboveground storage tank into the supply tank of a motor vehicle.

Biofuel blender pump Incentive fund - Continuing appropriation. There is created in the state treasury a special fund known as the biofuel blender pump incentive fund. All moneys transferred to the fund, interest on moneys in the fund, and payments to the fund are appropriated on a continuing basis for the purposes of this chapter. Any appropriation of moneys to the fund is not subject to section 54-44.1-11.

Biofuel blender pump incentive fund - Administration.

- The department of commerce shall administer the biofuel blender pump incentive fund and use moneys in the fund to provide cost-share grants to motor fuel retailers for the installation of biofuel blender pumps and associated equipment at retail locations.
- 2. In determining eligibility for grant funds, the department shall establish by rule criteria governing:



- The verification of costs for biofuel blender pumps and associated equipment;
- b. The eligibility of grant recipients;
- c. The application and grant award procedure; and
- d. Reporting and accountability procedures for grant recipients.
- 3. The amount of incentives payable to any retail location under this chapter may not exceed two percent of the total amount appropriated or transferred to the biofuel blender pump incentive fund.

Blender pumps - Requirements.

- 1. To qualify for a grant under this chapter, a retailer must obtain an ethanol blender pump that:
 - <u>a.</u> <u>Dispenses at retail a blend of gasoline and ethanol in the ratio selected by the purchaser;</u>
 - b. <u>Is manufactured to an industry standard and carries a warranty for compatibility with dispenser components;</u>
 - c. Has at least four hoses and dispenses the following:
 - (1) Either a blend of ten percent ethanol or the minimum blend percentage approved for all vehicles by the United States environmental protection agency;
 - (2) A blend of at least twenty percent ethanol; and
 - (3) E85 fuel: and
 - d. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.
- 2. In order to qualify for a grant under this chapter, a retailer must obtain a biodiesel blender pump that:
 - a. Dispenses at retail varying blends of biodiesel and mineral diesel in the ratio selected by the purchaser; and
 - b. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.

Biofuel blender pump incentive fund - Administrative costs. The department may use up to five percent of any amount appropriated to the biofuel blender pump incentive fund for administration, the dissemination of information regarding the biofuel blender pump incentive program, and the dissemination of information regarding the benefits of biofuels.

Biofuel blender pump incentive fund - Alternative uses for moneys. If any moneys remain in the biofuel blender pump incentive fund after grants are made to all eligible recipients, the department may expend the moneys for renewable energy and energy conservation programs and initiatives.

SECTION 2. AMENDMENT. Section 19-10-19 of the North Dakota Century Code is amended and reenacted as follows:

19-10-19. Inspection fees. Every person licensed by the tax commissioner as a motor vehicle fuel or special fuels dealer shall pay to the tax commissioner an inspection fee of one-fortieth of one cent per gallon [3.79 liters] for every gallon [3.79 liters] of gasoline, kerosene, tractor fuel, heating oil, er diesel fuel, or alternative fuel sold or used during a calendar month except those gallons sold out of state or those gallons sold as original package sales as defined in chapters 57-43.1 and 57-43.2. The fee must accompany the monthly report required in the following section and is due no later than the twenty-fifth day of each calendar month for the preceding month. The tax commissioner shall forward all money collected under this section to the state treasurer monthly, and the state treasurer shall place the money in the general fund of the state. The tax commissioner shall make available annually a report by licensed dealer listing the number of gallons [liters] of motor vehicle fuel and special fuels upon which the inspection fee has been paid. The provisions of chapters 57-43.1 and 57-43.2 pertaining to the administration of motor vehicle fuel and special fuels taxes not in conflict with the provisions of this chapter govern the administration of the inspection fee levied by this chapter.

SECTION 3. AMENDMENT. Section 19-10-20 of the North Dakota Century Code is amended and reenacted as follows:

19-10-20. Report to tax commissioner of petroleum products—Contents = Fuels. No later than the twenty-fifth day of each calendar month, every person licensed by the tax commissioner as a motor vehicle fuel, special fuels, or liquefied petroleum wholesale dealer shall send to the tax commissioner a correct report of all purchases and sales of gasoline, kerosene, tractor fuel, heating oil, or diesel fuel, or alternative and sales of gasoline, kerosene, tractor fuel, heating oil, or diesel fuel, or alternative during the preceding month. The report must include the same information as required in chapters 57-43.1 and 57-43.2 for motor vehicle fuel and special fuels tax collection purposes. Failure to send the report and inspection fee required by the preceding section to the tax commissioner constitutes a violation of the provisions of this chapter.

SECTION 4. AMENDMENT. Section 19-10-21 of the North Dakota Century Code is amended and reenacted as follows:

19-10-21. Bend may be required of Fuel dealer in petroleum products:

Bond. The tax commissioner may require any person licensed by the tax commissioner as a motor vehicle fuel, special fuels, or liquefied petroleum wholesale dealer to furnish a surety bond payable to the state of North Dakota in the sum of five hundred dollars, or twice the amount of inspection fees due for any calendar month, whichever amount is the greater, guaranteeing to the state true reports of purchases and sales of gasoline, kerosene, tractor fuel, heating oil, and diesel fuel, and alternative fuel and the payment of all inspection fees provided for in this chapter. The tax commissioner shall determine the sufficiency of the bond. A single bond may cover dealing in one or all of the petroleum products mentioned in this chapter. When any inspection fee is not paid within twenty days after it has become delinquent, the person bonding the delinquent may be called upon to make good upon the bond for such delinquent fees."

Renumber accordingly

Date: 1-29-09
Roll Call Vote #: /

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2228

Senate Transportation					Committee	
Check here	for Conference C	ommitte	е			
Legislative Coun	cil Amendment Nun	nber _	C	10809,0101		
Action Taken	Do Pass [Do l	Not Pa . 9 0	ss 🔽 Other 809. 0101		•••
Motion Made By	Senator M	vodla	Se	conded By Senator	Na	Ling
Se	enator	Yes	No	Senator	Yes	No
Chairman Sena	tor Gary Lee	V		Senator Tom Fiebiger	2	
Senator George		1		Senator Richard Marcellais	1	
Senator Dave N	lething	1		Senator Tracy Potter	U	<u> </u>
						
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Total (Yes)	6		No	·		
Absent	0					
Floor Assignmen	t					
If the vote is on a	in amendment, brief	ly indica	te inter	ıt:		

Date: /-29-09 Roll Call Vote #: 2,

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 3228

Senate Transportation				Com	mittee
☐ Check here for Conference C	ommitte	ee			
Legislative Council Amendment Nun	nber _				·····
Action Taken 🔀 Do Pass	Do!	Not Pa	ss [Other rerefer to approp	mat:	6m
Motion Made By Sington	Neif	Se پممن	econded By Senator Ma	rolla	ad
Senator	Yes	No	Senator	Yes	Ю
Chairman Senator Gary Lee	V		Senator Tom Fiebiger	ν	
Senator George Nodland	V		Senator Richard Marcellais	v	
Senator Dave Nething	L		Senator Tracy Potter	Ĺ	
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Total (Yes)		No	0		! <u>-</u>
Absent					<u>-</u>
Floor Assignment Senater	<u>H</u> a	1 y 	9021		
If the vote is on an amendment, brief		•			

Module No: SR-19-1261 Carrier: G. Lee

Insert LC: 90809.0101 Title: .0200

REPORT OF STANDING COMMITTEE

SB 2228: Transportation Committee (Sen. G. Lee, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2228 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new chapter to title 17 of the North Dakota Century Code, relating to the creation of a biofuel blender pump incentive fund; to amend and reenact sections 19-10-19, 19-10-20, and 19-10-21 of the North Dakota Century Code, relating to petroleum products; and to provide a continuing appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new chapter to title 17 of the North Dakota Century Code is created and enacted as follows:

<u>Definitions.</u> For purposes of this chapter, unless the context otherwise requires:

- 1. "Biodiesel" means any non-petroleum-based diesel fuel made from a renewable resource such as vegetable oil or animal fat.
- 2. "E85 fuel" means a petroleum product that:
 - a. <u>Is a blend of agriculturally derived denatured ethanol and gasoline or</u> natural gasoline;
 - b. Typically contains eighty-five percent ethanol by volume but must at a minimum contain sixty percent ethanol by volume; and
 - c. Complies with the American society for testing materials specification D 5798-96.
- 3. "Motor fuel retailer" means a person that acquires motor vehicle fuel from a supplier or distributor for resale to a consumer at a retail location.
- 4. "Retail location" means a site at which motor vehicle fuel is dispensed through a pump from an underground or aboveground storage tank into the supply tank of a motor vehicle.

Blofuel blender pump incentive fund - Continuing appropriation. There is created in the state treasury a special fund known as the biofuel blender pump incentive fund. All moneys transferred to the fund, interest on moneys in the fund, and payments to the fund are appropriated on a continuing basis for the purposes of this chapter. Any appropriation of moneys to the fund is not subject to section 54-44.1-11.

Biofuel blender pump incentive fund - Administration.

1. The department of commerce shall administer the biofuel blender pump incentive fund and use moneys in the fund to provide cost-share grants to motor fuel retailers for the installation of biofuel blender pumps and associated equipment at retail locations.

REPORT OF STANDING COMMITTEE (410) January 30, 2009 11:30 a.m.

Carrier: G. Lee Insert LC: 90809.0101 Title: .0200

Module No: SR-19-1261

2. In determining eligibility for grant funds, the department shall establish by rule criteria governing:

- a. The verification of costs for biofuel blender pumps and associated equipment;
- b. The eligibility of grant recipients;
- c. The application and grant award procedure; and
- d. Reporting and accountability procedures for grant recipients.
- 3. The amount of incentives payable to any retail location under this chapter may not exceed two percent of the total amount appropriated or transferred to the biofuel blender pump incentive fund.

Blender pumps - Requirements.

- 1. To qualify for a grant under this chapter, a retailer must obtain an ethanol blender pump that:
 - a. Dispenses at retail a blend of gasoline and ethanol in the ratio selected by the purchaser;
 - b. Is manufactured to an industry standard and carries a warranty for compatibility with dispenser components;
 - c. Has at least four hoses and dispenses the following:
 - (1) Either a blend of ten percent ethanol or the minimum blend percentage approved for all vehicles by the United States environmental protection agency;
 - (2) A blend of at least twenty percent ethanol; and
 - (3) <u>E85 fuel; and</u>
 - <u>d.</u> Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.
- 2. In order to qualify for a grant under this chapter, a retailer must obtain a biodiesel blender pump that:
 - a. Dispenses at retail varying blends of biodiesel and mineral diesel in the ratio selected by the purchaser; and
 - <u>b.</u> Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.
 - Biofuel blender pump incentive fund Administrative costs. The department may use up to five percent of any amount appropriated to the biofuel blender pump incentive fund for administration, the dissemination of information regarding the biofuel blender pump incentive program, and the dissemination of information regarding the benefits of biofuels.

(2) DESK, (3) COMM Page No. 2 SR-19-1261

Module No: SR-19-1261 Carrier: G. Lee

Insert LC: 90809.0101 Title: .0200

Biofuel blender pump incentive fund - Alternative uses for moneys. If any moneys remain in the biofuel blender pump incentive fund after grants are made to all eligible recipients, the department may expend the moneys for renewable energy and energy conservation programs and initiatives.

- SECTION 2. AMENDMENT. Section 19-10-19 of the North Dakota Century Code is amended and reenacted as follows:
- 19-10-19. Inspection fees. Every person licensed by the tax commissioner as a motor vehicle fuel or special fuels dealer shall pay to the tax commissioner an inspection fee of one-fortieth of one cent per gallon [3.79 liters] for every gallon [3.79 liters] of gasoline, kerosene, tractor fuel, heating oil, or diesel fuel, or alternative fuel sold or used during a calendar month except those gallons sold out of state or those gallons sold as original package sales as defined in chapters 57-43.1 and 57-43.2. The fee must accompany the monthly report required in the following section and is due no later than the twenty-fifth day of each calendar month for the preceding month. The tax commissioner shall forward all money collected under this section to the state treasurer monthly, and the state treasurer shall place the money in the general fund of the state. The tax commissioner shall make available annually a report by licensed dealer listing the number of gallons [liters] of motor vehicle fuel and special fuels upon which the inspection fee has been paid. The provisions of chapters 57-43.1 and 57-43.2 pertaining to the administration of motor vehicle fuel and special fuels taxes not in conflict with the provisions of this chapter govern the administration of the inspection fee levied by this chapter.
- SECTION 3. AMENDMENT. Section 19-10-20 of the North Dakota Century Code is amended and reenacted as follows:
- 19-10-20. Report to tax commissioner of petroleum products Contents Fuels. No later than the twenty-fifth day of each calendar month, every person licensed by the tax commissioner as a motor vehicle fuel, special fuels, or liquefied petroleum wholesale dealer shall send to the tax commissioner a correct report of all purchases and sales of gasoline, kerosene, tractor fuel, heating oil, or diesel fuel, or alternative fuel during the preceding month. The report must include the same information as required in chapters 57-43.1 and 57-43.2 for motor vehicle fuel and special fuels tax collection purposes. Failure to send the report and inspection fee required by the preceding section to the tax commissioner constitutes a violation of the provisions of this chapter.
- SECTION 4. AMENDMENT. Section 19-10-21 of the North Dakota Century Code is amended and reenacted as follows:
- 19-10-21. Bend may be required of Fuel dealer in petroleum products Bond. The tax commissioner may require any person licensed by the tax commissioner as a motor vehicle fuel, special fuels, or liquefied petroleum wholesale dealer to furnish a surety bond payable to the state of North Dakota in the sum of five hundred dollars, or twice the amount of inspection fees due for any calendar month, whichever amount is the greater, guaranteeing to the state true reports of purchases and sales of gasoline, kerosene,

REPORT OF STANDING COMMITTEE (410) January 30, 2009 11:30 a.m.

Module No: SR-19-1261 Carrier: G. Lee

Insert LC: 90809.0101 Title: .0200

tractor fuel, heating oil, and diesel fuel, and alternative fuel and the payment of all inspection fees provided for in this chapter. The tax commissioner shall determine the sufficiency of the bond. A single bond may cover dealing in one or all of the petroleum products mentioned in this chapter. When any inspection fee is not paid within twenty days after it has become delinquent, the person bonding the delinquent may be called upon to make good upon the bond for such delinquent fees."

Renumber accordingly



SB 2228



2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2228

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: February 6, 2009

Recorder Job Number: 8903

Committee Clerk Signature

Minutes:

Chairman Holmberg opened the hearing on SB 2228, relating to establishing a state biofuel blender pumps and renewable energy grant program. This bill was taken out of the Department of Commerce budget and put into a separate bill. The committee is familiar with the bill.

Senator Gary Lee, District 22, testified in favor of the bill. (No written testimony) His district produces a great deal of soy beans and corn. The bill had a hog house amendment in the Senate Transportation Committee. It creates a biofuel blender pump incentive fund. He gave an overview of bill.

V. Chair Grindberg asked, with hog house amendments, was the notion of a sunset clause discussed or is this a permanent deal.

Senator Lee said it would be a onetime appropriation, but it would be continuing so if it wasn't all used, it could be used over more than one biennium.

Chairman Holmberg said when he drives to Casselton, there are two gas stations. If one had already installed a pump and the other decided they wanted to, they would go to this fund for assistance. Would assistance be available to stations that may already have these pumps or is the concept so new that no one has them yet.

Page 2 Senate Appropriations Committee Bill/Resolution No. SB 2228

Hearing Date: February 6, 2009

Senator Lee said some stations will have these pumps in North Dakota. The concept is new, but they are out there. The bill does not address those that are already in use.

Senator Christmann said before committee finished work, a friend in the business advised him it's a matter of getting new tanks, submersible pumps, the lines, and the pool of money needed for tank leakage. Has anything been done to address those components?

Senator Lee said others will testify to that.

Chairman Holmberg said please don't overwhelm us, but tell us why we should spend \$2 million.

Senator Terry Wanzek, District 29, testified in favor of SB 2228. (No written testimony) In the past year especially, there have been bumps in road for the ethanol industry. He recently attended an agricultural rural leader's conference in San Diego where they had a break out session on the sustainability of ethanol. He is convinced there is a bright future for ethanol. Ethanol is in the Model T stage. It has unbelievable potential. Many are trying to make industry more efficient and competitive. Seed companies are predicting by 2030 the average corn average yield will be 300 bushels an acre, it was 152 bushels per acre this past year, in 1960 the average yield was 35 – 40 bushels per acres. The seed companies are working on varieties that are specifically developed for the ethanol industry. Let's not give up on this industry. It takes time to make it more efficient. It will assist with energy issues. Senator Wardner asked where any of these blender pumps are.

Senator Wanzek said someone else can answer that question. He is a cheerleader. He wants a competitive industry.

Senator George Nodland, District 36, testified in favor of SB 2228. (No written testimony).

They have an ethanol plant in Richardton which has created 45 jobs for their small community, where 100 trucks per day move product in and out.

He asked for support. It has helped economic development.

Lance Gaebe, Governor's staff on Natural Resource and Agricultural issues, testified in favor of the bill. The Governor included dollars for this project in SB 2018. He handed out amendments (attached #1). Blender pumps would be capable of blending anything from straight gas up to E85 or a consumer determined blend of biodiesel and traditional diesel. There are two pumps in the state, one in Mayville and one in Valley City. There are 28 – 30 E85 pumps in the state. They have been working the past year on this concept with many producer groups and ethanol plants. The .0201 amendments make provisions for piping and underground tanks. We have tax incentives for biofuels, this would be a marketing incentive and would help to market in North Dakota.

Senator Christmann asked if someone wanted a system setup, how many we can get for \$2 million? Lance Gaebe said the grants would be about \$5000 per island on a cost share basis. Many should already be compatible. There may be some flexibility with the Department of Commerce who is administering the program.

Senator Wardner said on page 2 of bill it says any retail location may not exceed. If they don't use \$40,000, he doesn't see a cost share program.

Lance Gaebe explained other programs that would contribute to get total participation up to about \$15,000. (Very difficult to hear 19:06)

V. Chair Bowman said today you when you go to the pump and get an ethanol blend where is that blended?

Lance Gaebe said the jobbers buy it from their distributors and bring it to retailers.

V. Chair Bowman asked if this pump would blend it at the pump.

Lance Gaebe said you would have one tank underground that would be straight gas and one would be E85 and the pump itself would create the blended E10, E20, or E30.

Page 4 Senate Appropriations Committee Bill/Resolution No. SB 2228 Hearing Date: February 6, 2009

Ken Satrang, General Manager, Petro Serve USA, testified in favor of the bill. (Written attached testimony # 2) By 2012 General Motors has said half of their entire fleet will be flexible fuel vehicles as long as the infrastructure is there. A pump like they are suggesting costs about \$17,500. If you add the extras for making it E85 approved, it would be \$7500 extra, so it would be a total cost of \$25,000. At \$2 million, that would be 400 pumps. We currently have 700 stations in North Dakota, if each one has 3 pumps, that would be 2100 pumps. The bill suggests \$5000 per pump, there is \$2500 with the federal tax credit, it is already law, there is \$2500 from the North Dakota Corn Growers (there is \$500,000 set aside right now) and there is the potential ethanol plant incentive. They will have skin in the game. When you sell your old pump, you will probably get about \$2500. So ball park estimate, you will get about \$15,000 in incentives, it will cost the retailer about \$10,000.

V. Chair Grindberg said we obviously need independent energy. If we are going to put \$2 million in taxpayer money into this, what is the benefit that he can take home to people who say there is no economic sense to ethanol investment. If there was an economic model for this in the state, the retailers would make the investment in the pumps because there would be a return and the state would not have to be involved.

Ken Satrang said we are going to save more than \$2 million at the pumps in certain years.

This past year we could have saved \$60 million at the pumps if these had been available. The economic impact of the corn is really significant.

V. Chair Grindberg said he agrees with that. But the regular citizens who buy gas at the pump a couple of times a week don't see any of that, they are the ones who generate the opinions about investments and subsidies for these diverse energy sources. They want to see a return to their pocket as they fill up at the pump.

Page 5 Senate Appropriations Committee Bill/Resolution No. SB 2228

Hearing Date: February 6, 2009

Ken Satrang said the problem is these regular citizens can only buy E10 and regular gas.

They could own a flexible fuel vehicle and if the pumps were available, use E30 or E85 and save \$1.00 per gallon. Once there is a competitive network and once there is a choice at the pump, you will be saving money. Now it costs 25 cents per gallon to ship ethanol to both coasts. There is way more than \$2 million economic impact in the blended pumps.

Tom Lilja, North Dakota Corn Growers, testified in favor of the bill. (Written attached testimony

3) The federal government currently spends \$4 billion for ethanol subsidies. With the reduced counter cyclical payments to farmers and savings in ethanol costs this past year, when ethanol was about \$1.00 per gallon cheaper, the tax payers were saving about \$21 billion for the \$4 billion investment. 163 million bushels of corn per year are utilized at the corn plants and at the Cargill plant. When these plants are competing for the corn, it is a minimum 10 cents basis improvement for the farmers, it is almost 20 cents for competitive bids that is putting \$16.5 - \$32 million back in the pockets of farmers.

Randy Schneider, President, North Dakota Ethanol Producers Association, testified in favor of the bill. (No written testimony) This piece of legislation has been a collaborative effort by a number of people. The regular citizens of North Dakota who go to the gas pump in Grand Forks don't have an opportunity to buy E30 fuel which would probably be 20 cents per gallon cheaper. This bill provides that opportunity by getting the infrastructure in place. This bill would advance the ability for producers to retain about 50 million gallons of ethanol in the state of North Dakota. We spend about 25 cents per gallon exporting our product out of state. This would translate into an additional \$10 million for the revenue staying in North Dakota and at a corporate tax rate of 6.5%, it would be an additional \$650,000 in tax revenue. This is a onetime appropriation of \$2 million. It is a wise investment.

Hearing Date: February 6, 2009

Mike Rud, North Dakota Petroleum Marketers, testified in favor of the bill. (No written testimony) This was part of the Empower North Dakota discussion. They want to continue to be at the table as we craft policy.

Senator Christmann said the industry has shown a tremendous ability to adapt and to raise capital. In the last couple of decades, we have made an almost complete transition from corner gas stations to big convenience stores that also sell gas. Why, with that ability, do taxpayers need to provide the money to make the next adaptation.

Mike Rud said we have gone from 10% to 63% in terms of E10 usage in North Dakota and that has been on the backs of the North Dakota petroleum marketers. They made the decision to meet the demand of the public.

V. Chair Bowman asked how many ethanol plants filed bankruptcy in the last year. There were three in lowa. Anyone can make money if someone else pays the bill. What happens if it doesn't work? When you hear about all these ethanol plants going broke, it is kind of a scary thought that we are investing in something that might not be viable in three or four years. There is something wrong someplace if these plants aren't making it.

Mike Rud said he can't speak to how many ethanol plants are under financial pressure right now. We have a renewable fuels standard that is out there right now at the federal level that is calling for 35 billion gallons of ethanol by 2017 or 2022. This is one direction we can go to reach this. Their concern remains one of safe harbor for marketers in terms of liability in this process.

James Schmidt, farmer from Menoken, said regarding Senator Christmann's question about going from small town stations to big convenience stores, with a 51 cent blender's credit that is a national credit, the smaller stations can compete against bigger stations. The small stations that still exist in small towns should be viable now, where they are making money.

Page 7 Senate Appropriations Committee Bill/Resolution No. SB 2228 Hearing Date: February 6, 2009

Twenty years of CRP has ruined small communities but now the land is going back into production. This is infrastructure to keep these small towns viable. The ethanol industry in western North Dakota this year has been a savior for the livestock people because of the bi products available in a dry year.

Senator Holmberg closed the hearing on SB 2228.

Additional testimony was submitted and is attached.

2009 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: February 18, 2009

Recorder Job Number: (no audio available)

Minutes:

Chairman Holmberg opened discussion on SB 2228 concerning biofuel blender pumps.

V. Chair Grindberg moved Do Pass on SB 2228.

Senator Fischer seconded.

Discussion followed and Senator Krebsbach asked if the amendment presented by Senator

Flakoli had been voted on yet and it had not.

V. Chair Grindberg withdrew his motion,

Senator Krebsbach moved to approve the .0201 amendment.

V. Chair Grindberg seconded.

Voice vote approval on .0201 amendments

V. Chair Grindberg moved Do Pass as Amended on SB 2228.

Senator Fischer seconded.

A Roll Call vote was taken. Yea: 14 Nay: 0 Absent: 0

The bill goes back to the Transportation Committee.

Date: 2-/8-09 Roll Call Vote #: /

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2228

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Motion Made By	indber	g Se	econded By Sen.	Fische	<u> </u>
Representatives	Yes	No	Representatives	Yes	No
Senator Wardner			Senator Robinson		
Senator Fischer			Senator Lindaas		
V. Chair Bowman			Senator Warner		
Senator Krebsbach			Senator Krauter		
Senator Christmann			Senator Seymour		
Chairman Holmberg			Senator Mathern		
Senator Kilzer		ļ			
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PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2228

Page 2, line 19, replace "obtain" with "install"

Page 2, line 20, after "pump" insert "and an associated storage and piping system. The pump must be the type"

Page 2, line 24, after "components" insert "and storage and piping systems"

Page 3, line 3, replace "obtain" with "install"

Renumber accordingly

Date: 2 - 18-09 Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO.

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Senator Fischer			Senator Lindaas			
Senator Wardner			Senator Robinson			
Senator Kilzer			Senator Warner			
V. Chair Bowman	<u> </u>		Senator Krauter			
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Date: _	2-18-09
Roll Call Vote #	

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO.

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Legislative Cour	ncil Amendment Num	ber _	·				
Action Taken	Do Pass] Do No	t Pass	Amended			
Motion Made By				econded By Fisch	w		
Se	nators	Yes	No	Senators	Yes	No	
Sen. Ray Holm	berg, Chairman	<u></u>		Sen. Aaron Krauter			
Sen. Bill Bowm	an, VCh	L		Sen. Elroy N. Lindaas			
Sen. Tony S. G	Frindberg, VCh			Sen. Tim Mathern	V		
Sen. Randel Cl	hristmann			Sen. Larry J. Robinson	-		
Sen. Tom Fisch	ner			Sen. Tom Seymour	1		
Sen. Ralph Kilz	er	V		Sen. John Warner	V		
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REPORT OF STANDING COMMITTEE (410) February 18, 2009 3:35 p.m.

Module No: SR-32-3346 Carrier: G. Lee

Insert LC: 90809.0201 Title: .0300

REPORT OF STANDING COMMITTEE

SB 2228, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2228 was placed on the Sixth order on the calendar.

Page 2, line 19, replace "obtain" with "install"

Page 2, line 20, after "pump" insert "and an associated storage and piping system. The pump must be the type"

Page 2, line 24, after "components" insert "and storage and piping systems"

Page 3, line 3, replace "obtain" with "install"

Renumber accordingly

2009 HOUSE TRANSPORTATION

SB 2228

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2228

House Transportation Committee

Check here for Conference Committee

Hearing Date: 03/12/09

Recorder Job Number: 10815

Committee Clerk Signature-

Minutes:

Lance Gaebe, Senior staff for Governor Hoven, introduced SB 2228. This is one of several bills created by the action that the House and Senate took to remove some policy items from Appropriation bills. The sponsors have requested that the Office of the Governor introduce these bills to the committees. SB 2228 creates a blender pump program. Blender pumps are types of pumps that allow the consumer to pick whatever type of gasoline to ethanol that they would like to use in their vehicle, or varying blends of diesel to biodiesel. This would encourage the installation by the marketers of pumps that could do 20%, 30%, 40% blends. The research has shown that those types of blends actually have a better miles per gallon ratio and will result in the consumer being able to pick the most economic blend to use in their vehicles. Legislators have been supporters over the years of alternative fuels industries. We have already had in place for a number of years production incentives, tax incentives, and finance incentives in the state. They have been successful. We have one of the largest biodiesel plants on the continent in Velva. We have four new ethanol plants that weren't in place only five years ago that produce more ethanol that the state can consume. We would like to use more of that ethanol in the state to help the corn farmers and the ethanol plants be successful by not having to ship all that product out of the state. This bill came to be by a long

term effort of the Corn Growers, the Ethanol Producers Association, the Corn Utilization Council, the Soybean Growers, and the Dakota Marketers. They have worked on this bill to try to come up with some policies and procedures to put this blender pump incentive program in place. Also there is a financial commitment to add on to the two million dollars that is included in the governor's budget that is in the appropriation bill from the Department of Commerce, which is SB 2018. In addition to that, the Corn Utilization Council has committed up to one quarter of a million dollars to add to that.

Lance Gaebe reviewed the bill. (5 minutes on tape)

Representative R. Kelsch: When you talk about on page two line 27, either a blend of 10% ethanol or the minimum blend as approved for all vehicles, what happens if you do have a vehicle that is not approved for the certain blend type that you have.? Is the plan to have some sort of stop/check first before you put this into your tank?

Lance Gaebe: For blends higher than 10%, currently the EPA only allows it in flexible fuel vehicles. So any vehicle that is not capable of using those types of blends would not be able to use them. There are several efforts to go to higher blends for the base amount for any type of vehicle, 13% has been suggested. Several associations have asked to up to E15 as the base blend. The blends of E20-40 would only be able to be used in flexible fuel vehicles. There would have to be clear labeling on these pumps. He has some pictures of what they would look like. They have yellow hoses for the flexible fuel vehicles, and the ones that can be used for any vehicle have black hoses and say as much on the pump.

Representative Weisz: Can you explain the fiscal note? How many pumps are we converting and at what price?

Lance Gaebe: The fiscal note just says that the two million dollars is within the Department of Commerce. The detail will be dependent on some stimulus dollars. The other part is that at

some locations there may be a minimal cost share, because of new tanks and such. Some of the policies will be put in place by the Department of Commerce. Objectively it is 150-200 locations that would get pumps. Some places might be up to \$40,000 for full installation of new tanks, while other places might be a lot less.

Representative Weisz: Is the intent up to \$100,000 per pump out of this fund?

Lance Gaebe: The intent is to allow up to \$40,000 per retail location. They may have 4-6 pumps.

Representative Weisz: So, you could have a single pump and a single location and could get up to \$40,000?

Lance Gaebe: I suppose that is conceivably possible, but as a part of the procedures or policies that the Department of Commerce would write we wouldn't have a single gas station get the whole \$40,000. We would like to put them in high traffic areas to get the most use out of them.

Representative Weisz: What was the rational to come up with two million dollars? Fifty stations at \$40,000 each?

Lance Gaebe: I would say 100 stations at \$20,000 each.

Representative Frantsvog: Who are eligible recipients?

Lance Gaebe: The eligible recipients are the motor fuel retailers.

Representative Frantsvog: On page 2 it talks about the money staying In the fund on a continuing basis, so that if it wasn't all spent in this biennium it could go on to the next biennium. Is that what you said?

Lance Gaebe: That is the intent. The appropriation that is in the Department of Commerce's budget is a one- time appropriation, and the section that you referred to would allow it to be carried over.

Representative Frantsvog: When does the language on page 3 line 13, kick in? In one place you are saying that this is providing these funds, but in another place you are saying if the money is not all spent it can be used for another purpose.

Lance Gaebe: That is a good question. I can't answer that.

Representative Delmore: What happens if there is 150 stations that apply? Does the amount just go down to less and less money, so people probably can't cover their costs of doing a blender pump?

Lance Gaebe: The policies outlined by the Department of Commerce will probably be a cost share role. We don't intend to do 100% of these pumps, so it would be possibly prorated to do a cost share of those installations. So, if we have more applications, I assume that it would be prorated as such.

Chairman Ruby: You are still allowing a fair amount of implementation of this to be left up to rules set by the Commerce Department, is that right?

Lance Gaebe: It is written by rule. There is some question whether it should be by rule or by policy because of the adaptiveness that we need to have because of the stimulus package. We don't know yet what might be available in the federal stimulus package. There is some money for flexible fuels. It does say by rule because we need some flexibility to anticipate that to accept some federal dollars. There is some question if it could be done by policy instead of by "measured" (?) rule, because "measured" rule can take up to several months to appropriate. Chairman Ruby: We don't really know what might be brought up as to what kind of match might be required of the marketers?

Lance Gaebe: There isn't one that has been identified here. One of the groups that had worked on this mentioned somewhere around 50/50, but it doesn't say that here.

Representative Sukut: Is there some date available giving information about the percentage of vehicles today would have use for blender pumps? Also what are we looking at down the line in terms of what the usage might be?

Lance Gaebe: There is data, but I don't have it off the top of my head. Someone who is going to speak yet may have that information.

Representative Schmidt: Do you anticipate that the price of blended fuel would be about equal to the other station fuels?

Lance Gaebe: One of the beauties of the program is that it is good for the consumer. If ethanol is low, then it might work better to pick a higher blend of ethanol. If gasoline is a little bit lower it might work to pick a higher blend of gasoline. It gives the consumer the option to pick the most economical blend for their vehicle.

Representative Schmidt: Will the small gas stations be able to compete, if they don't have a blender pump? I wouldn't want them to be run out of business.

Lance Gaebe: I hope that all the stations would be eligible to get the same level of funding to help with getting a pump. Even the small stations should look at making the investment because with the blends change many customers will be asking for them.

Representative Vigesaa: Have you discussed any criteria that you may use, if you get way more applications than the funds would allow? How will you decide who is going to get the pumps and the continuing appropriation?

Lance Gaebe: We haven't discussed the criteria a great deal other than it will be a cost share program, possibly up to 50%. That will usually moderate the number of applications somewhat. If a marketer has put in pumps in recent years, then they possibly wouldn't look at doing this at this time.

Chairman Ruby: Can you give us some ideas of what the alternate uses for these funds might be?

Lance Gaebe: The Department of Commerce has an oil overcharge fund that is a result of a lawsuit against one of the oil drillers. It was a fine and part of the settlement was that the funds had to be used for alternate energy projects. It could be used for something similar to the Go-E campaign to advertise for ethanol. It could be used for research projects to demonstrate the mileage of midgrade blends. It would be up to the imagination of this committee and the Department of Commerce. I could get you a list of some of the projects that might be applicable.

Kent Satrang, General Manager of Petro Serve USA and a member of North Dakota Corn Growers Board spoke in support of SB 2228. See attachment #1. (starts at 24:30 and ends at 42:34)

Representative Heller: Who is liable if someone puts an incorrect blend in their vehicle?

Kent Satrang: The person who fills the car and the gas station owner. It is no different than now with diesel. We don't have that happen a lot, but the labels and the yellow hoses should help.

Representative Heller: At most gas stations the diesel is at the other end of the station, so I can see that it doesn't happen very often. This would be right in line with other regular unleaded gas. I could see this happening more often.

Kent Satrang: I would say that every station is different. At my station, the gas and diesel are on the same pump. I haven't had a problem with that. It is part of the education process. The yellow hoses are like corn, and the black hoses are traditional. They should be able to

read. It is a risk that I am willing to take as a petroleum dealer.

Representative Thorpe: Do you see this as beneficial to blending the differences in pricing

from the eastern side of the state to the western side of the state?

Kent Satrang: I think that it would help because right now we just have petroleum refineries

that are selling us product. Now we will add another part to the mix which is ethanol. They will

each be trying to be more competitive. I don't know how it will affect east/west, but I am really

sure that it will bring the prices down for the North Dakota consumers.

Representative Delmore: Does South Dakota have more E-85 pumps than North Dakota?

Kent Satrang: I'm not sure, I think that we are outnumbered by E-85 pumps, and I know that

we are outnumbered by flexible fuel vehicles. They are currently a little bit ahead of us. This

would take us from being behind to being a leader in the nation.

Representative Weisz: In your testimony you said that a UL approved E85 pump cost about

\$7,500. Does that include the blending capabilities?

Kent Satrang: A UL approved E85 pump is not quite there yet. Normally it is just the pump

that needs approval, but we are going to have the pump, the hoses, and the nozzles approved.

The \$7500 includes everything. It will be very exact and specific.

Chairman Ruby: Does the customer or the station set the blend?

Kent Satrang: The station presets the blend. If a customer came in and asked specifically for

E53, I could set one pump for that amount.

Chairman Ruby: How accurate is the source for flex fuel vehicles?

Kent Satrang: I believe the American Lung Association says 29,000. I believe any of these

numbers include state fleets.

Chairman Ruby: How much is the state subsidizing the production of ethanol?

Kent Satrang: I don't believe that they are subsidizing the production at all.

Chairman Ruby: As a retailer, if this makes sense for you from a business standpoint, to attract customers and give them what they want. Why do you need the state's help? Why wouldn't you do it anyway?

Kent Satrang: I have thirteen stations and they all have three to four pumps each, and they all work. Most people, like myself, want to make fifteen cents per gallon. It doesn't matter to most dealers what they sell. It matters to me because I am in an area where there is a lot corn farmers, a lot of activity from fertilizer plants, a lot of activity from corn driers, and a lot of activity from fuel for tractors. I really want to see it go because of the economics of North Dakota. It just isn't enough for me to put in \$150,000 to replace pumps that already work well. If we get all the stakeholders involved, which would be the state, the corn growers, the ethanol plants and the federal government, together we can do it. It would cost me the equivalent of buying two extra stations to put in all those pumps. I have made a financial commitment of putting in four E85 pumps, but I can't afford to change my whole infrastructure. Right now the thirty-one E85 pumps probably only cover 20% of the state's population. We think that this bill will allow us to cover 90% of the state's population. There will be some stations out there that need new pumps and will jump in on this, and get ethanol blender pumps.

Representative Delmore: Would there be a cap on the number of pumps that a large dealer like you could have? Would it be negotiated or first come, first serve?

Kent Satrang: I think that is why we put in only 2% of the fund can be used at one location. That means that 2% of two million dollars is \$40,000. I hope that it is only \$5000 per pump. We are not looking for free pumps, we are just looking for some help to make the pumps available.

Representative Gruchalla: How long ago did South Dakota put in blender pumps?

Kent Satrang: They have had them for several years.

Representative Gruchalla: Do they have a program similar to this to incentivize the pumps?

Kent Satrang: Yes, they do. There are fourteen states that have programs like this, and they are all different.

Representative Potter: Looking at your map, do you know why Grand Forks has so few E85 pumps?

Kent Satrang: I don't know why.

Thomas S. Lilja, Executive Director of the North Dakota Corn Growers and the North Dakota Corn Utilization Council, spoke in support of SB 2228. See attachment #2.

Representative Potter: With the various types of products that can end up being ethanol, soy beans, corn, switch grass, or whatever, does that make a difference what the ethanol was made from?

Kent Satrang: It really doesn't. Ethanol in its final form is ethanol. There are companies in California trying to make ethanol out of waste. It would be the same government standard product no matter what it was made from.

Allan Brauten, farmer from Richland County, asked for the committee's support of SB 2228.

Mike Beltz, a farmer from north of Hillsboro and a chairman of the North Dakota Ag

Coalition, spoke on behalf of the Ag Coalition in support of SB 2228. See attachment #3.

Scott Rising spoke in support of SB 2228 on behalf of the North Dakota's Soybean

Growers. See attachment # 4.

Randy Schneider, President of the North Dakota Ethanol Producers Association, spoke in support of SB 2228. See attachment #5.

Bill/Resolution No. SB 2228

Hearing Date: 03/12/09

Representative Potter: If the car manufacturers are going this route, aren't the gas station owners going to have to do this on their own and save the state two million dollars? Don't you think that demand will drive this?

Randy Schneider: I think that we are up against speed. It is building the infrastructure as quickly as possible. This bill helps the building of the infrastructure quickly. The automobile manufacturers do want to build as many flexible fuel vehicles as possible. But, those flexible fuel vehicles do have the opportunity to burn regular gas. With the blender pumps, probably the most economical blend to burn is E30 right now. These blender pumps will allow those flex fuel vehicles to quickly start consuming the blend of E30. I think it is the speed at which we can most quickly start consuming instate a product that we produce. (by use of blender pumps)

Representative Weiler: One thing that I suppose that this bill won't do is help with the price at the gas pump. Several years ago when this legislative body was asked to give lots of money to ethanol, we were told that it will be fifty to sixty cents less per gallon per gallon at the pump. I know that this bill doesn't have anything to do with that, but we were told then that the benefits to the citizens of North Dakota are going to be, if you spend millions, and millions, and millions of dollars, they are going to spend fifty to sixty cents less per gallon at the pump. Now again we are asked to spend a couple of million dollars, but regular and blend are the same price. What is the reason for that?

Randy Schneider: You drove by today and it was a point in time. I would surmise that if we look at averages over time, we would see those savings. Again, market forces are at play, what gas and ethanol prices are. When we saw gas prices in July, we saw the differences.

Scott Radig, Director for the State Health Department the Division of Waste

Management, oversees the underground storage system. They are in overall support of the

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Hearing Date: 03/12/09

bill. However, he would like to make one technical recommendation for the bill. In reading through this, on page 3, line 3 for the biodiesel pumps, it does not have the same requirements that the associated storage and piping also be compatible with the biofuels. He read from the EPA website about underground storage tanks for biofuels. "Though biodiesel can be used in the same capacity as its petroleum counterparts, it also has a significant solvent effect which will affect storage tanks that previously stored petroleum diesel. "Based on the potential for increased leaks in tanks that may be switched over from regular diesel to biodiesel, we make the recommendation that the requirement be put into place that the associated tanks and piping be compatible with the biofuels. Also that the same lines from page 2 lines 24 and 25,

Mike Rud, North Dakota Petroleum Marketers, spoke in support of SB 2228. They continue to support the research and development of alternative fuels. We have marketers in our association that would like to take advantage of these appropriations, if they are so drafted.

Representative Gruchalla: Had you heard about the biodiesel and the tank issue prior to this?

that those two lines also be added to the biodiesel section. I will provide those amendments.

Mike Rud: Yes, and we have been working on this on the ethanol side as well. Those are our big concerns right now on a state and national level. We have two taskforces put together, one with the National Association of Convenience Stores and the Petroleum Marketers Association has a renewable fuels taskforce. I sit on both of those taskforces, and we are trying to put together sound policy at the national level that gives the marketers safe harbor should we move forward with the RFS standards. They are talking 36 billion gallons of ethanol by 2022. We want to make sure that not only the infrastructure in North Dakota is protected, but infrastructure and marketers across the county are protected.

Hearing Date

Russ Neuman, Tharuldson Ethanol Plant at Casselton, spoke in support of SB 2228. They will make 120 million gallons of ethanol and about 400 tons of distillers grain, making them the fourth largest ethanol plant in the United States. This plant was a \$250 million investment, the largest private investment in the history of their county. They have about \$35 million dollars worth of tanker cars and would like to be able to turn some of those back in when the lease come up. They would like to hire more truckers and haul to the local markets, especially in the eastern part of the state. We will use about 15 to 18 % of the state's corn crop. It equates to about 40 million bushels a year. When we have to add transportation costs, we have to add an additional five to ten cents per gallon to ship our product. Nationally the ethanol industry is operating at 72% efficiency level. We have to get past the thing we call the "blend wall", the E10 mentality. This is the best way to do it.

Representative Griffin: Will your plant distribute directly to the E85 pumps that are currently in the state? How does that distribution process work? If the new pumps were to go into effect, do you see the distribution process changing?

Russ Neuman: Our plan for that is to have our own blending facility at Casselton, and the trucks will leave with E85 from our plant. We would like some help here, but we would like to "have some skin in the game". We want to go out and get contracts, so that the dealers in North Dakota are committed to buying North Dakota ethanol.

Representative Schmidt: Do you think that in the future we will be able to put ethanol in a pipeline?

Russ Neuman: I have heard rumors of a pipeline that could run to the east coast. I don't know the feasibility of something like that happening. Right now, rail is our best option.

I have been told that ethanol cleans out the pipes and makes it difficult to do it.

Representative Delmore: You would then have to purchase the petroleum yourself. Would you then have trucks that you would hire and that you would buy to send that out? I haven't heard that idea before, but it certainly makes sense. Can you tell me more about that? Russ Neuman: We do not plan on having our own fleet of trucks; there are plenty of jobbers available to do that sort of thing. We would contract with them to haul for us.

Jeff Zeuger, the general manager of Blue Flint Ethanol in Underwood, North Dakota,

testified in support of SB 2228. This bill is a continued partnership between the state and the ethanol industry, and now the petroleum industry and marketers. We have been blending ethanol as E85 for over two years at Blue Flint. Moving the smaller volumes ethanol into the marketplace is challenging. As you get more pumps in the industry and more consumers using E85 at different facilities, that will naturally drive the cost down to the consumer as well. If you can imagine trying to move 2,000 gallons of E85 to one facility 200 or 300 miles, it can be as much as 20-30 cents a gallon in transportation costs. By expanding the market, it will allow opportunities to move E85 into more facilities and create more opportunities to competitively sell E85 to the consumers. We produce 58 million gallons of ethanol annually. About 80% of our product leaves the state by the way of rail. We currently have 280 rail cars in our fleet. This is a significant cost to our facility, and it puts us at a large disadvantage from a pricing standpoint, when you look at others that are talking about two to three cents per gallon to get their product to market.

Representative Thorpe: Are you exporting ethanol out of the United States to move your product?

Jeff Zeuger: Some of our product does go to Canada because of our location. Most of our product stays in the United States and goes west. The more ethanol that we can keep in the state, it helps our industry long term. It helps the health of the ethanol plants that are built in

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House Transportation Committee
Bill/Resolution No. SB 2228
Hearing Date: 03/12/09

the state because we don't have the extra costs to move product to larger markets. By growing the availability of midgrade and higher ethanol to the flex fuel vehicle customers, that will grow the amount of ethanol that is consumed in the state. Currently as was eluded to earlier, it is the petroleum marketers that blend ethanol into E10 and move that to the retail markets. We only sell at a wholesale level. We don't have the direct relationship, other than with E85. So, E 85 will allow us this direct relationship and have better control over the price at the pump and bring that price down.

There was no opposition to SB 2228.

The hearing was closed on SB 2228.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2228

House Transportation Committee

☐ Check here for Conference Committee

Hearing Date: 03/12/09

Recorder Job Number: 10873

Committee Clerk Signature

Minutes:

Chairman Ruby brought SB 2228 before the committee.

General review of the testimony took place.

The Department of Health provided testimony and amendments to SB 2228. See

attachment #1.

Written testimony was provided from different sources. See attachments #2 - 9.

Representative R. Kelsch: I suggest the deletion of the section regarding the continuing appropriation. Delete starting on page 1 line 23 and 24, then go over to page 2 and delete lines 1, 2 and 3. I'm not sure that they need a continuing appropriation. We as a legislative body can put the two million dollars in again if it is needed. It is in direct conflict to the biofuel blender pump incentive fund. You can't have a continuing appropriation and spend it all out at the end of the biennium.

Representative R. Kelsch: Moved the amendment as she suggested.

Representative Heller: Seconded the amendment.

Representative Delmore: Please repeat what you are taking out.

Representative R. Kelsch repeated the deletions as described above. She explained that those five lines are in direct conflict with page 3 lines 13-16.

Representative Weisz: The effects of that will be if they a spend a million dollars, then the other million will just go for ethanol promotion of some sort. So, it won't be continuing or ongoing.

Representative Griffin: What is the last sentence, "any appropriation money"?

Representative R. Kelsch: I don't know. Jonathan can look that up.

A roll call vote was taken on the amendment. Aye 10 Nay 4 Absent 0 The motion passed.

Representative R. Kelsch moved a Do Pass as amended and re-referred to appropriations.

Representative Sukut seconded the motion.

Representative Potter stated that she is not going to vote for the bill. I support ethanol and alternative fuels, but I think that businesses will be updating their pumps themselves and am not eager to spend the state's money for them to do this. I am in favor of ethanol and purchase it, so it is not a slam against that.

Representative Weiler: Does Hope, North Dakota have a blender pump?

money. This incentive will help to promote the ethanol groups.

Representative Weisz: There are currently thirty-one E85 pumps in the state. Hope has an E85 pump, but not a blender pump. This bill would encourage blender pumps.

Representative Weiler: Are there currently ANY blender pumps in North Dakota?

Representative Weisz: I don't think so. I wanted to respond to Representative Potter's question. The flexfuel fuels don't REQUIRE them to use these blends. They can use regular gasoline. These pumps would allow them to pick a blend that may get them better performance for their car. People will be able to pick the blend that is more economical. This will also allow the gas stations to pick the ratios that fit with their customer base. It is expensive for the stations to put in the pumps, and it won't necessarily make them more

Page 3 House Transportation Committee Bill/Resolution No. SB 2228 Hearing Date: 03/12/09

A roll call vote was taken on SB 2228 as amended and re-referred to appropriations.

Aye 9 Nay 5 Absent 0

The motion passed.

Representative Weisz will carry SB 2228.

Adopted by the Transportation Committee March 12, 2009



PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2228

Page 1, line 2, after the semicolon insert "and"

Page 1, line 4, remove "; and to provide a continuing appropriation"

Page 1, remove lines 23 and 24

Page 2, remove lines 1 through 3

Renumber accordingly

			Date: 3/12/09		
			Roll Call Vote #:		
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Representative Ruby - Chairman Rep.Weiler - Vice Chairman Representative Frantsvog Representative Heller Representative R. Kelsch Representative Sukut		No	Representative Delmore Representative Griffin Representative Gruchalla Representative Potter Representative Schmidt		777
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If the vote is on an amendment, briefly indicate intent:

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Module No: HR-46-4862 Carrier: Weisz

Insert LC: 90809.0301 Title: .0400

REPORT OF STANDING COMMITTEE

SB 2228, as reengrossed: Transportation Committee (Rep. Ruby, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed SB 2228 was placed on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "and"

Page 1, line 4, remove "; and to provide a continuing appropriation"

Page 1, remove lines 23 and 24

Page 2, remove lines 1 through 3

Renumber accordingly

2009 HOUSE APPROPRIATIONS

SB 2228

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2228

House Appropriations Committee Government Operations Division

Check here for Conference Committee

Hearing Date: 3/20/09

Recorder Job Number: 11322

Committee Clerk Signature

Minutes:

Chairman Delzer opened the discussion on Senate Bill 2228.

Representative Weisz explained the .0300 amendment. The bill appropriated the \$2 million and then it had a continued appropriation, which meant that if they didn't expend all the \$2 million in this biennium, they could expend the rest in the future biennium. There was also another section in the bill that stated if you don't spend it all this biennium, then you can spend it for other related uses. It seemed to be conflicting. As we saw it, the intent for the \$2 million was for blender pumps, not other uses. We thought that if it wasn't used for blender pumps it should go back to the general fund. There was no plan in place for the alternative uses. The committee eliminated the continuing appropriation, so that they were not in opposition to each other.

Representative Berg: Can you just recap this program?

Representative Weisz: A normal pump is about \$18,000. The blender pump part is about \$7,500 additional. So, a complete pump is roughly \$25,500. The proposal is that out of the \$2 million, the state will put in \$5,000 for each pump. There is a current federal tax credit that is up to 50% per pump, but that only applies to half of the pump, since only half of the pump is for the blender. That comes to about \$3,100. North Dakota Corn Growers has put a program

Bill/Resolution No. SB 2228

Hearing Date: 03/20/09

together to contribute \$2,500. The ethanol plants have agreed to put in \$2,500. They estimate that they could sell the old pumps for \$2,500. Also they do pay a blender pump use tax, which adds to the cost of the pump. You have a \$26,000 pump. With all the incentives the retail station will pay about \$10,300 if they decide to convert a pump.

Rep. Kaldor: Can you go through that list again?

Representative Weisz reviewed the previous information. He added that it would be limited to \$40,000 per location, so each location could have no more than eight pumps. The benefit of this program will most likely be for the biodiesel, because they can change the ratio (1% to 100%) of the fuel depending on the season or the customer. The ethanol can only be blended at 10% unless it is a flex-fuel vehicle.

Rep. Kaldor: Do any of these others have a cap on the amount of money that they are going to provide?

Representative Weisz: The Corn Growers have a \$500,000 fund. From the state perspective they are looking at 400 pumps. From the other groups perspectives they are looking at 200 pumps.

Chr. Delzer: (?) We should reduce this to \$1 million, even if we move forward it.

Representative Weisz: I don't think that any of them felt that they would use the \$2 million dollars.

Chr. Delzer: Do they even think that they will use 200 pumps in two years?

Representative Weisz: Currently there are 31 pumps across the state. The gentleman from Tesoro said that he thought they would use between 100 and 200 pumps. If someone is needs to replace a pump, they would spend the extra money to put them in with the incentives.

Rep. Berg: How many pumps do we have in North Dakota?

Representative Weisz: We didn't find out the total number of pumps across the state.

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House Appropriations Committee
Government Operations Division
Bill/Resolution No. SB 2228

Hearing Date: 03/20/09

Rep. Berg: I'm concerned that this will become an ongoing program that the state pays for pumps for every gas station for the next twenty years. They are a private business and they will sell the type of fuel that they make the most money on. We created an incentive for E-85. We could do something similar to that. There would also be an incentive to the consumer and end in the middle of the biennium, so it doesn't become an ongoing program. We could give a twelve month window for people to access the program. At the end of the twelve months the dollars go back to the general fund if they are not used.

Representative Weisz: That is why we took the continuing appropriation out.

Rep. Berg: I would like to take it further. The intent is to inspire people to put pumps in. If we end up putting 200 pumps in, and people are looking for that, it will drive the other station owners to put their own pumps in.

Representative Weisz: Regardless of what you do with the bill, I would ask that you don't kill it even if you take all the money out. The bill does authorize them to do the various blends on the ethanol end. We would like to keep the main body in tact to ensure that stations can offer other blends besides the 10% and E-85.

Rep. Berg: Does it make sense to put the appropriation in this bill, so we have the appropriation and the policy together? If I understand it, we have the money in the Commerce budget, and this bill is the "how to". Is that correct?

Chr. Delzer: It is, but this was pulled out on purpose because this was the policy issue. The money is not in the bill any more. I would prefer that we keep this bill alive the way that it sits, without the appropriation. We will adjust the appropriation in 2018. There is one other issue that we need to discuss. I was told that the 20 and 30% are the highly corrosive blends. If they go to alternatives, that is what most people want for the best mileage. Did you find out if

there is piping that is qualified and wouldn't leak? What is the possibility of problems with the tanks and a fund for spills?

Representative Weisz: The testimony said that the majority of the ones that are already set up for ethanol have equipment to handle the increased erosion. It is spelled out in the bill that they have to meet the standards. Biodiesel is less corrosive than diesel, so those pumps don't need to meet a higher standard that they meet right now.

Rep. Glassheim: Do we need to put anything in the bill about these matches or will it be done in the administration? Do they need to be recognized or required before we put our money in? **Representative Weisz**: There is nothing in the bill that limits anything. It was just testimony that gave us the other matches as to their intent. The governor's office didn't testify to any of that.

Rep. Glassheim: How do we treat page 3 lines 9-12 which lets the money be used for anything else if it is still there.

Chr. Delzer: I think we just want to take that out, page 3 lines 13-16 and add a section allowing 15 months for this to be used. At the end of that period it returns to the general fund. I think that we should put in the maximum match amount of \$5000. Those were the wrong lines; they should be 9-12.

Rep. Berg: It is mute, because we would replace that by giving them a period of time, and at the end of that time the money will revert back to the general fund. It should have a cap of \$5000 per pump.

Rep Glassheim: I hesitate at putting fifteen months rather than two years because it will take at least six months to get up and running. I don't want to squeeze it, if it could be useful.

Rep. Berg: If there is money, and people want to do this, they will get the message out.

I think there are roughly 160 stations in North Dakota. I guarantee that if it isn't ended before the end of the next biennium, it will be a continuing program.

Chr. Delzer asked Becky to write an amendment. He added that they would have to change 2018 to \$1 million instead of \$2 million. What about the stimulus money?

Unstructured discussion. (6:15)

Becky: What was the timeline?

Chr. Delzer: August 1st through November.

Rep. Berg: It doesn't have to be done. They just have to make a commitment.

Chr. Delzer: No, I think that it will have to be done, the way that it is worded.

Representative Weisz: If we pass the bill so that they know that the money is there, and they need to replace a pump on May 18, will they be eligible? Could they replace the pump in May and then send the bill in during September. Will they be flexible?

Chr. Delzer: I think they could. I am just hesitant about letting them operate afterwards.

Rep. Berg: When this came to us it was an ongoing appropriation, so it didn't matter. If we are going to put a timeframe on there, then I would leave it up to the Department of Commerce. Everyone would apply to the Department of Commerce. Then they would do the work. When the work is done, Commerce will give them a check.

Chr. Delzer: The money will have to be out and paid by the date that we put on there.

Otherwise it would roll up to the general fund.

Representative Weisz: I don't have a problem with the back end. I was just wondering about the front end.

Unidentified speaker: You don't want to do an emergency on this?

Chr. Delzer: I don't think so. The budget will take effect on July 1, but the language won't take effect until August 1.

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Rep. Berg: Maybe we should do the emergency clause.

Chr. Delzer: Then the language will go in effect right away, but there will be no money for it.

What about an effective date of July 1? I don't think that it requires an emergency clause.

Chr. Delzer called for a break.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2228

House Appropriations Committee Government Operations Division

Check here for Conference Committee

Hearing Date: 3/24/09

Recorder Job Number: 11489

Committee Clerk Signature

Minutes:

Chairman Delzer opened discussion on Senate Bill 2228. Amendment number 90809.0302.

Chairman Delzer reviewed the amendments.

Chairman Delzer: Can we use stimulus funds, or does it have to be general fund money since the money not used returns to the general fund?

Roxanne Woeste, Legislative Council: The money is in 2018, so we will have to talk about that at that time.

Chairman Delzer: We have a couple of options. We can go ahead and adopt this set of amendments. Decide what we want to do with the bill. Worry about the money when we hit 2018. If we have a change where it wasn't available to go to the general fund, we would have to make that change in full committee before it went to the floor. This would cover it, if it ends up being general fund.

Representative Berg reviewed the incentive numbers given by Representative Weisz. There would be \$12,500 put in by others with an additional amount from selling the used pump. The station would have to pay \$10,000 to make the change. The Corn Growers were willing to pay \$500,000 @ \$2,500 per pump. That equals 200 pumps which matches up with the state's \$1 million @ \$5000 per pump.

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Chairman Delzer: If there were actually 200 pumps put in.

Rep. Berg: That's why the amendments say we will commit to \$5000 per pump, but we didn't want to get into the program and all of the sudden we

Chairman Delzer: These amendments do what we had talked about. I think that we can do what we want to with this bill, knowing that we have the issue before us in 2018, as far as the money goes.

Rep. Berg moved the amendments .0302 for SB 2228.

Rep. Kempenich seconded the motion.

A voice vote was taken and carried.

The amendment was adopted.

Chr. Delzer asked the committee's wishes on SB 2228. We will wait until tomorrow to see if we have everyone here.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2228

House Appropriations Committee Government Operations Division

Check here for Conference Committee

Hearing Date: 4/3/09

Recorder Job Number: 11730

Committee Clerk Signature

Minutes:

Chairman Delzer opened the discussion on Senate Bill 2228.

Chairman Delzer recapped what had been done on this bill.

Chairman Delzer: There are some issues that have been passed out by Mr. Goettle on the bio-fuels blender pump that have to do with certain EPA rules.

Representative Kaldor: Is the amendment you are referring to .0302?

Chairman Delzer: Yes.

Representative Berg: Is this memo right? Does the federal government say they are going to prosecute people and monitor people if they have more than 10% blend? Yet, their objective is to increase ethanol use in many other areas?

Chairman Delzer: That is my understanding. If someone puts it in a car that is not flex-fuel...it is a violation of \$2,500 for the individual and more for the station owner.

Representative Berg: Unbelievable! I am totally baffled. Is this something that is evolving or is going to change?

Chairman Delzer: Mr. Goettle, this is not a hearing, but if you want to mention something about the memo you can.

Hearing Date: 04/03/09

Shane Goettle, Commissioner: The memo was in response to your question about what do we know about the use of federal dollars for this. We do intend to push the issue. The violation is if someone with a nonflex-fuel vehicle puts in a blend higher than 10% in their vehicle. That is true whether you are using federal dollars or state dollars. The issue then becomes, in light of that, will the Department of Energy approve the use of federal dollars for this purpose. Because of this issue, they may not. The EPA is intent in enforcing the Clean Air Act.

Representative Berg: The issue really relates the other way if you have a flex-fuel vehicle. You can put in a 10% blend, but you want to put in a 20 to 30% blend. It appears that they are going to enforce that, or are they going to let that go?

Shane Goettle, Commissioner: My understanding is that you can use a higher blend in a flex-fuel vehicle.

Shane Goettle, Commissioner: We intend to pursue this with the Department of Energy. We will not have an answer for you. The deadline for the comprehensive plan that we have to submit is May 12th. They are not answering individual questions at this time.

Representative Berg: The point is will that federal credit be available to the service stations that want to use this program to get a blender pump?

Shane Goettle, Commissioner: We don't know the answer.

Representative Berg: There is nothing illegal in this letter that would break their other rules by encouraging a 20 or 30% blend?

Shane Goettle, Commissioner: No, what we concluded with at the end of the memo, is for you to consider a contingent appropriation of state dollars, if we get an affirmative answer from

POE. Then we could use the federal dollars first.

Chairman Delzer: We still have 2228 before us.

Page 3 House Appropriations Committee Government Operations Division Bill/Resolution No. SB 2228 Hearing Date: 04/03/09

Representative Berg: But there is no money in 2228?

Chairman Delzer: No, the money is in 2018. If we want to change this, we should do this in Conference Committee.

Representative Berg: ...or use language like we did in the other bill.

Chairman Delzer: Possibly, but I would like to see us keep as much pressure on for as long as we could, so that is how it is funded.

Representative Berg moved a Do Pass on SB 2228 as amended.

Rep. Kaldor seconded the motion.

A roll call vote was taken. Aye 6 Nay 2 Absent 0

The motion carried.

Rep. Kempenich will carry SB 2228.

2009 HOUSE STANDING COMMITTEE MINUTES

SB 2228

House Appropriations Committee

Check here for Conference Committee

Hearing Date: April 8, 2009

Recorder Job Number: 11781

Committee Clerk Signature

Minutes:

Chm. Svedjan called the Committee back to order.

Amendment .0302 (Attachment A) was distributed.

Rep. Delzer explained amendment .0302. This bill sets up a befuels blender pump incentive.

ney & GERhardt

We added a \$5,000 per pump cap. Then, in 2018 we lowered the amount available down to 1

million dollars. We put an effective date of July 1, 2009. We put an expiration date of

November 30, 2010, which gives them 2 construction seasons to do this. If it works they'll

have to come back before 2011 legislature, which they would have had to do anyway. We

added the emergency clause so it could get going guicker.

Rep. Delzer moved amendment .0208. Rep. Kempenich seconded the motion.

Rep. Kroeber: What is the reasoning on the Expiration Date?

Rep. Delzer: So that it would have to come back next session. Our concerns stem from what

we received from the commerce dept. with the issue of the Clean Air Act. This gives it two

construction seasons. Section 5 of the bill would only take effect if the general fund money was

used.

Rep. Nelson: (4:12) I don't think I've ever seen an expiration date of November 30. If you go to

the end of the biennium, you do pick up part of a third.

Page 2

House Appropriations Committee

Bill/Resolution No. 2228 Hearing Date: April 8, 2009

Rep. Delzer: You do. They would have to add an Emergency Clause to pick up the rest season.

Rep. Wald: 4:50) Is this driven by stimulus money first and then general fund if it becomes available?

Rep. Delzer: That's the way it's set up in 2018.

Chm. Svedjan: Any further discussion? Seeing none on the motion to adopt amendment 0302 to SB 2228 all in favor say Yea – Unanimous Voice Vote – opposed say Nay – none. That amendment is adopted.

Rep. Kempenich: I'll move the bill then.

Chm. Svedjan: It is moved for a Do Pass As Amended by Rep. Kempenich, is there a 2nd?

Rep. Thoreson: 2nd.

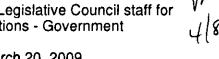
Chm. Svedjan: 2nd by Rep. Thoreson. Is there any further discussion. Seeing none I will take

a roll call vote on a Do Pass As Amended on SB 2228.

Vote: 19 Yes 2 No 4 Absent Carrier: Rep. Kempenich Motion carries.

Prepared by the Legislative Council staff for House Appropriations - Government Operations

March 20, 2009



PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2228

In lieu of the amendments adopted by the House as printed on page 922 of the House Journal, Reengrossed Senate Bill No. 2228 is amended as follows:

Page 1, line 4, replace "and to provide a continuing appropriation" with "to provide an effective date; to provide an expiration date; and to declare an emergency"

Page 1, remove lines 23 and 24

Page 2, remove lines 1 through 3

Page 2, line 6, after "grants" insert "of up to five thousand dollars per pump"

Page 3, remove lines 13 through 16

Page 4, after line 26, insert:

"SECTION 5. BIOFUEL BLENDER PUMP INCENTIVE FUND - TRANSFER. The state treasurer shall transfer any moneys in the biofuel blender pump incentive fund on November 30, 2010, to the general fund.

SECTION 6. EFFECTIVE DATE. This Act becomes effective on July 1, 2009.

SECTION 7. EXPIRATION DATE. This Act is effective through November 30, 2010, and after that date is ineffective.

SECTION 8. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

Date: 4/3/09 Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2228

House Appropriations- Government Operations						Committee	
Check here	for Conference Co	ommitt	ee				
Legislative Council Amendment Number			90809.	0302			
Action Taken	Do Pass, As Ame	nded					
	☐Voice Vote			⊠ Ro	oll Call Vot	е	
Motion Made By	Representative Be	erg:	Se	conded By Repre	sentative K	aldor:	
Repres	entatives	Yes	No	Representati	ves	Yes	No
Chairman Delze			Х	Representative Gla		X	
Vice Chairman	Thoreson	Х		Representative Me		Χ	
Representative Kempenich		Х		Representative Ka	dor	Χ	
Representative		X					
Representative	Dosch		X				
Total (Yes)	6		N	0 _2			
Absent							
Floor Assignmen	t Representative	Kemp	enich:				
If the vote is on a	n amendment, brie	fly indic	ate inte	nt:			

Date:	4/8/09
Roll Call Vote #:	

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2728

Full House Appropriations Co	ommitte	∌			
Check here for Conference	Committ	ee			
Legislative Council Amendment No			. 0302		
Action Taken ado	pt a	nen	duent .0302		
Action Taken ado, Motion Made By Dul	ys_	s	Seconded By Kemp	ence	/
Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan				1.00	
Vice Chairman Kempenich					
Con Chambal	<u> </u>			—	
Rep. Skarphol			Rep. Kroeber		
Rep. Wald Rep. Hawken	 		Rep. Onstad		
Rep. Klein			Rep. Williams		
Rep. Martinson					
itep. Martinson					
Rep. Delzer		· · · · · ·	Dec Olevel		
Rep. Thoreson	 		Rep. Glassheim		
Rep. Berg	 		Rep. Kaldor		
Rep. Dosch		· -	Rep. Meyer		
	++				
Rep. Pollert	 	-	Rep. Ekstrom		
Rep. Bellew					
Rep. Kreidt					
Rep. Nelson				 	
Rep. Wieland				 	
				 	
Total (Yes)		No			
Absent	· · · · · · · · · · · · · · · · · · ·				
Floor Assignment	Via		Chris		
If the vote is on an amendment, brief	ly indicate	intent	• •		

Date:	4/8/09
Roll Call Vote #:	

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. <u>2228</u>

Full House Appropriations					
Legislative Council Amendment	Number		.0302		
Action Taken	Do M	lis	as amended	/	
Action Taken Motion Made By Legislative Council Amendment	elni	<u></u>	Seconded By	eser	
Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan				103	100
Vice Chairman Kempenich		<u> </u>		 -	├
		_			
Rep. Skarphol		<u> </u>	Rep. Kroeber		/- -
Rep. Wald		,	Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein			Trop. Trinianis		 -
Rep. Martinson					
	 V 			- 	
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg	1.		Rep. Meyer	 	
Rep. Dosch				+	
				 	
Rep. Pollert			Rep. Ekstrom	+	
Rep. Bellew			Rep. Kerzman	+==	=
Rep. Kreidt			Rep. Metcalf	1 7	$\overline{-}$
Rep. Nelson				+	
Rep. Wieland		V		++	
				++	
Total (Yes)	ĵ	No	_2	<u>+. </u>	
Absent	4	· — —			-
Floor Assignment	Kem	pe	nel		
If the vote is on an amendment, bri	efly indicate	intent	· ·	_	

Module No: HR-60-6610 Carrier: Kempenich

Insert LC: 90809.0302 Title: .0500

REPORT OF STANDING COMMITTEE

SB 2228, as reengrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (19 YEAS, 2 NAYS, 4 ABSENT AND NOT VOTING). Reengrossed SB 2228 was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the House as printed on page 922 of the House Journal, Reengrossed Senate Bill No. 2228 is amended as follows:

Page 1, line 4, replace "and to provide a continuing appropriation" with "to provide an effective date; to provide an expiration date; and to declare an emergency"

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Page 2, line 6, after "grants" insert "of up to five thousand dollars per pump"

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Renumber accordingly

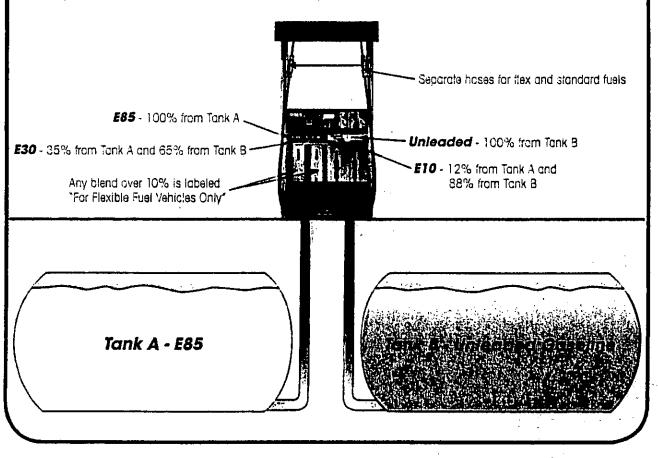
2009 TESTIMONY

SB 2228

Ethanol Biender Pumps: How They Work

A blender pump draws two fuels from separate storage tanks and mixes them logether in various percentages to form a variety of fuel choices for the station's customers. Any combination of fuels is possible, and most blending systems allow changes in the percentages for the seasonal blends of E85. In theory, a marketer could have straight unleaded and straight ethanol in the two tanks, offering nothing but a variety of ethanol blends in varying strengths.

In the illustration below, the blender pump offers E30 and E35 in addition to no-lead and E10. Separate hoses for the "flex" fuels and for the standard fuels ensure that a customer who purchases a small quantity of a standard fuel would not receive a higher ethanol blend if there was residual fuel left in the hose from a previous sale. Ethanol blends over 10% are clearly lableled as "for flexible fuel vehicles only."



TESTIMONY

TO THE

SENATE TRANSPORTATION COMMITTEE

OF THE

NORTH DAKOTA LEGISLATURE

RE: SENATE BILL 2228

TESTIMONY

BY

KENT SATRANG

GENERAL MANAGER, PETRO SERVE USA

MEMBER, NORTH DAKOTA CORN GROWERS BOARD

JANUARY 23, 2009

Good morning Chairman Lee and Members of the Senate Transportation Committee. My name is Kent Satrang, I live in north Fargo and I am the General Manager of Petro Serve USA. I stand in support of Senate Bill 2228. We have locations In Moorhead and Dilworth MN, and Fargo, West Fargo, Casselton, Arthur, Leonard and Valley City North Dakota. Our company sells a little over 3% of the states 370,000,000 gallons of gasoline sales. Currently about 70% of our pump sales contain an ethanol blend. We offer E10 at all of our stores. We've offered E85 in our Moorhead Store for 8 years now and we offer it at four of our c-stores.

I am an Industry Member of the Board of Directors of the ND Corn Growers. I am a past member of the Cenex Retail Advisory Board and a current member of the Tesoro Jobber Council. I have been a Cenex Manager in the petroleum business for 30 years and my father started working for Cenex in the late 1940's.

I live in the big city of Fargo, but I am a supporter of agriculture because we are a farmer owned cooperative and also because agriculture is the economic backbone of North Dakota. I appreciate the economic stimulus and ideas of the Governors Office and of the State Legislature. Economically our state is out performing our neighbors and the entire nation. Corn is now king in ND agriculture. In the spring our rural fertilizer plants spread multiples of normal fertilizer rates for corn, and this last fall, we saw record yields being transported from the fields and record propane use for crop drying. My cooperative normally would sell 300,000 gallons in November and December and this year we sold over 1,700,000 gallons. That meant a need for an extra driver and an extra truck because of corn drying. And my neighbors would all have the same story.

We are in support of Senate Bill 2228 because it allows us, the gas retailers an opportunity to partner up Regional Petroleum Refiners, with local ethanol plants to help build a bridge to energy independence here in America. That bridge starts in the corn and oil fields of North Dakota. It is built with the vision of a blender pump, the competitive spirit of ND Petroleum Marketers and its architect is the Governor and the Legislature of North Dakota.

Following is a chart that shows the concept and fundamentals of a blender pump. We are recommending a configuration that would have a dedicated black hose with 100% gasoline to the far left of the pump. We propose another dedicated back hose with 10% ethanol and 90% gasoline (or whatever the Federal Government and automakers prescribe as the standard ethanol blend) as an for the next hose to the right (the second hose from the left). On the far right would be a yellow colored E-85 hose with a yellow sleeved nozzle and a nozzle talker stating "this is not gasoline". It would contain 85% ethanol and 15% gasoline. The remaining hose would be the second from the right and the third from the left. It would be a product of 20% ethanol or greater. It too would be a yellow hose with a yellow sleeve and a nozzle talker saying "this is not gasoline". Both of these nozzles on the right side of the pump would be clearly labeled on the pump stating this is not gasoline, is for Flexible Fuel Vehicles (FFV) only and that there is a penalty for improper fueling. Certified and reputable Petroleum Supplier such as O'Day Equipment, R&R Petroleum and Westmor Industries would be able to advise if Underground Storage Tanks and pipes are legal and suitable for E85 and mid-blend usage. Its estimated that 95% of the states tanks and pipes are E85 legal, compatible and/or upgradeable. Many gas retailers want this opportunity to upgrade pumps and they want to be able to double their offerings with a blender pump.

Ethanol Blender Pumps

Granol Blender Pumps: How They Work

several options to customers. Usually, there are two hoses that simply dispense the fuel contained in the two storage tanks. In this instance, the blender pump has one hose for E85, one for unleaded, and mixes allow for changes in blend percentages to compensate for changing A blender pump takes fuel from two fuel storage tanks, and blends the products together in various ratios so that the station can offer unleaded and straight ethanol in the two tanks, and offer nothing E20. Any combination is possible, and most blending fuel systems E85 and unleaded together at the proper ration to make E10 and seasonal blends of E85. In theory, a marketer could have straight but ethanol blended fuels of varying strength.

E10 does not receive a "flex-fuel" by virtue of E85 or E20 left in the hose from a previous purchase small quantity of unleaded or non-flex fuel products ensure that a customer who wants a Separate hoses for flex and

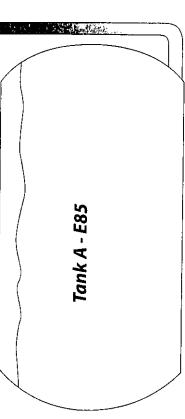
E10 - 12% from Tank A and 88% from Tank B Unleaded - 100% from Tank B

E20 - 23.5% from Tank A and 66.5% from Tank B

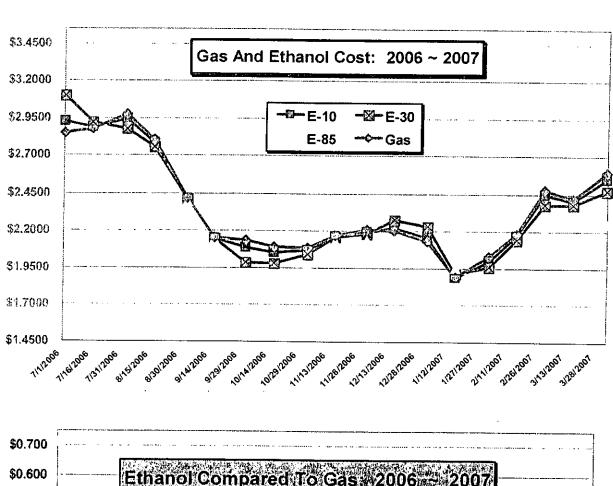
MIRTORS Any blend over 10% ethanol is labeled "for flex fuel use only"

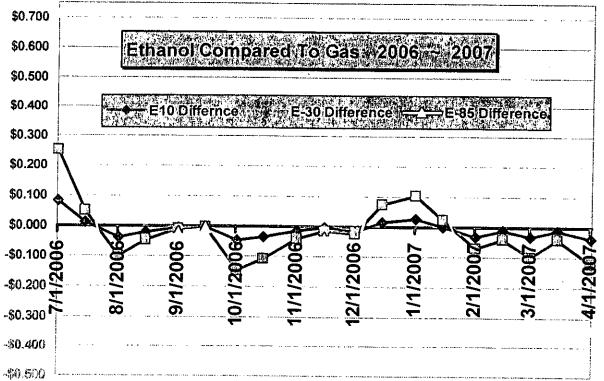
E85 - 100% from Tank A

Tank B - Unleaded Gasoline

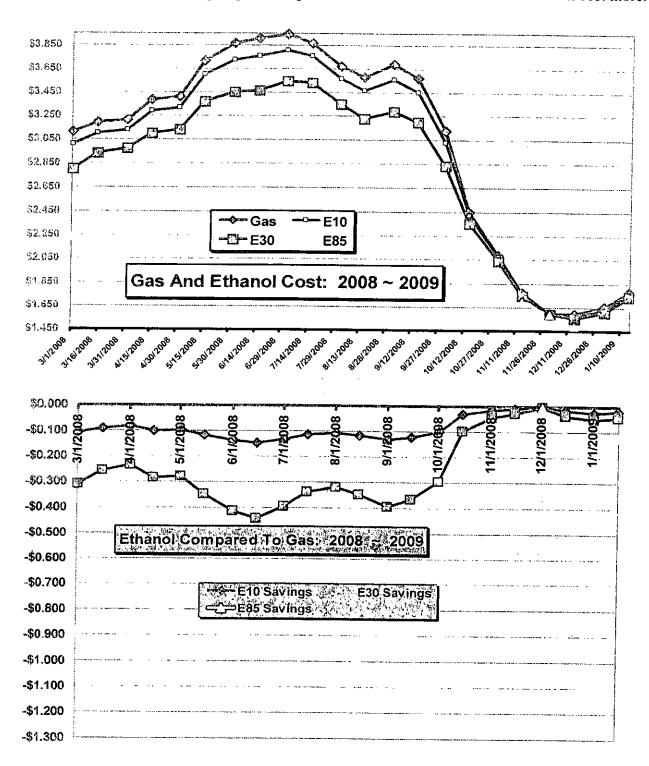


We believe strongly that this ethanol blender pumps will change the look of gas pumps in North Dakota. We believe that choice at the pump will result in change in the pockets of North Dakota consumers. In 2006 ethanol prices skyrocketed with the unscheduled replacement of MTBE with ethanol. Note the chart showing gasoline, E10, E30 and E85 delivered street prices at my stores in Fargo. The other chart summaries the difference between E10, E30 and E85 delivered costs and the cost of gasoline delivered to my stores. So history from 2006 tells us that sometimes ethanol will be higher priced than gasoline. E85 actually cost \$.70 more than gasoline on July 1st 2006.





On the other hand, we also have witnessed just this past year that gasoline also can skyrocket above ethanol. Crude started the year at \$88 a barrel, peaked to \$147 and fell to \$33 as the year came to an end. From late May 2008 to early October, E85 was costing us \$1.00 less than gas and E30 was costing us \$.40 less than gas. That could've been a real savings to the 23,000 plus FFV's in North Dakota, if there were a network of competing blender pump in their community. There are clearly times when gas is going to be higher cost and other times when ethanol will cost more.



Blender pumps will create a more competitive playing field in North Dakota, and the driving public will be able to choose the best price and the best fuel percentage for their specific vehicle. The following chart shows FFV, E85 pump density and plants by zip code. We only have one E85 pump west of Minot and Bismarck. We only have 31 E85 pumps in the entire state of North Dakota. The city of Grand Forks has 2,000 FFV's and not a single E85 pump for them to fill up.

Flexible Fuel Vehicles, E85 Stations & Ethanol Plants



23,345 FFVs*

31 E85 Stations**

5 Ethanol Plants

*Total estimate from April 2008 (Source: R.L. Polk & Co.)

*Total as of January 2009 (Source: National Ethanol Vehicle Coalition)



Provided by the National Ethanol Vehicle Coalition www.E85Fuel.com



I have brought a sample of letters for you from my neighboring coops who want blender pumps. They do not look into the future and see insurmountable tank and pipe rules that some see. They are willing to wait for UL pump system approvals and they are willing to show the courage to ask our petroleum suppliers to partner with our states corn farmers to build that bridge that our rural so economy needs.

1

A gas pump like we are suggesting will cost around \$17,500. Current estimates for what will be a UL approved E85 pump runs about \$7,500 extra. We believe that as demand for blender pumps increase, this \$7,500 add on will fall to as low as \$2,000 per pump. But worst case the E85 approved pump is believed to be about \$25,000. We are proposing the following incentive to help from 200 to 400 pumps switch over from traditional gasoline pumps to modern blender pumps.

\$5,000	North Dakota Government Incentive	Cap \$2,000,000	
\$2,500	Current Federal Law Tax Credit 30% of up to \$30,000 per pump	No Cap	
	Rep. Charley Rangel (NY) in Budget	50% of \$50,000 in 2009 Budget	
\$2,500	North Dakota Corn Growers Incentive	Cap \$500,000 (25% of state #)	
\$2,500	"Potential" Ethanol Plant Incentive	Ethanol Plant Competition	
<u>\$2,500</u>	Retailer's Pump Resale Market Value	Sold to farmers or commercial	
\$15,000 -	Ball Park Estimate For All Incentives (Probably Conservative)		
<u>\$25,000</u>	Ball Park Estimated Cost for Blender Pump		
\$10,000	Net Cost to the ND gas station retailer to switch pumps per each pump		

My hope is that you will see the potential and the vision that the sponsors of Senate Bill 2228 see. This is an opportunity to jump start mid blends and E85 sales. E30 is a sweet spot for mileage; our agricultural economy needs corn to be grown. Corn needs for ethanol plants, and ethanol plants need increased market share and blender pumps will help America get beyond what is called the Blenders Wall. South Dakota actual results show a build in ethanol volumes from 4% to 20%. Someday soon that could be 70,000,000 gallons of ethanol being consumed in our own state. This is an opportunity to continue to develop this infancy market for the additional volume that our states new ethanol facilities have already created. I ask you to consider exercising your potential to make ethanol, a North Dakota grown fuel, a North Dakota manufactured fuel, as common at the neighborhood gasoline pumps as unleaded, super unleaded or premium. Help our Corn Growers, our rural communities, our environment and most importantly our soldiers to make this blender pump legislation a reality that sends a message all across America. You can make it possible to fill it up, with a fuel grown right here in North Dakota. And it is a mathematical certainty that choice created by blender pumps will result in change in all of our pockets.

Thank you for the opportunity to testify and I ask you to support Senate Bill number 2228.

FARMERS UNION OIL OF SOUTHERN VALLEY

204 Front Street
PO Box 153
FAIRMOUNT ND 58030
701-474-5440 • 800-382-9046



711 Buffalo Avenue BRECKENRIDGE MN 56520 218-643-2651 • 800-554-2647

James gueral ramontation

Honorable State Senators,

My name is Lynn Nelson, and I am the General Manager of Farmers Union Oil of Southern Valley in Fairmount North Dakota. I and my cooperative are in strong support of agriculture, ethanol and Senate Bill 2228 concerning ethanol blender pumps. We have a large customerowner base of farmers and their economic impact on our business and our community is huge.

These blender pumps are an excellent idea in that they will allow us to use current underground storage tanks and supply lines. We understand that we need to have an authorized petroleum installation company such as O'Day Equipment, R&R Petroleum or Westmor Industries confirm that our tanks and lines are compatible for E85 use. The vast majority of tanks and lines are UL approved for E85. No petroleum release in history has ever been attributed to ethanol.

We strongly support North Dakota's innovative leadership with E85 infrastructure blender pump funding. It allows North Dakota station retailers to work together with Midwestern petroleum refineries and local ethanol plants to build a bridge to energy independence all across America.

The economic impact of the local corn crop on our region is felt strongly at planting time with increased crop inputs and again at harvest time with fuel and propane to dry the crop. These sales are critical to our remaining a viable business in our rural community.

We believe the South Dakota models of increased ethanol and total volumes will hold true at our stations. Having four choices at a blended pump is better for everyone than a pump with only one or two choices. We are convinced that choice at the pump will result in change in our customer's pockets.

In closing I ask for your support on Senate Bill 2228 concerning the funding assistance of blender pumps. I can be reached at 701-474-5440.

Thank you,

General Manager





MAIN STATION 151 9th Ave NW Valley City ND 58072-2725 701-845-0812 • 800-288-7922 FAX: 701-845-2680

CENEX CONVENIENCE STORE 807 West Main Valley City ND 58072 701-845-0107

LITCHVILLE BRANCH 801 3rd Avenue Litchville ND 58461-7119 701-762-4251 FAX: 701-762-4261

LAMOURE BRANCH 10246 Hwy 13 LaMoure ND 58458-7418 701-883-5351 FAX: 701-883-5110

Honorable North Dakota Senators,

pome aper bound. I am John Kopp the Petroleum Manager of Dakota Plains Cooperative in Valley City North Dakota. I and my cooperative are in strong support of agriculture, ethanol and Senate Bill 2228, concerning ethanol blender pumps. We have a large customer-owner base of farmers and their economic impact on our business and our community is critical.

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In closing I ask for your support on Senate Bill 2228 concerning the funding assistance of blender pumps. I can be reached at 701-845-0812.

Thank you,

John Kopp

Petroleum Manager

Dakota Plains Cooperative

Valley City, ND



Phone: 701-788-3760 1-800-400-3760

Honorable North Dakota Senators,

I am Brian Grandalen, the President of the Board of Directors of the Farmers Union Oil Company of Portland North Dakota. I and my cooperative are in strong support of agriculture, ethanol and Senate Bill 2228, concerning ethanol blender pumps. We have a large customer and owner base of farmers and their economic impact on our business and our community is critical.

These blender pumps are an excellent idea in that they will allow us to use current underground storage tanks and supply lines. We understand that we need to have an authorized petroleum installation company such as O'Day Equipment, R&R Petroleum or Westmor Industries confirm that our tanks and lines are compatible for E85 use. The vast majority of tanks and lines are UL approved for E85.

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In closing I ask for your support on Senate Bill 2228 concerning the funding assistance of blender pumps. I can be reached at 701-786-3902.

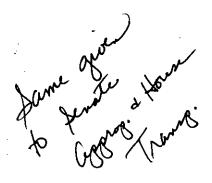
Thank you,

Brian Grandalen

President of the Board of Directors

Farmers Union Oil Company

Portland, North Dakota



Honorable State Senators,

I am Cy Fix the General Manager of the Cenex Cooperative in Bismarck and Dickinson, North Dakota. Our company has sold E85 for many years. My cooperative stands in strong support of agriculture, ethanol and Senate Bill 2228, concerning ethanol blender pumps. We have a large regional base of farmersowners and their economic impact on our business and community is significant.

Blender pumps are an innovative idea, in that they will allow us to use current underground storage tanks and supply lines. We understand that we need to have an authorized petroleum installation company such as O'Day Equipment or Westmor Industries confirm that our tanks and lines are compatible for E85 usc.

We strongly support the North Dakota Legislature's innovative leadership with E85 infrastructure blender pump funding. It allows North Dakota station retailers to work together with Midwestern petroleum refineries and local ethanol plants to build a bridge to energy independence all across all of America.

The economic impact of the local corn crop on our state is felt strongly at planting time and again at harvest time with diesel fuel and propane to dry the crop. These sales are critical to remaining viable for businesses in our states rural communities. We believe the South Dakota models of increased ethanol and total volumes will hold true at North Dakota stations. Having four choices at a blended pump is much better for everyone than a pump with only one or two choices. We are convinced that choice at the pump will result in change in our customer's pockets.

In closing I ask you to join us in our support of Senate Bill 2228 concerning the funding assistance of blender pumps. I can be reached at 701-223-8707.

Thank you,

y Fix

General Manager

CENEX

Bismarck, North Dakota

Testimony of Thomas S. Lilja
Executive Director
North Dakota Corn Growers
and
North Dakota Corn Utilization Council

Before the
North Dakota Senate
Committee on Transportation
on
Senate Bill 2228

January 23, 2009

Transportation Committee of the North Dakota Senate Thomas S. Lilja

Mr. Chairman and Members of the Committee:

My name is Tom Lilja and I represent the North Dakota Corn Growers Association and the North Dakota Corn Utilization Council in supporting Senate Bill 2228.

Prior to representing North Dakota's corn growers, I contributed five years to the hybrid corn seed industry and another five years in grain marketing and crop insurance. I understand futures, options, forward contracts and the techniques farmers use to mitigate risk.

While contributing to the seed business during the mid 1990s, I witnessed biotechnology enter corn production and quickly recognized its resourcefulness to corn production. Since 1995, a solid trend of accelerating yields has transpired in corn production. I am here today to show that the legislation at hand is needed and serves our state's best interest.

The first chart illustrates how yields have accelerated specifically in North Dakota. This fact deserves your attention because it is often neglected in the food versus fuel debate. You'll see that corn yields are, in fact, increasing at an expotential rate. I am pleased to report that one North Dakota corn grower harvested 277 bushels per acre during 2008. This was certainly an ideal situation, but 180 bushel per acre yields are now commonplace in North Dakota. It shows that corn growers responded very well to a challenging growing season and produced yet another record corn crop at 285 million bushels.

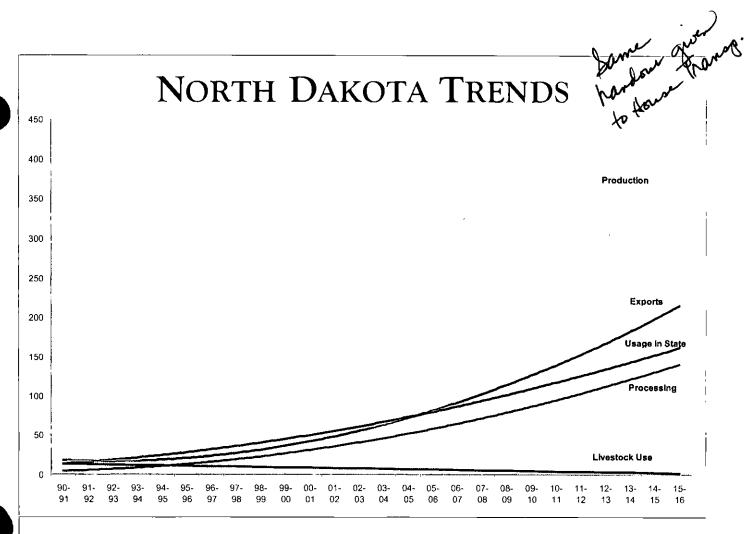
Coming drought-tolerant genes will further enhance production and change the face of North Dakota agriculture for the better. It is also important to note that young producers are returning to production agriculture because of corn's profitability.

The Center for Agricultural Policy and Trade Studies at North Dakota State University concluded that the corn industry contributed nearly \$2.5 billion to North Dakota's economy over the past five years. Additionally, the University of North Dakota's Energy and Environmental Research Center released a study entitled "Optimal Ethanol Blend-Level Investigation." Chart two shows that fuel blends with ethanol between 20 to 40% do not significantly compromise fuel mileage, but actually increased in some instances.

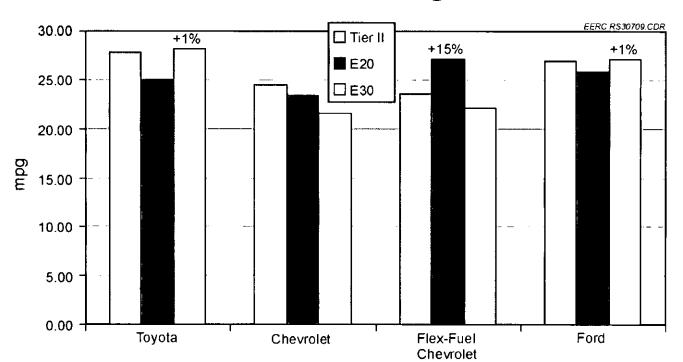
South Dakota initiated a blender pump program and participating stations saw ethanol enhanced fuel sales increase from 4% of total volume to 22% in only a couple of months time. Now is North Dakota's opportunity to enjoy the same.

The North Dakota Corn Utilization Council has committed half a million dollars to this grant program to be administered by the North Dakota Department of Commerce.

The blender pump initiative will lead our state to energy independence, save consumers money at the pump and help retain young people in production agriculture. Therefore, the North Dakota Corn Growers Association supports Senate Bill 2228 and encourages you to as well.



Highway fuel economy improvement E20 and E30 vs. Tier 2 gasoline.







WRITTEN TESTIMONY SB#2228 STATE BIOFUELS BLENDER PUMPS AND RENEWABLE ENERGY GRANT PROGRAM

FROM GORDY'S INC

Mr. Chairman and Committee members:

I am submitting written Testimony on behalf of Gordy's Inc. a locally owned family run Corp. with service station locations in Casselton and Mapleton ND.

We support Senate Bill #2228 in its entirety.

REASONS FOR OUR SUPPORT ARE:

- (1) It is not only healthy for retailers like us, but also for the Agriculture Community within the State of North Dakota.
- (2) It gives the consumers the opportunity to make their own choice at the pump, and in fact saves the consumer money.
- (3) By looking at studies from ajoining States, this seems to be what the consumer wants.
- (4) It appears to have no adverse affects on performance and/or on automobiles at higher blends. Meaning: more than 10%, but of less than 85%, with 20% to 30% being the most preferred according to studies done by the North Dakota Energy and Environmental Center at Grand Forks.
- (5) Our local Farmers and Processors will appreciate our commitment to their future.
- (6) This Bill would help retailers like ourselves defray some of our cost that we would incur in the process of getting established.
- (7) We know today we are basically talking about ethanol, but hopefully in the not to near future biodiesel would have the same abilities.
- (8) Last but most importantly, it strives to help our State to become more "Energy Independent".

Representative of Gordy's inc.



Testimony Senate Bill 2228 Senate Transportation Committee January 23, 2008; 10:45 a.m. North Dakota Department of Health

Good morning, Chairman Lee and members of the Transportation Committee. My name is Scott Radig, and I am director of the Division of Waste Management for the North Dakota Department of Health. I am here today to testify in support of the changes to Senate Bill 2228, which regards blender pumps for alternative fuel blends.

In 1988, Congress passed the Alternative Motor Fuels Act. They recognized that displacing energy derived from imported oil with alternative fuels will help achieve energy security and improve air quality. More recently, the Energy Policy Act of 1993 expanded the list of recognized alternative fuels to include mixtures containing 85 percent or more by volume of alcohol fuel (E85) and 100 percent biodiesel (B100).

Changes addressing alternative fuels were made to Chapter 19-10, Petroleum Products, during the 2007 legislative session. To correct an oversight in the 2007 law, we are offering three short housekeeping amendments which will ensure that the appropriate petroleum product testing fees will be collected for alternative fuel products. As the law stands now, if a fuel dealer didn't pay inspection fees or report sales of alternative fuels to the Tax Commissioner, there is no way to enforce it.

I encourage your passage of Senate Bill 2228 and am happy to answer any questions you may have.



Bismarck, ND 58502 (701) 355-4458 FAX (701) 223-4645

MEMBERS

AmeriFlax

BNSF Railway Company

Independent Beef Association of North Dakota

Milk Producers Association of North Dakota, Inc.

Minn-Dak Farmers Co-op

North Dakota Ag Aviation

North Dakota Ag Consultants

North Dakota Agricultural

North Dakota Agri-Women

North Dakota Association of Soil Conservation Districts

North Dakota Association of Agricultural Educators

North Dakota Barley Council

North Dakota Beef Commission

North Dakota Corn Growers

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Norm Dakota Crop Improvement and Seed Association

North Dakota Department of Agriculture

North Dakota Dry Bean Council

North Dakota Dry Edible Bean Seed Growers

North Dakota Elk Growers

North Dakota Farm Bureau

North Dakota Farm Credit Council

North Dakota Farmers Union

North Dakota Grain Dealers Association

North Dakota Grain Growers Association

North Dakota Lamb and Wool Producers

North Dakota Oilseed Council

North Dakota Pork Producers

North Dakota Soybean Council

North Dakota Soybean Growers

North Dakota State Seed Commission

North Dakota State University Agriculture and University Extension

North Dakota Wheat

Canola Growers

Norther Food Grade Soybean Association

Northern Plains Potato Growers Association

Northern Pulse Growers Association

Red River Valley Sugarbeet

Testimony of Deana Wiese North Dakota Ag Coalition In Support of SB 2228 January 23, 2009



Chairman Lee and members of the Senate Transportation Committee:

For the record, I am Deana Wiese, administrator of the North Dakota Ag

Coalition. On behalf of the Ag Coalition, I would encourage your support of SB 2228,
which establishes a cost-share program to increase the installation of biofuels blender pumps.

The Ag Coalition has provided a unified voice for North Dakota agricultural interests for more than 25 years. Today, we represent 37 statewide organizations and associations that represent specific commodities or have a direct interest in agriculture. The Ag Coalition takes a position on a limited number of issues brought to us by our members that have significant impact on North Dakota's agriculture industry.

The Ag Coalition supports the blender pump initiative as it would result in the increased consumption of ethanol. This would benefit producers, consumers and the state as a whole. North Dakota producers would see increased demand and prices, consumers would have choices at the pump and the state would see expanded economic development opportunities.

We appreciate your past support and would encourage your continued support of biofuels incentives as they have been and will continue to be driving forces in the future of North Dakota's agriculture industry.

Wiese testimony in support of SB 2228.

Roger Johnson Agriculture Commissioner www.agdepartment.com



Phone
Toll Free
Fax

(701) 328-2231 (800) 242-7535 (701) 328-4567

#9

Testimony of Roger Johnson
Agriculture Commissioner
Senate Bill 2228
Senate Transportation Committee
Lewis & Clark Room
January 23, 2009

Chairman Lee and members of the Senate Agriculture Committee, I am Jeff Weispfenning, Deputy Agriculture Commissioner, and I am here today on behalf of Agriculture Commissioner Roger Johnson. I stand in support of SB 2228, which establishes a cost-share program for the installation of retail blender pumps.

Iowa and South Dakota have already developed and implemented blender pump incentive programs their states. South Dakota created a grant program to help retailers defray the cost of purchasing and installing blender pumps. Iowa also awards grants, via the Iowa Renewable Fuel Infrastructure program, to help cover the expense of installing E85 dispensers, blender pumps and biodiesel dispensers. The Kansas Corn Commission and other partners also began an incentive program in the fall of 2008.

Many other states are providing assistance to retailers to help install E85 infrastructure. States include Georgia, Idaho, Indiana, Maine, Michigan, New York, Ohio, South Carolina and Tennessee.

According to the American Coalition for Ethanol, there are now more than 80 blender pumps in operation across the country. A map and listing of the locations is attached. The Farmers Union Oil Company in Forman installed a brand new blender pump in the fall of 2008. Their blender pump offers the choice of E85 or E20. They have experienced an increase in the sale of ethanol, especially at the E20 blend level.

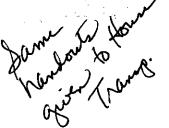
The use of ethanol blender pumps continues to be an issue at the federal level. The Environmental Protection Agency (EPA) has ruled that it is legal to sell higher level ethanol blends in flex-fuel vehicles. EPA, however, has not approved the use of mid-level ethanol use in standard vehicles. In addition to encouraging federal officials to approve the use of higher blends of ethanol, several of my Midwestern counterparts and I sent a letter to the major automobile manufacturers encouraging them to support an EPA waiver for higher level ethanol use in standard vehicles (see attached).

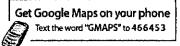
I have long supported the production and use of ethanol. I believe that developing increased infrastructure in North Dakota to market higher blends of ethanol will provide additional local markets for our ethanol producers. In addition, blender pumps will provide for greater consumer choice at the pump, increase our overall usage of renewable fuels and decrease our dependence on finite energy sources.

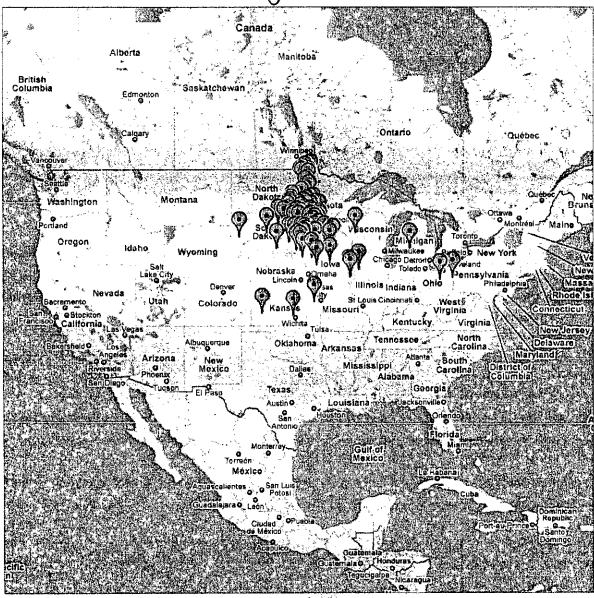
Chairman Lee and committee members, I urge a do pass on SB 2228. I would be happy to answer any questions you may have.









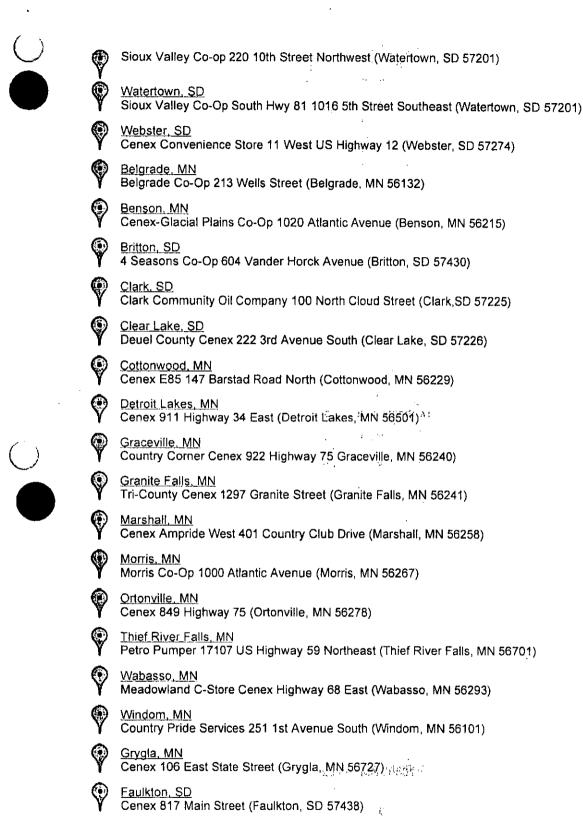


Ethanol Blender Pump Locations

Looking for ethanol? This map shows gas stations in the U.S. that have ethanol blender pumps, which offer a variety of mid-range ethanol blends like E20, E30, and E40 in addition to the more common E10 and E85. The pumps draw different percentages of ethanol and gasoline from underground tanks and mix them together to form these intermediate fuel blends for use in Flexible Fuel Vehicles (FFVs). With more and more stations choosing to go the blender pump route, new locations are being added every day. If you know of a blender pump that is not listed on the map, please send an email to Cbeck@ethanol.org. For more information about ethanol, mid-range blends, or blender pumps, visit www.ethanol.org. 3,392 views - Public

Created on Jun 24 - Updated Jan 7 By check 本本会合在 6 ratings - 2 comments

Watertown, SD



Danube, MN 212 1-Stop Shop 101 East Highway 212 Box 308(Danube, MN 56230)

Redfield, SD







Pump n Stuff 1124 Washington Street (Burke, SD 57523)



Groton, SD

Fuel Stop 105 East Highway 12 (Groton, SD 57445)



Langford, SD

Damar C Store 12307 Highway 27 (Langford, SD 57454)



Irene, SD

Pump n Stuff 221 East Main Street (Irene, SD 57037)



Garden City, KS

Garden City Cooperative 109 North 6th Street (Garden City, KS 67846)



ICM 104 West Chicago (Colwich, KS 67030)



Donnelly, MN

Donnelly Co-Op 412 Atlantic Avenue (Donnelly, MN 56235)



Heron Lake, MN

P-J's Mini-Mart 8911st Avenue (Heron Lake, MN 56137)



Galva-Holstein AG LLC 1583 Market Avenue (Galva, IA51020)



Wahpeton, ND

Cenex Convenience Store Junction 210 Bypass Road(Wahpeton, ND 58074)



Cenex Convenience Store 1705 Broadway (Alexandria, MN 56308)



Farmers Union Oil Company 9137 Highway 32 (Forman, ND 58032)



Hixton, WI

Cenex Convenience Store 141 Interstate Road (Hixton, WI 54635)



South Central Grain and Energy Cenex 260 Main Street South (Hector, MN 55342)



Morgan, MN

Cenex-Harvest Land Co-Op 710 Front Street (Morgan, MN 56283)



McIntosh, MN

Red Lake Country Co-Op 400 State Street Northwest (McIntosh, MN 56556)



Cenex Convenience Store 302 Governor Street (Oklee, MN 56742)



Salem, SD

Central Farmers Co-Op 131 North Nebraska Avenue (Salem, SD 57078)



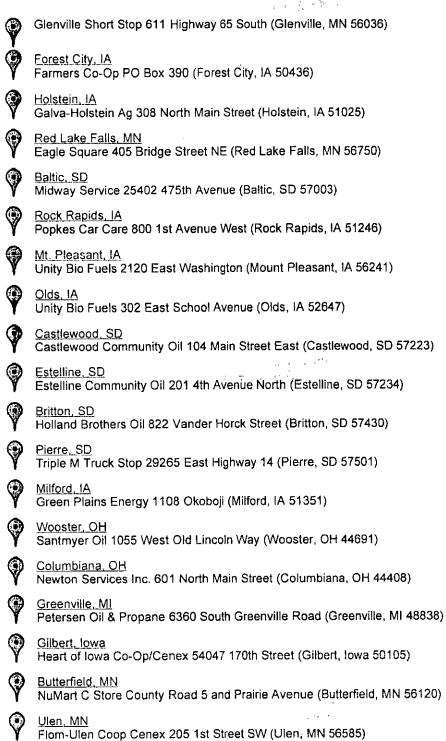
Slayton, MN Cenex Prairie Pride 3020 20th Street (Slayton, MN 56172)



Winnebago, MN Corn Plus 711 6th Avenue Southeast (Winnebago, MN 56098)

Walnut Grove, MN Hoyt Oil Company 241 6th Street (Walnut Grove, MN 56180)

Glenville, MN



Crookston, MN Crookston Fuel Company Cenex 1020 Old Highway 75 South (Crookston, MN 56716) Montevideo, MN

Cenex 124 West Nichols Avenue (Montevideo, MN 56256)

Sacred Heart, MN



Farmers Coop Oil Cenex 537 East Highway 212 (Sacred Heart, MN 56285)



Clara City, MN

Farmers Coop Oil Company Cenex 200 Highway 7 West (Clara City, MN 56222)



Inwood, IA

Oak Street Station 302 South Oak Street (Inwood, IA 51240)



Lake Mills, IA

Don's Motor Mart 401 West Main Street (Lake Mills, IA 50450)



Davenport, IA

Mother Hubbards 3622 Hickory Grove Road (Davenport, IA 52806)



Manning, IA

Aspinwall Co-Op Company 120 6th Street (Manning, Iowa 51455)



South Dakota Department of Agriculture Office of the Secretary 523 East Capitol Ave., Pierre, SD 57501-3182 (605) 773-5425 (605) 773-5926 FAX

December 5, 2008

Richard Wagoner, CEO General Motors Corporation

Robert Nardelli, CEO

Alan Mulally, CEO Ford Motor Company

Chrysler, LLC

Dear Sirs,

Sent via fax: 313.667.3133

Sent via fax: 248.512.9368

Sent via fax: 313.845.6073

As leaders of the Midwestern State Departments of Agriculture (MASDA), we are writing to urge you to include boosting the use of renewable fuels in the comprehensive plan you are developing with the United States Congress.

As you are aware, currently there is a cap in place that limits the amount of ethanol that can be blended with gasoline for use in conventional vehicles at ten percent. Current ethanol production capacity in the United States is approaching ten percent of the total gasoline used. As a result, new ethanol production, which is necessary to meet the Renewable Fuels Standard in the 2007 Energy Independence and Security Act, can not be used.

In order to increase the use of ethanol, we are urging you to include higher percentages of flex-fuel vehicles in your comprehensive plan. Because flex-fuel vehicles can utilize fuels that are blended with up to eighty-five percent ethanol, a greater number of flex-fuel vehicles on the roadway will help to ensure that greater quantities of ethanol are being used. We also seek your support for either an EPA waiver, or a legislative amendment to the Clean Air Act, to allow at least 15 percent base blends of ethanol in fuels for conventional vehicles.

The statutory obligations of the 2007 Energy Independence and Security Act demand an increased use of renewable fuels. Moreover, there is growing consensus that the United States must continue to move forward to become energy independent. By increasing the amount of ethanol used over the next several years, America will be well on her way to satisfying the Renewable Fuel Standard and attaining energy independence. We urge you to work with the renewable fuels industry to accomplish these important goals.

Sincerely,

Bill Even
South Dakota Secretary of Agriculture

Gene Hugoson Minnesota Commissioner of Agriculture

Tom Jennings	Greg Ibach
Illinois Acting Director of Agriculture	Nebraska Director of Agriculture
	Rogerfalleron
Ken Klemme	Roger Johnson
Indiana Acting Director of Agriculture	North Dakota Commissioner of Agriculture
Bill Northey	Robert Boggs
Iowa Secretary of Agriculture	Ohio Director of Agriculture
Don Koivisto	Adrian J. Polansky
Michigan Director of Agriculture	Kansas Secretary of Agriculture
Don Steen	Rod Nilsestuen
Missouri Director of Agriculture	Wisconsin Secretary of Agriculture

cc: Honorable Barney Frank, Chairman, House Financial Services Committee Sent via fax: 202.225.0182

Honorable Spencer Bachus, Ranking Member, House Financial Services Committee Sent via fax: 202.225.2082

U.S. EPA Administrator Stephen Johnson Sent via fax: 202.501.1450

U.S. Department of Energy Secretary Samuel W. Bodman Sent via fax: 202.586.4403

U.S. Department of Agriculture Secretary Ed Schafer Sent via fax: 202.720.2166





Paul Nelson

Iowa Department of Natural Resources Underground Storage Tank Section

paul.nelson@dnr.iowa.gov

www.iowadnr.gov

Compatibility



UST system
 components and
 equipment were
 optimized for other
 fuels, namely gasoline
 and diesel.

Compatibility

- Compatibility [Subrule 567-135.4(3)]
- Owners and operators must use a system made of or lined with materials that are compatible with the substance stored in the UST system
- 40 CFR 280.32 (1988)
- State/Federal Environmental Codes

Compatibility

- National Fire Protection Association (NFPA) 30, 2000 Edition
- The materials of construction for tanks and their appurtenances shall be compatible with the liquid to be stored.
- Fire Code

- American Petroleum Institute(API) RP 1626
- All materials in the UST system should be checked for their suitability with ethanol and ethanol blend and replaced as required.
- Industry Code

Issues and Concerns

- Compatibility
 - There are compatibility issues between blended fuels and system metals and nonmetals
- Incompatibility: changes in
 - physical
 - chemical or
 - mechanical properties of a material or substance

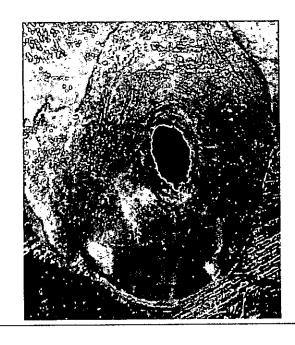
Degradation of Metal Components

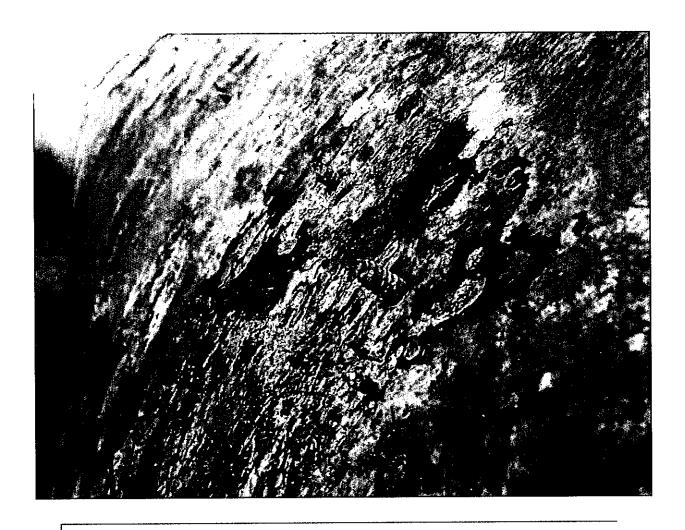
Corrosivity

 Ethanol can scour corrosion cells inside a tank causing a release.

Conductivity

- E85 conducts electricity
- Gasoline is an electrical insulator





Degradation of Non-metallic Components

- Solvent ingress driven by some type of gradient
- Interaction between the solvent, elastomer or polymer matrix
- Loss of antioxidants, fillers, heat stabilizers, plasticizers due to permeation
- Solvent diffusion effecting strength and stiffness

| Fiberglass Tanks

- Pre 1981 tanks cannot be used for any alcohol blends.
- After 1981, OK for 10% ethanol
- Compatible for E-85 with UL listing:
 - Owens Corning double-wall after July 1990
 - Containment Solutions tanks after 1995
 - Xerxes after July 1, 2005
 - Xerxes double-wall tanks after June 1988

Fiberglass Piping

- Older FRP not compatible.
- FRP compatible after 1988; fittings and glues would need to be verified on a case by case basis to determine compatibility.
- Ameron FRP not UL listed for alcohol until after 1992, not backed or supported until newer glues and fittings.
- AO Smith <u>red thread</u> all compatible

Common Replacements?

- Submersible pump
- ATG probe
- Shear Valve
- In-line Leak Detector
- Dispenser Hose and Nozzle
- Drop Tube
- Overfill Device
- New Pipe Sealant Under Dispenser

E85 Checklist

- Complete equipment checklist for tanks/piping/dispensers
- Inform insurance carrier. Obtain amended certificate.
- Check water in tank. No level acceptable
- Tighten all connections at risers. No vapors escape and no water enters.
- Clean tank of water and sediment.
- Label fill ports and paint access covers (API RP 1637). Label dispenser.

First Delivery (first 7-10 days)

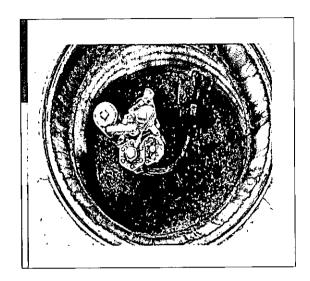
- Fill tank to 80 percent capacity and keep as full as possible.
- Conduct 0.1 gph tightness test of the tank system
- Test for water daily (alcohol compatible paste or ATG system)
- Inspect dispenser daily and maintain inspection record
- Calibrate the dispenser liquid meter to verify meter accuracy

Ongoing Maintenance

- Check regularly for water. No level is acceptable
- Check calibration of the dispenser liquid meter periodically. Particulate materials in the product may cause excessive wear of the meter, which would require more frequent calibration (API RP 1626)
- Conduct daily, visual inspections of the dispenser and dispenser pan (if installed) and maintain inspection record.

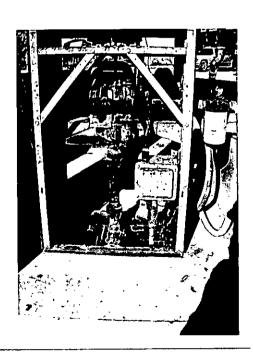
Where Leaks Can Occur

Submersible Pumps
 aluminum pump
 and motor housing.
 O-rings, gaskets,
 seals can degrade.
 Fire safety hazard
 as well as
 environmental.



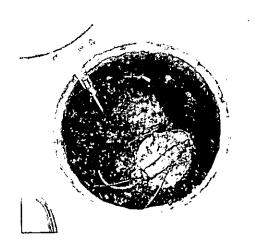
Where Leaks Can Occur

- Dispenser Components:
 - Aluminum and copper tubing
 - Unions
 - Valve poppets and seals
 - Gaskets
 - O-rings
 - Hoses
 - □ Nozzles (no aluminum)
 - Swivels

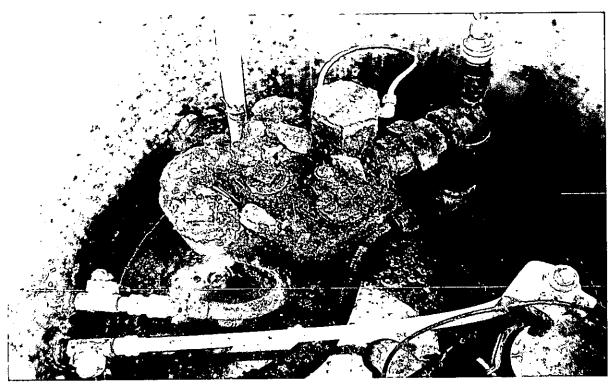


Where Leaks Can Occur

- Leak Detection
 Monitoring Systems
 that come in contact
 with fuel:
 - Aluminum electrical conduit
 - Probes for electrical conduit
 - Броху



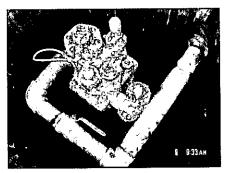
Accelerated Corrosion (E10)

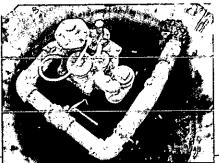


Accelerated Corrosion

- Same facility
- Same install date
- E85 STP







Courtesy: PMMIC

E85 Issues and Concerns

- Phase Separation
 - Ethanol and water are completely miscible
 - Gasoline and water are not miscible
 - □ Ethanol blends well with gasoline
 - Water/Ethanol will phase separate from the gasoline once enough water is present in the tank

Ethanol Spills/releases--Issues

- Vapors denser than air (like gasoline)--settle in low areas
- Burns cleaner than gasoline (flame is visible, but not as bright as gasoline)
- Low flashpoint
- Toxic
- Fire suppression and seal off vapors: Alcohol Resistant Foam
- Control runoff/flow
- Aqueous Film Forming Foams (AFFF), alcohol resistant

Ethanol After a Spill

- After a spill the ethanol component degrades quickly
- Degrades to Acetic Acid
- Acetic acid breaks down to Methane
- Depending on size, large amounts of methane can be produced which can be a concern



STATE OF IOWA



THOMAS J. VILSACK, GOVERNOR SALLY J. PEDERSON, LT. GOVERNOR

DEPARTMENT OF NATURAL RESOURCES JEFFREY R. VONK, DIRECTOR

Underground Storage Tank System Checklist for Equipment Compatibility with E-blend Fuels (greater than 10% ethanol by volume)

This checklist is to be completed by the owner/operator and an lowa Licensed Installer. In place of an lowa Licensed Installer, an owner/operator may use a professional engineer's judgement who has knowledge, experience and training in materials science (API, RP 1626, p. 1.4) to determine the suitability and compatibility of materials/equipment/components with E-blend fuels. In such a case, the Professional Engineer would complete the checklist and sign it. The owner must complete those items identified as the owner's responsibility in the checklist.

Facility Name		Registration No.
Address		No. of Tanks
City, County, Zip		Date of Inspection
Owner Name		
E-blend stored E-85 Other		
Iowa Licensed Inspector or Professional Engineer	,	IA License No.
Company Name	Address	
City, Zip	Phone	

The UST system components below must be compatible with the E-blend fuel stored and dispensed (see asterisks for thread sealant and adhesive). Review this checklist thoroughly for its requirements before converting to E-blend fuel. Enter Model/Brand, Manufacturer and check either Yes or No in one or both columns under UL Listed or Manufacturer Approved.

Table 1: Tanks and Product Piping

Component	Model/Brand	Manufacturer	UL	Listed		facturer proved
Tank* (capacity:)			Yes	No 🗍	Yes	No 🗍
Auto Shutoff			Yes	No 🗍	Yes	No 🗍
Sub Pump, O-rings, Gaskets			Yes	No 🗍	Yes	No
Tank Sump			Yes	No	Yes	No
ATG Probe, float/sensor			Yes	No 🗌	Yes	No 🗌
Ball Float			Yes	No	Yes	No
Sump Sensor			Yes	No 📗	Yes	No
Pipe			Yes	No	Yes	No
Thread Sealant**		:	Yes	No	Yes	No 🗌
Adhesive**			Yes	No	Yes	No 🗍
Flex Connectors			Yes	□ No □	Yes	No 🗌
LLD			Yes	No 🗌	Yes	No 📗

^{*}Internally lined tanks are not suitable for conversion to storage of E-blend fuels. ** If compatibility is undetermined, analysis may be used to determine compatibility. Deadline for determining compatibility is 1 July 2007. Third party precision line testing required annually.

Dispensers and Dispenser Sumps

The DNR and Fire Marshal Division require dispensers to bear the UL Mark or listed by another independent testing laboratory. Currently there are no E-blend compatible dispensers with a UL Mark. In the fall of 2005, the DNR, the Fire Marshal Division and the ethanol industry worked out an agreement wherein dispensers that comply with NFPA 30A for dispensing E10 may be used to dispense E85. The agreement was intended to facilitate the dispensing of E85 in lowa while providing for the safety of customers and facilities. The agreement allowed for a two-year phase in of dispensing equipment, until July 1st, 2007 when it was believed UL Marked dispensers would be available. During the 2006 session of the lowa General Assembly, the enactment of 2006 lowa Acts, House File 2754 extended the date by which listed equipment will be required for dispensing E-85 to July 1, 2009. All UST systems that store and dispense E-blend fuel after July 1, 2009 must be fully compatible.

Owners and operators must check E-blend dispensers daily for leaks and equipment failure. Any component of the dispenser that leaks or does not operate as designed due to exposure to E-blend must be removed and replaced with compatible components. Notify the DNR immediately (515.281.8879 or 515.281.8779) of the failed component. Each daily check of the dispenser is to be recorded on the DNR's form: (https://www.iowadnr.com/land/ust/technicalresources/documents/ethanolinspect.doc).

The inspection record must be completed by the owner/operator or someone authorized by the owner/operator and knowledgeable about the inspection requirements. The inspection record should be kept on site where possible or available for submittal to the DNR within two working days.

If an owner/operator discontinues storing and dispensing E-blend fuel and switches back to gasoline before buying E-blend compatible dispensers, daily visual inspections of the dispenser must continue for six months after converting. Owner/operators must also continue to keep a record of the inspections on the DNR's daily inspection form.

Table 2: Dispensers and Dispenser Sump

Component	Model/Brand	Manufacturer	2 311	Listed		facturer proved:
Dispenser		a samura (a otalisi	Yes	No	Yes	No No
Pipe sealant*			Yes	No 🗍	Yes	No
Seals/Gaskets			Yes	No No	Yes	No
Suction Pump			Yes	No	Yes	No
Hoses		· · · · · · · · · · · · · · · · · · ·	Yes	No	Yes	No
Nozzle/Swivel			Yes	No	Yes	No
Break-away			Yes	No	Yes	No
Filter			Yes	No	Yes	No No
Meter			Yes	No		
Dispenser/Sump	Barring Bridge Co	The state of the s	168	INU [Yes _	No 📗
Pipe		Living and the second s	Yes	No 🗍	Yes	No
Pipe Sealant*			Yes	No	Yes	No
Flex Connector		<u> </u>	Yes	No	Yes	No
Sump			Yes	No	Yes	===-
Emergency Valve**		<u> </u>	Yes	No	Yes	No No
Sensor			Yes	No	Yes	No
Check valve			Yes	No	Yes	No

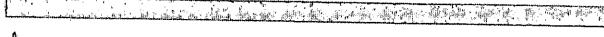
^{*} If compatibility is undetermined, analysis may be used to determine compatibility. Deadline for determining compatibility is 1 July 2009. Third party precision line testing required annually. **Emergency/Shear Valve must be compatible with E-blend fuels.

Before E-blend is Transferred to the Tank

Once equipment compatibility has been established, the items below must be completed before E-blend fuel can be transferred to the tank. Items that are the responsibility of the UST owner are indicated. The remaining items are the responsibility of the lowa Licensed Installer or Professional Engineer.

Inform the facility's UST insurance carrier of plans to convert to an E-blend fuel. The UST insurance carrier may have additional requirements other than what the DNR requires. (Responsibility of Owner).
Obtain an amended certificate of insurance indicating UST coverage for the E-blend stored and dispensed. (Responsibility of Owner).
Check for water in the tank. No level of water is acceptable for E-blend fuels due to the phase separation problems. (Responsibility of Installer initially and the owner thereafter.)
All visible fittings and connections at the top of the tank are tight (no vapors escape and no water enters).
Sump and spill containment covers prevent water from entering. (Installer)
Water infiltration problems fixed if necessary.
The tank has been cleaned of all water and sediment.
Clean tank certificate obtained or comparable documentation (e.g., see API Publication 2015, Cleaning Petroleum Storage Tanks and NFPA 326, Standard for the Safeguarding of Tanks and Containers for Entry, Cleaning, or Repair, 199 Edition). (Responsibility of Owner)
Labeling: identify the fill port and paint access covers according to API RP 1637. Make sure transport driver cannot make the mistake of delivering E-blend fuel to the wrong fill pipe. Label dispenser.
<u>First Delivery</u>
Tank filled to 80 percent capacity (recommended by the Renewable Fuels Association or RFA) and kept as full as possible for 7 to 10 days. (Responsibility of Owner)
Conduct a precision test of the tank system (0.1 gph leak rate) with ATG system within seven days after tank is filled to make sure system is tight and leak detection equipment is operating properly. Report any "Fail" results. (Responsibility of Owner)
Test for water (use alcohol compatible paste if you stick your tanks) at the beginning of each shift for the first 48 hours after delivery (RFA). If there is water in the tank, remove it, find out how it got there and fix it so it doesn't occur again. (Responsibility of Owner)

 Informed and demonstrated to owner/operator on how to visually inspect the E-ble dispenser for leaks and problems and on how to complete daily inspection record. Ethanol Compatibility Checklist signed by the lowa licensed installer or Profession
Ethanol Compatibility Checklist signed by the Iowa licensed installer or Profession
Engineer (e.g., with knowledge and training in materials science) and tank owner and submitted to the DNR by the UST owner. Include a copy of the revised certificate of insurance and the Clean Tank Certificate or comparable document with the checklist. (Responsibility of Owner)
Ongoing Maintenance
Check regularly for water. No level is acceptable. (Responsibility of Owner)
Calibrate the dispenser liquid meter at the time of conversion and at two weeks af conversion to verify meter accuracy. Particulate materials in the product may cause excessive wear of the meter, which would require more frequent calibration (API RP 162)
Conduct daily, visual inspections of the dispenser and dispenser sump (secondary containment) beneath the dispenser (if one is installed) and all the other items in the inspection record. The record should be kept on site where possible and available for submittal to the DNR within two working days. (Responsibility of Owner)
Installer Certification
I have inspected the visible UST system components, and reviewed available installation records of the UST site referenced on pages 1 and 2 of this checklist. I have found the information listed on the above checklist regarding the equipment/components of this US site to be true and accurate. Yes No.
Signed,
Engineer. Date
Owner's Signature: Date:
Licensed Installers/Professional Engineers: Please comment on what equipment was needed to make the fuel path compatible with the E-blend used or why the site is not compatible for E-blend fuel
Ethanol Checklist 11.21.06 version



AMERICAN LUNG ASSOCIATION.

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January 23, 2009

Members of the Transportation Committee:

The American Lung Association of North Dakota's *Clean Air Choice™* program is an initiative to help reduce emissions from motorized vehicles. Emissions from motorized vehicles are the single largest source of air pollution. ALA-ND understands the relationship between the vehicles and fuels we use, the air quality and our lung health, and recognizes cleaner burning fuels and clean vehicle technologies, like E85 and flex fuel vehicles, as *Clean Air Choice* options motorists can make today to reduce their impact on the environment and lung health.

Our goal is to encourage the advancement of new technology and educate the consumer on ways to reduce harmful pollutants. Using E85 is one way to do this:

- The U.S. Environmental Protection Agency (EPA) and U.S. Department of Energy (DOE) has recognized E85 as an alternative to traditional petroleum fuel.
- E85 is bio-degradeable and has a lower toxicity.
- E85 is less volatile than gasoline which results in fewer evaporative emissions.²
- Using E85 reduces carbon monoxide emissions and provides significant reductions of benzene and 1.3-butadiene, both chemicals having carcinogenic properties.³
- E85 provides important reductions in fuel lifecycle greenhouse gas emissions.⁴ The typical flex fuel
 vehicle driver can prevent four tons of lifecycle CO2 emissions from entering our air each year, simply
 by using E85 instead of gasoline.

Please contact our office if you would like any additional information on our work with E85.

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Penny Feria

Executive Director

American Lung Association of Minnesota

⁴ He, B.Q., Wang J.X., Hao, J.M., Yan, X.G., & Xiao, J.H. (2003) A study on emission characteristics of an EFI engine with ethanol blended gasoline fuels. *Atmospheric Euvironment* 37, 949-957.

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² Lynd, I R (1996). Overview and evaluation of fuel ethanol from cellulose biomass: Technology, economics, the environment and policy, Annual Review of Energy and the Environment, 21, 403-465.

¹ Black F., Tejada, S., gurevich m. (1998). Alternative fuel motor vehicle tailpipe and evaporative emissions composition and ozone potential. *Journal of the Air and Waste Management Association*, 48, 578-591.

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⁴ E85 - Argonne National Inhoratory. (199). Effects of fuel ethanol use on fuel-cycle energy and greenlunese emissions (ANLESD-38). Argonne, IL: Argonne's information and Publishing Division.

North Dakota Corn Utilization Council

Fargo, ND

Detailed Comparative Schedule of Revenues & Expenditures For the Biennium Ended June 30 UNAUDITED

	Fiscal Years 2008-07	Fiscal Years
Revenues	2008-07	2006-05
Corn Assessments (net of refunds of \$106,749 & \$84,969)	\$3,188,096	\$1,025,620
Interest on Investments	\$23,272	\$7,023,020
Other Miscellaneous Revenue	26,103	30,058
Total Revenues	\$3,237,471	\$1,063,305
Expenditures	ΨΟ,ΖΟΙ,ΨΙΙ	Ψ1,005,505
National Corn Growers Association Programming	279,745	174,692
Salaries & Benefits	151,509	193,735
Operating Fees & Services	29,244	130,409
Radio & Print Promotion	154,803	111,565
Promotional Supply	9,814	18,864
Travel	130,859	84,430
Rentals / Leases -Bldg / Land	28,242	16,584
Rentals / Leases - Equipment & Other	192	,
Equipment over \$5000		11,271
Office Equipment & Furniture under \$5,000	8,080	,
IT Equipment under \$5000	4,513	
Other Equipment under \$5000	304	
Supply / Material - Professional	12,479	11,122
Supplies -IT Software	194	,
Office Supplies	11,571	5,337
Buildings, Grounds, Vehicle Supply	5,219	
Postage	7,111	6,063
IT Communications - Phone	14,765	6,482
Fees - Professional Services	31,022	27,681
Printing	4,091	4,537
Insurance / Utilities	2,515	914
IT Contractual Services & Repairs	2,647	877
Repairs	2,541	635
Research Grants & Claims	638,061	315,715
Total Expenditures	<u>1,529,521</u>	<u>1,120,913</u>
Revenue Over / (Under) Expenditures	\$1,707,951	(\$57,608)

Center for Agricultural Policy and Trade Studies North Dakota State University

AGRICULTURAL POLICY BRIEF

No. 20 October 2008

Corn's Impact on The North Dakota Agricultural Economy

Richard D. Taylor and Won W. Koo*

Introduction

During the last thirty years, corn's impact on the North Dakota agricultural economy has grown tremendously. In the 1970s corn acres were about 2% of the state's cropland. Today that number is over 7.5%. In addition to the additional planted acres, corn processing, for both high fructose corn syrup and ethanol has become major users of North Dakota's corn. The gross economic activity of the production corn sector is larger than the amount of planted acres indicates. Corn is a high value and cost crop. An acre of corn will generate more economic activity than an acre of most other crops. For this study, alternative crops are wheat and soybeans, depending on location.

The objective of this study is to estimate the gross economic impact of the corn sector opposed to alternative crops, wheat and soybeans. In addition, gross revenues from the various corn processing plants will be estimated to determine the total economic impact of the industry. Various assumptions were made to simplify the study:

- 1. Gross returns for corn, wheat, and soybeans; (planted acres × yield × price), were calculated for the years 2004-2007 and estimated for 2008.
- 2. All commodities grown in North Dakota are sold in North Dakota by North Dakota producers.
- North Dakota corn sold to processing plants was removed from the processing plants gross revenue to eliminate double counting.
- 4. In the South Eastern region and Red River Valley, the alternative crop to corn was soybeans. In the rest of the state the alternative crop was wheat.
- 5. The processing plants at Wahpeton and Underwood purchased one-half of their corn from out of state. The other plants purchase corn from North Dakota.
- 6. The ethanol plants under construction or ready to open, are assumed to open.

Total gross returns from two sectors, production and processing, were used to estimate the economic impact of the corn industry on the North Dakota economy. The impact of corn fed to livestock was not estimated as it is difficult to obtain data on cattle numbers and feed consumption.

Corn Production

Table 1 shows the planted acres of corn, soybeans, and wheat for North Dakota from 2004 to 2008. Corn acres increased from 1.8 million acres in 2004 to a high of 2.55 million acres in 2007. Corn acres fell to 2.25 million acres in 2008. Corn acres have increased from 800 to 900 thousand acres during the late 1980s and early 1990s. North Dakota soybean acres did not follow an increasing trend during the 2000s (Figure 1). They tended to increase one year and decrease the following year.

* Research Scientist, and Professor and Director, respectively, in the Center for Agricultural Policy and Trade Studies in Fargo, North Dakota

For the late 1980s to early 1990s, soybeans acres have increased from 600-700 thousand acres to 3 million acres. Soybean acres have further increased to over 3 million acres for the 2004-2008 period. Wheat acres have increased since 2004, however, wheat acres have decreased about 40% from the recent high of 12.9 million acres in 1996. Total acres of the three crops increased from 13.7 million acres in 2004 to about 15 million acres in 2008. This indicates that producers are concentrating production away from other crops: barley, oats, and sunflowers. There are about 26 million acres of cropland in North Dakota which indicates that corn, soybeans and wheat occupy just over one-half of the crop acres.

Total revenue for corn, soybeans and wheat are shown in Figure 2. During the 1970s, 1980s, and 1990s, corn and soybeans share of North Dakota's gross revenue was small compared to wheat. However, during the 2000s revenue increased to \$1.32 billion for wheat, \$480 million for corn and \$620 million for soybeans. The combined revenue of corn and soybean is about 83% of wheat revenue (Figure 3). During 2004-2008, revenue increased to \$1.65 billion for wheat \$694 million for corn, and \$802 million for soybeans; the combined revenue account for 91% of wheat revenue. The trend is clear, corn and soybeans production will continue to expand into the near future.

Total gross returns per acre for the three crop were similar in 2004. Corn, soybeans, and wheat generated \$126.12. \$125.90, and \$127.26 per acre gross returns, respectively, 2004. These gross returns are based on state averages. This indicates that there were little or no differences in economic activity between the three crops. In 2005, both corn and soybean revenue increase to over \$190 per acre where wheat revenue fell to \$118 per acre, indicating that corn and soybeans generated between \$72 and \$79 per acre more than wheat, respect-

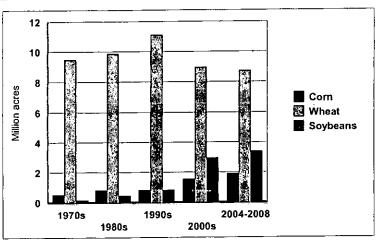


Figure 1. Planted Acres for North Dakota Corn, Wheat, and Soybeans

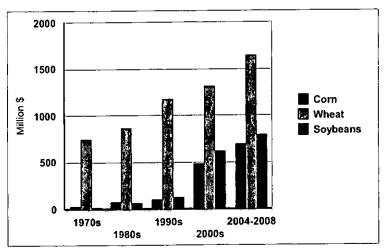


Figure 2. North Dakota Gross Commodity Returns for Corn, Wheat, and Soybeans

ively. During 2007 and 2008, corn revenue increased to \$401 per acre and \$591 per acre, respectively. Yields in the RRV and the Southeastern region are higher than yields across the state. If corn was not planted in North Dakota, soybeans would replace most of the acres in the southeast and RRV. Those additional soybeans acres would increase the state soybean yield. Likewise, wheat planted in those regions to replace corn would have higher yields than the state average.

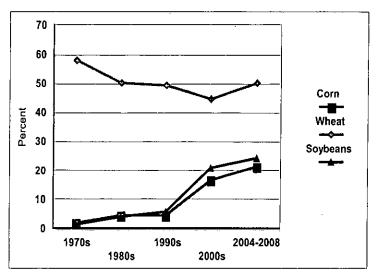


Figure 3. Market Share, Value Basis, for North Dakota Corn, Wheat, and Soybeans

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The bottom third of Table 1 shows the increased addition to economic activity in North Dakota of corn production over soybeans and wheat. The differences were obtained by determining the difference between per acre returns for corn and soybeans and those between corn and wheat. Those differences were multiplied by the acres of corn to determine the increase or decrease in gross revenue of corn. For example, in 2004, soybeans generated \$0.22 per acre less returns than corn and wheat generated \$1.14 per acre more than corn. Therefore, if corn was not planted in North Dakota in 2004, an additional 1.8 million acres of soybeans and wheat would have been planted. That would have generated \$224 thousand more in gross revenue than the actual plantings. This assumes that in the RRV and the Southeastern region, soybeans replaces corn and wheat replaces corn in the rest of the state. However, from 2005 to 2008, corn generated the largest gross returns of the three crops. In 2005 corn revenue was \$8 million higher than soybeans and almost \$28 million more than wheat, totaling a gross revenue of \$36 million. The increase was \$143 million for 2006 and \$206 million for 2007. It is estimated that the increase for 2008 will be about \$380 million. The five year total increase in gross returns is \$765 million because of North Dakota corn production.

Corn

Planted

Table 1. Total Planted Acres, Per Acre Return, and Difference
Detwoon Corn and Alternative Crons

Soybean

Wheat

Total

2007 123,605 82,566 206,1 2008 257,855 121,903 379,7 Five Year Total (2004-2008) 764,6	Acres					_
2005			Acres			
2006	2004	1,800	3,750			
2007	2005	1,420	2,950			
2008 2,250 3,550 9,200 15,000 Per Acre Returns	2006	1,690	3,900		-	
Per Acre Returns	2007	2,550				
2004 126.12 125.9 127.26 0 2005 197.62 190.0 118.50 4 2006 254.71 183.9 128.45 5 2007 400.88 336.2 271.37 5 2008 519.01 366.2 302.29 1 Total Difference Corn vs Soybeans Corn vs. Wheat1,000 Dollars	2008	2,250	3,550	9,200	15,000	
2004 126.12 125.9 127.26 0 2005 197.62 190.0 118.50 4 2006 254.71 183.9 128.45 5 2007 400.88 336.2 271.37 5 2008 519.01 366.2 302.29 1 Total Difference Corn vs Soybeans Corn vs. Wheat1,000 Dollars	Per Acre Returns					
2005 197.62 190.0 118.50 2006 254.71 183.9 128.45 2007 400.88 336.2 271.37 5 2008 519.01 366.2 302.29 1 Total Difference Corn vs Soybeans Corn vs. Wheat			- Dolla	ars/acre-		
2005 197.62 190.0 118.50 4 2006 254.71 183.9 128.45 5 2007 400.88 336.2 271.37 5 2008 519.01 366.2 302.29 1 Total Difference Corn vs Soybeans Corn vs. Wheat	2004	126.12	125.9	127.26		
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2006 254.71 183.9 128.45 5 2007 400.88 336.2 271.37 5 2008 519.01 366.2 302.29 1 Total Difference Corn vs Soybeans Corn vs. Wheat	2005	197.62		118.50		
2007 400.88 336.2 271.37 5 2008 519.01 366.2 302.29 1 Total Difference Corn vs Soybeans Corn vs. Wheat1,000 Dollars	2006	254.71	•	128.45		
5 2008 519.01 366.2 302.29 Total Difference Corn vs Soybeans Corn vs. Wheat1,000 Dollars			5			
2008 519.01 366.2 302.29 Total Difference Corn vs Soybeans Corn vs. Wheat	2007	400.88		271.37		
Total Difference Corn vs Soybeans Corn vs. Wheat	2008	519.01	•	302.29) ·	
Difference Corn vs Soybeans Corn vs. Wheat	2008	317.01		302.23		
Difference Corn vs Soybeans Corn vs. Wheat	Total					
Corn vs Soybeans Corn vs. Wheat						
Wheat1,000 Dollars		Corn v	vs Soybe	ans C	orn vs.	
2004 290 (514) (224 2005 8,009 27,889 35,89 2006 89,682 53,345 143,0 2007 123,605 82,566 206,1 2008 257,855 121,903 379,7 Five Year Total (2004-2008) 764,6			•		Wheat	
2005 8,009 27,889 35,89 2006 89,682 53,345 143,0 2007 123,605 82,566 206,1 2008 257,855 121,903 379,7 Five Year Total (2004-2008) 764,6			1	,000 Do	llars	
2005 8,009 27,889 35,89 2006 89,682 53,345 143,0 2007 123,605 82,566 206,1 2008 257,855 121,903 379,7 Five Year Total (2004-2008) 764,6	2004			290	(514)	(224)
2006 89,682 53,345 143,0 2007 123,605 82,566 206,1 2008 257,855 121,903 379,7 Five Year Total (2004-2008) 764,6			8,	009	27,889	35,899
2007 123,605 82,566 206,1 2008 257,855 121,903 379,7 Five Year Total (2004-2008) 764,6			89,	682	53,345	143,02
2008 257,855 121,903 379,7 Five Year Total (2004-2008) 764,6				•		6
Five Year Total (2004-2008) 764,6	2007		123,	605	82,566	206,17
Five Year Total (2004-2008) 764,6						1
Five Year Total (2004-2008) 764,6	2008		257,	855	121,903	379,75
1110 1001 1001 (2001 2000)			·			8
	Five Year Tota	l (2004-2	(800			764,63
						0

Corn Processing

North Dakota's corn processing industry consists of six ethanol plants and one high fructose corn syrup (HFCS) plant (Table 2). The ethanol plant in Walhala closed in late October, 2007 and the Richardson and Underwood opened during 2007. The plant in Hankinson is currently completed and will open in September of 2008 and the Casselton plant will be completed in late 2008. The processing plant in Wahpeton is a HFCS plant that has been in operation since 1996. Two other processing plants are due for ground breaking this fall; Williston and Scranton, both with capacities of 55 million gallons per year. Total corn

processing capacity of the plants will be 225 million bushels or about 82% of North Dakota's corn crop using 2007 as base. Substantial amount of corn is purchased from outside of the state, but actual numbers are not available. We assumed that Wahpeton and Underwood purchases one-half of the corn from out of state, while the remaining plants purchase corn produced in North Dakota. We assumed that Wahpeton and Underwood purchases one-half of the corn from out of state, while the remaining plants purchase corn produced in North Dakota.

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Table 2. North Dakota Corn Processing Plants

	Operation	Date	Corn	Ethanol output	DDG
		started	capacity		
			million bu	million gal	million lbs
Walhala	Closed 10/07	1995	10	28	170
Richardson	Open	2007	20	56	340
Hankinson	09/08	2008	35	98	595
Underwood	Open	2007	20	56	340
Casselton	12/08	2008	35	98	595
Wahpeton	Open	1996	31	1,093*	527
Spiritwood	Not open	2010	35	98	595

^{*}Million pounds HFCS

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Hankinson will also purchase corn from out of state. Product prices used in the study are shown in Table 3. These are obtained from USDA and represent yearly averages. Prices for 2008 are estimates.

Table 3. Prices Used in Analysis

	Ethanol	DDG	HFCS
	\$/gallon	\$/ton	\$/cwt
2004	1.50	75.96	20.54
2005	2.09	85.59	21.12
2006	2.42	109.07	21.77
2007	2.58	161.25	25.49
2008	3.08	185.00	28.41

Table 4 shows the annual gross revenue less the cost of North Dakota corn purchased. Until 2007, the Wahpeton plant dominated the North Dakota corn processing industry with gross revenues of about \$205 million, while total gross revenue for the entire state was about \$250 million. In 2007, gross revenue with ethanol plants in Richardson and Underwood was about \$397 million. For 2008, with Richardson and Underwood operating for the entire year, Hankinson opening from September 1, and Casselton opening in late 2008, the corn processing industry should generate about \$563 million. The total revenue for the corn processing industry will be about \$1.7 billion at the end of 2008, for the five year period.

Table 4. North Dakota Corn Processing Industry Economic Returns

•	2004	2005	2006	2007	2008
			-million \$		
Walhala	29.7	47.8	49.3	36.3	0.0
Richardson	0.0	0.0	0.0	48.4	93.9

Five Year Total	230.7	258.5	257.8	397.1	1,707.1
Total	0.0	0.0	0.0	0.0	563.0
Spiritwood	201.0	210.7	208.5	245.1	254.1
Casselton	0.0	0.0	0.0	0.0	12 .5*
Underwood	0.0	0.0	0.0	67.2	148.9
Hankinson	0.0	0.0	0.0	. 0.0	53.6 [*]

Hankinson and Casselton will be operated later 2008.

North Dakota State University

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Summary

Corn has become a major agricultural crop in North Dakota during the past 10 years. In the mid 1990s corn was produced in 3 or 4 counties in the southeast corner of the state. Since that time, corn production has spread northward to the Canadian border and westward beyond the Missouri River. Planted acres have grown by 147% during the past 10 year to where almost 1 in every 10 acres is planted to corn in the state. The production impact has grown due to corn plantings to about \$380 million in 2008 or \$764 million over the past 5 years. That impact is above and beyond the revenue that would have been generated if those acres were planted to soybeans or wheat. The processing industry is also growing rapidly. With the new ethanol plants coming on line, gross revenue in 2008 should be \$563 million. That should continue to grow for 2009 as other plants in the state open. The estimated 5 year impact of the corn industry, both production and processing, is \$2.47 billion. In 2008 that impact should be about \$932 million. To put that into perspective, the entire North Dakota wheat crop for 2008 should generate gross revenues of \$2.78 billion. Of course, if North Dakota did not produce substantial com, some processing would not occur at the current level.

References

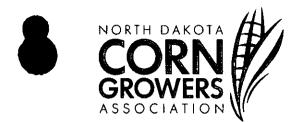
Tom Lilja, Executive Director, North Dakota Corn Growers. Personal Communication, July 2008.

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Renewable Fuels Association. Website, www.ethanolrfa.org. http://www.ethanolrfa.org.

United States Department of Agriculture-Economic Research Service. Website, www.ers.gov. http://www.ers.gov.





NEWS RELEASE

Corn has grown to be major North Dakota crop, good for state's economy

Fargo, N.D., October 23, 2008—Corn has become a major; high value agricultural crop in North Dakota, received according to a recent policy brief released from the Center for Agricultural Policy and Trade Studies at North Dakota State University, generating more economic activity per acre than most other crops and playing a vital role in the state's economy. Corn production (acres planted) and processing (high fructose corn syrup and ethanol) added approximately \$2.47 billion to North Dakota's economy during the last 5 years, with an impact of approximately \$932 million in 2008 alone.

The brief, Corn's Impact on the North Dakota Agricultural Economy, was written by Dr. Richard D. Taylor and Dr. Won W. Koo. Planted corn acres have increased tremendously, from 800,000 acres during the late 1980s to the all time high of 2.55 million acres in 2007. Corn planting in 2008 was 2.25 million acres. In the last 10 years, corn acres have grown by 147% and now account for one in 10 acres planted across the state.

Corn profitability has increased fourfold in the last four years. In 2004, corn generated \$126.12 gross per acre based on state averages. During 2007 and 2008, corn revenue rose to around \$401 to \$591 per acre. Since 2005, corn has generated the largest gross return when compared to alternative crops. The study also found that corn revenues were \$380 million higher than alternative crops — up from \$36 million in 2005.

Corn processing plants in North Dakota generated \$397 million in gross revenue for the state in 2007, with estimates for \$563 million in 2008. The corn processing industry in North Dakota is made up of one high fructose corn syrup plant and six operating ethanol plants. Two other ethanol plants are scheduled to begin construction this fall.

To read a copy of the full brief, please visit the North Dakota Corn Growers Association website at www.ndcorn.org listed under News and Events.

For more information contact:

Tom Lilja, NDCGA/NDCUC Executive Director 701-364-2250 or tom@ndcorn.org
1411 32nd Street South, Suite 2
Fargo, ND 58108





Summary of Activities:

Research Funding - The North Dakota Corn Utilization Council approved the following research projects in March and July 2008 Board Meetings:

\$120,000
\$26,296
\$45,240
\$30,421
\$17,900
\$37,000
\$12,300
\$40,000
\$ 4,000
\$25,000
\$21,000
\$20,000
\$31,000
\$13,100
\$10,000
\$200,000
\$653,257

UREA Project – One of the North Dakota Corn Utilization Council's priorities in the last three years has been trying to find an alternative source of nitrogen fertilizer for corn producers. The NDCUC has contracted with the Energy and Environmental Research Center at the University of North Dakota. Incremental lab breakthroughs have occurred. In July of 2008, the project was approved by the North Dakota Industrial Commission and the USDA Alternative Fuels Laboratory. We also partnered with the Minnesota Corn Research and Promotion Council to help leverage our dollars. Funding for the grant is broken out as follows:

•	\$404,225 project total
USDA Alternative Fuels Lab (match)	<u>\$104,225</u>
North Dakota Industrial Commission (match)	\$100,000
ND Renewable Energy Program (match)	\$100,000
Minnesota Corn Research & Promotion Council	\$50,000
North Dakota Corn Utilization Council	\$50,000

\$454,225 project fordi

The NDCUC has incurred project expenditures since the start up of over \$125,000. In the fall of 2008, efficiency levels were achieved in the lab to make this project a go. The NDCUC is currently planning pilot scale facilities and we could see a significant part of our budget (over \$1 million) go towards this project. We also think that there could be a possibility to partner with the coal industry in North Dakota to produce nitrogen from this technology and we are currently working on funding proposals.

Ethanol Promotion - The NDCUC has also been busy promoting ethanol. We have partnered with the American Lung Association for clean air initiatives that promote the consumption of ethanol and have committed \$20,000 to date. We also sponsored Jason Strand of Portland North Dakota with the E85 racing team. This was a great \$20,000 of promotional dollars as Jason won the

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points championship at the Red River Valley Speedway in 2008 and gave the public a good perception of ethanol. And yes, his race car does run on E85. When temperatures are above 90 degrees the E85 racing team uses pure 100% ethanol.

Blender Pump Initiative – The American Coalition of Ethanol released a study entitled "optimal ethanol blend level investigation". It was discovered that late model vehicles did not significantly reduce fuel economy at E20, E30 and even E40 levels. In some instances, fuel economy actually improved at these levels. The North Dakota Corn Growers Association hopes to give consumers a real choice when they are at the pump. Consumers could choose between standard unleaded gasoline, E10, E30 or E85 at the same pump. The North Dakota Corn Utilization Council has committed \$500,000 towards this project to help station owners update pump infrastructure in the form of block grants. Governor Hoeven has included this in his budget.

Economic Impact Study – The Center for Agricultural Policy and Trade Studies (CAPTS) at North Dakota State University released a brief entitled "Corn's Impact on the North Dakota Agricultural Economy" in October of 2008. Among the major findings were that corn production and processing added approximately \$2.47 billion to North Dakota's economy during the last 5 years, with an impact of \$932 million in 2008 alone. Corn now accounts for one in every ten acres planted. Planted corn acres have increased tremendously from 800,000 acres during the late 1980's to an all time high of 2.55 million acres in 2007. Corn profitability has increased fourfold from \$126/acre gross in 2004 to between \$401 to \$591/acre gross in 2007 and 2008, respectively. Since 2005, corn has generated the largest gross return when compared to alternative crops. The study also found that corn revenues were \$380 million higher than alternative crops – up from \$36 million in 2005.

National Funding Support – The NDCUC also supports the mission of the National Corn Growers Association and the U.S. Grains Council to open export markets to our products. During the 2006-2008 biennium, The NDCUC & NDCGA committed over \$484,000 to both these organizations. The new optional Average Crop Revenue or ACRE program that was passed during the 2007 Farm Bill is fundamental reform that will move U.S. farm policy away from direct payment structure to a system that combines national average market prices, statewide average yields, and a grower's actual planted acreage. NCGA continues to work hard on crop insurance reform as well. Biotech traits incorporated in the mid 1990's have lowered corn loss ratios to .58 while the industry average is .82, yet corn pays 47% of all the premium of all crops nationally.

The NEWs – The NDCUC has had all kinds of new happenings in the 2006-2008 Biennium. Tom Lilja, a Larimore, ND native was hired as executive director. Tom brings extensive knowledge to the corn growers from his background in the seed industry. Tom also has experience as a market analyst and crop insurance agent and is familiar with the futures and options markets, forward contracting and other risk management techniques for growers. Michelle Greening was just hired as a budget specialist in December. Michelle is a Devils Lake native, and has experience in grant writing from the Mid Kansas Community Action Program in El Dorado, Kansas. She was most recently an administrator for Realty Executives North Plains in Fargo. Jessica Gauslow is part time in the office helping with communications, publications and memberships. She and her husband Scott farm near Colfax, ND. The NDCUC and NDCGA adopted new logos in 2007. The check mark on the council logo demonstrates the statewide check off program. The grower's logo is similar to show that we work hand in hand. Our website was updated to www.ndcorn.org and it also helps show the public the difference between the corn growers (lobbying) and the corn council (research). In December of 2007 we moved next to the ND Soybean Council office. This has added to a spirit of cooperation between our two groups as we are holding our annual meetings together this winter. We also adopted a new mission statement – "Growing a Healthy, Profitable Business Climate for Northern Corn".

ANNUALREPORT



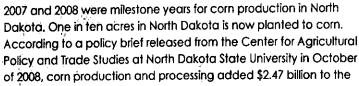






President's Message

Jay Nissen - Larimore





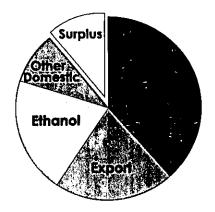
North Dakota economy in the last 5 years. The report also found that corn revenues are \$380 million higher than alternative crops – up from \$36 million in 2005. North Dakota's state processing plants generated \$397 million in gross revenue in 2007 with 2008 estimates of \$563 million. The 2008 state wide yield average of 124 bushels per acre and production of 284 million bushels are new records and demonstrate the accelerated yields curves in corn thanks to biotechnology. Biotechnology and higher yields have enhanced our profitability fourfold since 2004.

Passage of the 2007 Farm Bill was also welcome news to the economy of our state. The National Corn Growers Association proposed Average Crop Revenue (ACRE) as an option to growers. ACRE is a first step in U.S. farm policy away from historical base acre payments to a system that is more responsive to a producers actual planted acres, statewide yield averages and national average prices. The recent decision by USDA to include the 2007-08 average price of \$4.85 versus the 2006-07 average price of \$3.65 as the starting point will make ACRE a very good option for corn producers.

The North Dakota Corn Grower's Association is at the forefront of national policy, participating in NCGA's Biotechnology, Ethanol, Conservation and Public Policy Action Teams. On the state level, we are participating in a blender pump initiative to give consumers a choice of mid level ethanol blends at the pump. We have also partnered with the American Lung Association for clean air initiatives that promote the consumption of ethanol.

The North Dakota Corn Growers Association will continue to grow a healthy, profitable business climate for the northern corn industry.

2007 Corn Supply and Demand



Total Supply: 14.4 billion bushels

> Feed: 42% Ethanol: 22% Export: 17%

Other Domestic: 9% Surplus: 10%





Chairman's Report

Jeff Enger - Marion

Again we saw increased corn production in North Dakota in 2008 which can provide economic opportunities for our state. A record 284 million bushels produced will meet the state's ethanol requirements at 150 million bushels when all ethanol plants are at full operation. With only 6% of grain corn produced in North Dakota being used for livestock feed in our state, we see an opportunity for expansion in the livestock industry. There is potential for increased economic development as one dollar spent on livestock returns \$4.49 to our states economy.

Our yields have been improved by the use of conservation practices as well as new and improved genetics. Future drought and cold tolerant varieties will continue to add to our production security. The North Dakota Corn Council has prioritized research dollars to northern corn breeding and nitrogen usage efficiency. One of the more exciting and cutting edge projects we have funded over the past three years is the search for an alternative source of nitrogen. Entitled the UREA project, we have pooled our resources with the Minnesota Corn Research and Promotion Council. Laboratory results have been encouraging and we are currently planning a pilot scale facility.

The North Dakota Corn Council looks forward to meeting the challenges and opportunities that we will encounter. The continuing need for storage facilities and dryer capacity to handle our increased production and the Global Climate Change Bill are examples of the challenges ahead of us. Working with other commodity groups and livestock organizations is an opportunity we have to work together to mutually benefit our organizations and to strengthen our economy. We have also been given a global challenge. Only 11% of the earth's surface is capable of food production and by 2035 there will be 8.5 billion people to feed!!!

On a personal note, it has been gratifying to me to see a number of young farmers return to production agriculture. Their enthusiasm for using the technology available to them continues to move us forward and in step with the world around us. The North Dakota Corn Council will work to provide markets, research and additional opportunities for our producers.

Blender Pump Initiative North Dakota Corn Growers would like to give consumers a real choice the next time they stop at the pump of their local service station. Blender Pumps would offer drivers whatever blend of ethanol they like. Consumers who drive flexible-fuel vehicles (FFVs) would have even more choices. This new frontier in fuel retailing means consumers have the ability to choose E10, E20, E30, possibly E40, or E85. This new freedom of choice will help create even more demand for ethanol to help our country reach the goal of energy independence.

"Right now South Dakotá is leading the charge in Blender Pump Inititives and we would like to be a leader as well." states Tom Lilja, Executive Director of the The North Dakota Corn Growers. "There is nothing more important to the future of our country than energy independence and we feel ethanol can be a significant part of the solution"

In a Final report entitled "optimal ethanol blend level investigation" it was discovered that mid level blends of ethanol at 20%, 30%, and 40% levels did not significantly reduce fuel economy. Four 2007 vehicles were tested and the results are stated in the chart below.

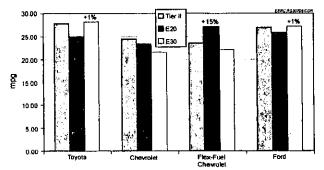


Figure ES-1. Highway fuel economy improvement, E20 and E30 vs. Tier 2 gasoline.





Supporting Ethanol

Clean Air Initiative

Corn Growers contribute \$20,000 to promote Ethanol.

The North Dakota Corn Growers have contributed \$20,000 to North Dakota Clean Air Choice Team to promote the usage of Ethanol fuels in North Dakota. These funds will be matched 1 for 1 by a grant from the North Dakota Industrial Commission and the North Dakota Renewable Energy Council.

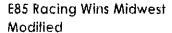
A grant for \$167,764 was awarded to the North Dakota Clean Air Choice Team for a statewide ethanol education and marketing campaign. Project Coordinator Valerie Kummer of the American Lung Association of North Dakota submitted the request on behalf of the North Dakota Clean Air Choice Team after conducting a consumer perception survey in spring 2008.

The Survey concluded that only 35.3% of North Dakota drivers said they usually or always use ethanol fuel in their vehicles. In addition, only 8.9% of North Dakota Flex Fuel Vehicle owners said they usually use E85 ethanol fuel. The objectives of the program are as follows:

- To significantly increase the percentage of North Dakotans who are aware of the benefits and availability of ethanol fuels with pre and post surveys showing a 25% percent increase in stated awareness, with continued increases in consumer awareness in the following years.
- To demonstrate change in market behavior with a 19% increase in ethanol sales share of the total fuel market, representing an increase of 67,934,378 more gallons of E-10 or E-85 at the pump, by the end of year one.
- To triple sales of E85 ethanol by the end of year one of the project.
- •To increase the availability of ethanol fuels in North Dakota by establishing 10 or more new service stations with E85 ethanol statewide in fiscal year 2009. These objectives will be met through intense statewide promotions and a variety of activities including station events, earned media opportunities, paid advertising, and educational opportunities at conventions and trade shows.

To read the entire application and program budget information please go on line to: http://www.nd.gov/ndic/renew/meeting0808/r003-a-prop.pdf If you have a comment or questions please contact Valerie Kummer at Vkummer@lungnd.org.



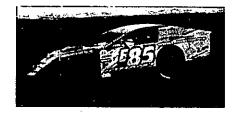


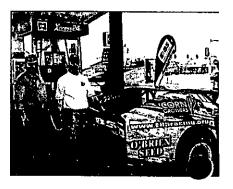
Jason Strand with the car number E85 took home the 2008 points crown in the Midwest Modified with 553 points.

Strand, a Portland North Dakota native, won the division in only his third year of racing. The partnership with the North Dakota Corn Growers Association and the North Dakota Corn Council was formed in 2008, and the Team name was changed to E85 Racing.

Jason Strand said "We look forward to this venture, and woul like to thank The Corn Growers for this opportunity. We appreciate their support!!"

For more information, go online to E85racing.org









Council Research Projects

Utilization Council Supports Diversity Research

Genetic diversity is a plus for northern production according to research led by Dr. Carena at NDSU's Department of Plant Sciences. Dr. Carena is conducting the first long term corn breeding program to increase the genetic diversity of hybrids on farms in the north central region of the U.S. One of the several goals of the NDSU program is to increase the genetic diversity available in maize hybrids to northern farms. This is accomplished by first moving elite tropical and temperate material northward by rapid incorporation of exotic GEM germplasm, second adapting GEM germplasm to short season drought prone environments and third developing competitive early maturing GEM quality lines for industry use. GEM stands for Germplasm Enhancement Maize Project. This project is sponsored in part by the USDA to add genetic diversity to the limited amount of successful inbred lines and is a network of over 30 industry and public cooperators.

Dr. Marcelo Carena is working on this long term continuous effort to incorporate GEM germplasm in the northern U.S. corn belt. Dr. Carena's work includes breeding methods such as adaptation, recurrent selection, pedigree seletion, single seed decent and modified single seed decent. Dr. Carena uses backcrossing and top crossing techniques to bring this longer season material into a short season growing environment.

Some of the conclusions of Dr. Carena's work are that Heterotic groups have been identified to enhance the expression of Heterosis. Alternative Heterotic patterns with exceptional Heterosis need to be continuously identified exploited for different growing regions. Maize genetic diversity can be exploited without the need to wait for current selection programs. Winter nurseries allowing 3 seasons per year have provided new 90-day Relative Maturity lines in four years. Data show experimental GEM derived lines have better grain yield, drought tolerance and grain quality. There is a need to diversify methodologies to develop lines within heterotic patterns as well while keeping heterotic groups. This can provide diverse lines with excellent combining abilities among Heterotic groups. In addition to the early GEM program, the NDSU Corn Breeding Program has conducted over 60 experiements in 2008 including over 20,000 plots across 20 locations.

The North Dakota Corn Utilization Council stands behind Dr. Carena's valuable work in developing early season inbred lines. The cool growing season of 2008 showed very promising data of these GEM lines in yield, dry down and test weight in our northern region. Northern plant breeding will remain a funding priority in the future as genetic improvement for 2002-2008 in North Dakota was worth over \$5 million annually.

Search for Nitrogen Alternative

One of the more exciting research projects that the North Dakota Corn Utilization Council has been involved with in the past two years is looking for an alternative source of nitrogen fertilizer. Entitled the UREA project, the North Dakota Corn Council has contracted with the Energy and Environmental Research Center (EERC) at the University of North Dakota to conduct lab experiments to find an alternative way of producing nitrogen. In the summer of 2008, the North Dakota Corn Council in partnership with the Minnesota Corn Research and Promotion Council committed \$100,000 dollars that were matched by the North Dakota State Industrial Commission. This full sum of \$200,000 was then matched by the Federal Government for a project total of \$400,000. Partnering with Minnesota corn producers has helped us leverage our dollars in a 4 to 1 ratio. Incremental lab breakthroughs have been implished to date and pilot scale facilities are currently being explored.



Facts

The North Dakota Corn Growers Association

The North Dakota Corn Growers Association is a grassroots, membership-funded organization which focuses on lobbying and legislative efforts to benefit corn growers in North Dakota. Major areas of legislative focus this year included the 2007 Farm Bill, transportation and grain storage.

The NDCGA is part of the National Corn Growers Association, with a collective political voice of more than 32,00 corn growers from 46 affiliated organizations in 48 states.

The North Dakola Com Council

The North Dakota Corn Council is the check-off funded research and market development organization authorized by the N.D. legislature in 1991. Growers invest 1/4 of 1% of the value of their corn in this check-off fund, and the North Dakota Corn Council has administered more than \$400,000 in grants which have funded research in northern plant breeding, conservation practices, storage, renewable energy, biofuels, transportation, fertilization, livestock and producer education. The council has also partnered with American Lung Association for clean air initiatives promoting the consumption of ethanol.

New records for corn in 2007 & 2008

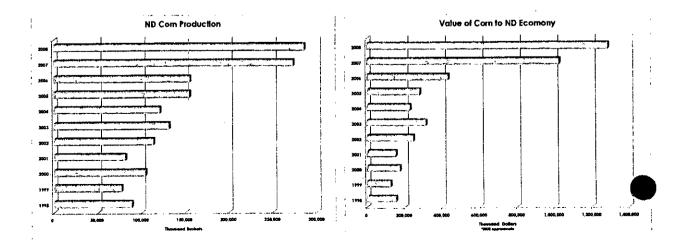
For the first time in North Dakota's history, corn is the number on commodity in bushels harvested. The U.S. Ag Department estimated the 2008 corn harvest in North Dakota at 284 million bushels.

A record 2.2 million acres were planted in N.D. corn in 2007, compared with less than 600,000 acres planted in 1997.

Nationally, farmers harvested 13.2 billion bushels of corn on 86 million acres, up from 10.5 billion bushels harvested from 70.6 million acres in 2006.

U.S. Corn exports are also at an all-time high. The USDA has raised the 2007-08 corn export forecast by 100 million bushels, to a projected 2.45 billion bushels. The previous record for corn exports was 2.4 billion bushels set in 1979-1980.

The farm price for corn is also at high levels, with the USDA projecting the season average farm price at \$3.35 to \$3.95 per bushel, up 15 cents on both ends of the range.



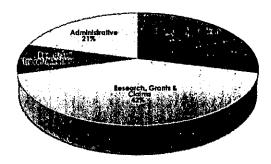


Budget

Detailed Comparative Schedule of Revenues and Expenditures

	Fiscal Years 2008-07	Fiscal Years 2006-05
Revenues		
Corn Assessments (net refunds of \$106, \$749 & \$84,969) Interest on Investments Other Misc Revenue Total Revenues	\$3,188,096 \$23,272 \$26,103 \$3,237,471	\$1,025,620 \$7,627 \$30,058 \$1,063,305
Expenditures		
National Corn Growers Association Programming Salaries and Benefits Operating Fees and Services Radio and Print Promotion Promotional Supply Travel Rentals/Leases-Bldg/ Land Rentals/Leases-Equip/ Other Equipment over \$5000 Office Equipment and furniture under \$5000 IT Equipment under \$5000 Other Equipment under \$5000 Supply/ Material professional Supplies – IT Software Office Supplies Building, Grounds, Vehicle Supply Postage IT Communications – Phone Fees – Professional Services Printing Insurance / Utilities IT Contractual Services and Repairs Research Grants and Claims	\$279,745 \$151,509 \$29,244 \$154,803 \$9,814 \$130,859 \$28,242 \$192 \$8,080 \$4,513 \$304 \$12,479 \$194 \$11,571 \$5,219 \$7,111 \$14,765 \$31,022 \$4,091 \$2,515 \$2,647 \$2,541 \$638,061	\$174,692 \$193,735 \$130,409 \$111,565 \$18,864 \$84,430 \$16,584 \$11,271 \$11,122 \$5,337 \$6,063 \$6,482 \$27,681 \$4,537 \$914 \$877 \$635 \$315,715
Total Expenditures	\$1,529,521	\$1,120,913
Revenue Over/ Under Expenditures	\$1,707,951	(\$57,608)

FY 2006-2008 ND Corn Council Expenditures





PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2228

Page 2, line 19, replace "obtain" with "install"

Page 2, line 20, after "pump" insert "and an associated storage and piping system. The pump must be the type"

Page 2, line 24, after "components" insert "and storage and piping systems"

Page 3, line 3, replace "obtain" with "install"

Renumber accordingly



Lance Gaebe 2/6/09 2228

TESTIMONY

TO THE

SENATE APPROPRIATIONS COMMITTEE

OF THE

NORTH DAKOTA LEGISLATURE

RE: SENATE BILL 2228

TESTIMONY

BY

KENT SATRANG

GENERAL MANAGER, PETRO SERVE USA

MEMBER, NORTH DAKOTA CORN GROWERS BOARD

FEBRUARY 06, 2009

Good morning Chairman Holmberg and Members of the Senate Appropriations Committee. My name is Kent Satrang. I live in Fargo and I am the General Manager of Petro Serve USA. I stand in support of Senate Bill 2228. We have locations In Moorhead and Dilworth MN, Fargo, West Fargo, Casselton, Arthur, Leonard and Valley City North Dakota. Our company sells a little over 3% of the states 370,000,000 gallons of gasoline. Currently about 70% of our pump sales contain an ethanol blend. We offer E10 at all of our stores. We have offered E85 for 8 years and have not had a single tank or pump problem. We currently offer E85 at four of our c-stores.

I am an Industry Member of the Board of Directors of the ND Corn Growers. I am a past member of the Cenex Retail Advisory Board and a current member of the Tesoro Jobber Council. I have been a Cenex Manager in the petroleum business for 30 years and my father started working for Cenex in the late 1940's in Rolette North Dakota.

I live in the big city of Fargo, but I am a supporter of agriculture because we are a farmer owned cooperative and also because agriculture is the economic backbone of North Dakota. I appreciate the economic stimulus ideas of the Governors Office and of the State Legislature. Economically our state is outperforming our neighbors and the entire nation. Corn is now king in ND agriculture. This spring rural fertilizer plants spread multiples of normal fertilizer rates for corn, and this last fall, we saw record yields being transported from corn fields and record propane use for drying. My cooperative normally would sell 300,000 gallons in November and December and this year we sold over 1,700,000 gallons. That meant a need for an extra driver and an extra truck because of corn drying. That's real economic development, and my neighbors all have the same success story.

We are in support of Senate Bill 2228 because it allows us, the gas retailers an opportunity to partner up Regional Petroleum Refiners, with local ethanol plants to help build a bridge to energy independence here in America. That bridge starts in the corn and oil fields of North Dakota. It is built with the vision of a blender pump, the competitive spirit of ND Petroleum Marketers and its architect is the Governor and the Legislature of North Dakota.

Following is a chart that shows the concept and fundamentals of a blender pump. Most likely where you fill back at home has two underground tanks. One tank has 100% gas and the other tank has E10 (90% gasoline and 10% ethanol). With blender pumps you will use the same tanks if they are approved and suitable for mid to high ethanol blends. One would have 100% gas and the other would have E85 (85% ethanol and 15% gasoline). We recommend a configuration for blender pumps that CHS has already approved. It would have a dedicated black hose with 100% gasoline to the far left of the pump. We propose another dedicated back hose with 10% ethanol and 90% gasoline (or whatever the Federal Government and automakers prescribe as the standard ethanol blend) as an for the next hose to the right (the second hose from the left). On the far right would be a yellow colored E-85 hose with a yellow sleeved nozzle and a nozzle talker stating "this is not gasoline". It would contain 85% ethanol and 15% gasoline. The remaining hose would be the second from the right and the third from the left. It would be a product of 20% ethanol or greater. It too would be a yellow hose with a yellow sleeve and a nozzle talker saying "this is not gasoline". Both of these nozzles on the right side of the pump would be clearly labeled on the pump stating this is not gasoline, is for Flexible Fuel Vehicles (FFV) only and that there is a penalty for improper fueling. Certified and reputable Petroleum Supplier such as O'Day Equipment, R&R Petroleum and Westmor Industries would be able to advise if Underground Storage Tanks and pipes are legal and suitable for E85 and mid-blend usage. Its estimated that 95% of the states tanks and pipes are E85 legal, compatible and/or upgradeable. Many gas retailers want this opportunity to upgrade pumps and they want to be able to double their offerings with a blender pump.

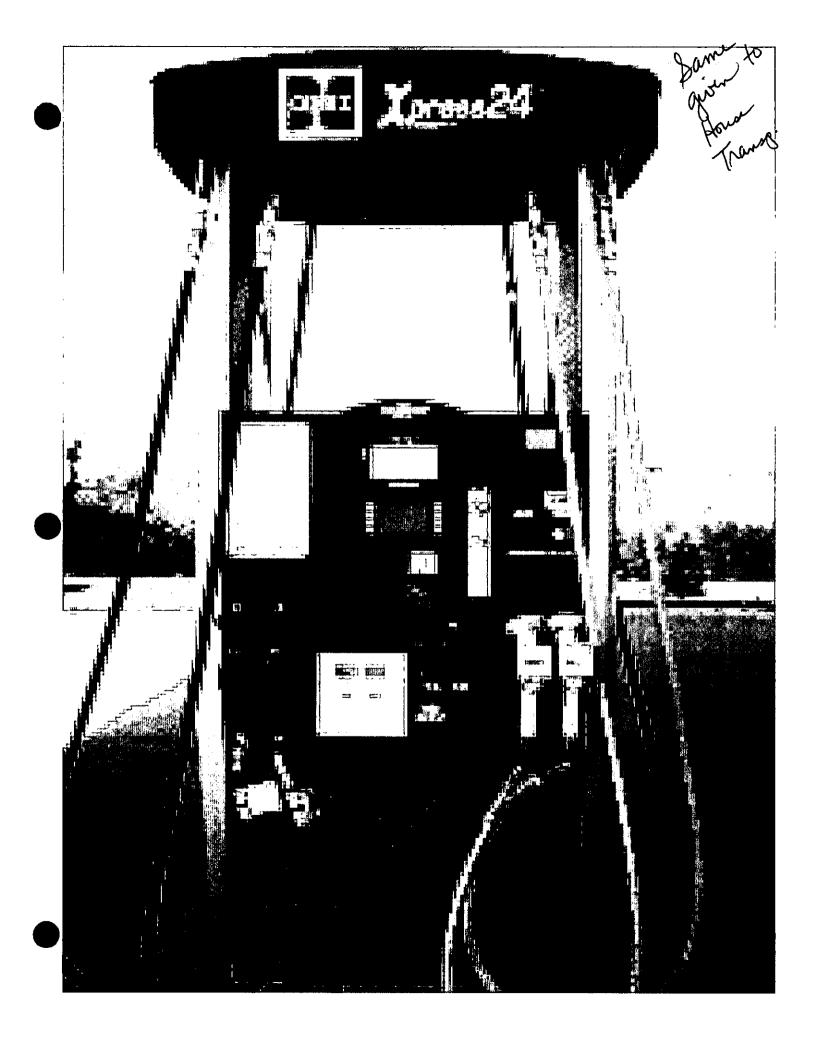
I have brought a sample of letters for you from my neighboring cooperatives who want and support blender pumps. They do not look into the future and see insurmountable tank and pipe rules. They are willing to wait for UL pump system approvals and they are willing to show the courage to ask our petroleum suppliers to partner with our states corn farmers to build that bridge that our rural so economy needs.

A gas pump like we are suggesting will cost around \$17,500. Current estimates for what will be a UL approved E85 pump runs about \$7,500 extra. We believe that as demand for blender pumps increase, this \$7,500 add on will fall to as low as \$2,000 per pump. But worst case the E85 approved pump is believed to be about \$25,000. We are proposing the following incentive to help from 200 to 400 pumps switch over from traditional gasoline pumps to modern blender pumps.

\$5,000	North Dakota Government Incentive	Cap \$2,000,000	
\$2,500	Current Federal Law Tax Credit	No Cap	
	30% of up to \$30,000 per pump Rep. Charley Rangel (NY) in Budget	50% of \$50,000 in 2009 Budget	
\$2,500	North Dakota Corn Growers Incentive	Cap \$500,000 (25% of state #)	
\$2,500	"Potential" Ethanol Plant Incentive	Ethanol Plant Competition	
<u>\$2,500</u>	Retailer's Pump Resale Market Value	Sold to farmers or commercial	
\$15,000	Ball Park Estimate For All Incentives (Probably Conservative)		
<u>\$25,000</u>	Ball Park Estimated Cost for Blender Pump		
\$10,000	Net Cost to the ND gas station retailer to switch pumps per each pump		

My hope is that you will see the potential and the vision that the sponsors of Senate Bill 2228 see. This is an opportunity to jump start mid blends and E85 sales. The North Dakota EERC tests show that E30 is a sweet spot for mileage; our agricultural economy needs corn to be grown. Corn needs for ethanol plants, and ethanol plants need increased market share and blender pumps will help America get beyond what is called the "Blenders Wall". South Dakota actual results show a build in ethanol volumes from 4% to 20%. Someday soon that could be 70,000,000 gallons of ethanol being consumed in our own state. This is an opportunity to continue to develop this infancy market for the additional volume that our states new ethanol facilities have already created. I ask you to consider exercising your potential to make ethanol, a North Dakota grown fuel, a North Dakota manufactured fuel, as common at the neighborhood gasoline pumps as unleaded, super unleaded or premium. Help our Corn Growers, our rural communities, our environment and most importantly American men and women in our Armed Forces to make this blender pump legislation a reality that sends a message across America. You can make it possible to fill it up, with a fuel grown right here in North Dakota. I commit to you, that it is a mathematical certainty that choice created by blender pumps will result in change in all of our pockets.

Thank you for the opportunity to testify and I ask you to support Senate Bill number 2228.





Farmers Union Oil Company Box 218 Portland, ND 58274 Jame House Nambertation.

telephone 701-788-3760 fax 701-788-2446

Honorable North Dakota Senators,

My name is Ken Kornkven and I am general manager of the Farmers Union Oil Company of Portland. I am writing in support of SB 2228. We are a farm supply cooperative that have been a supporter of ethanol and have sold E-10 for over thirty years. Five years ago we installed a pump for E-85 and enjoyed solid sales of that product. Last year we installed six blender pumps in our two stations in Mayville and Portland and began offering E-20, E-30, E-40 as well as E-85, E10 and regular unleaded gas. I am pleased to report that sales of the alternate fuels have been brisk as more and more flex-fuel vehicles become available.

We strongly support North Dakota's leadership with blender pump funding. The more blender pumps that become available, the greater the volume of ethanol blended fuels will be used in our state, and having a locally grown and processed product can only help to ensure that North Dakota remains in a leadership role in this difficult economic climate that we are in now.

In closing I ask for your support on Senate Bill 2228 concerning the funding assistance for blender pumps. My office phone is 701-788-3760 and I would be happy to speak to you in support of this important bill.

Sincerely,

Ken Kornkven

General Manager Farmers Union Oil

Portland, North Dakota

portfuo@polarcomm.com

Altachment#1

TESTIMONY

BEFORE THE

COMMITTEE ON TRANSPORTATION

OF THE

NORTH DAKOTA HOUSE OF REPRESENTATIVES

RE: SENATE BILL 2228

TESTIMONY

BY

KENT SATRANG

GENERAL MANAGER, PETRO SERVE USA

MEMBER, NORTH DAKOTA CORN GROWERS BOARD

MARCH 12, 2009

Good morning Chairman Ruby and Members of the House Transportations Committee. I am Kent Satrang the General Manager of Petro Serve USA in Fargo. I stand in support of Senate Bill 2228 and the 400 North Dakota ethanol blender pumps it would create. We have locations In Moorhead and Dilworth, Fargo, West Fargo, Casselton, Arthur, Leonard and Valley City. Our company sells a little over 3% of the states 370,000,000 gallons of gas. Currently about 70% of our pump sales contain some blend of ethanol. We offer E10 at all of our stores. We have offered E85 for 8 years and have not had a single tank or pump problem. We currently offer E85 at four of our c-stores.

I am an Industry Member of the Board of Directors of the ND Corn Growers. I'm a past member of the Cenex Retail Advisory Board and a current member of the Tesoro Jobber Council. I have spent my 30 years business career trying to partner up petroleum companies with ethanol and farmers.

I live in Fargo, but I am an agricultural supporter because it is North Dakota's economic backbone. Our state fiscally outperforms its neighbors and the entire nation. Corn is the newly crowned king of ND agriculture. Rural fertilizer plants spread multiples of "normal" fertilizer rates for corn, and last fall we saw record yields being transported from corn fields and record propane use for crop drying. We normally sell 300,000 gallons in November and December and this year we sold over 1,700,000. That meant overtime, an additional employee and another truck because of corn drying. That is rural economic development, and my petroleum retailer neighbors all have that same story.

We support SB 2228 because it allows us, the gas retailers an economic opportunity to partner up regional petroleum refiners like Cenex and Tesoro, with local ethanol plants to help build a bridge to energy independence here in America. That bridge starts with a partnership between the corn fields of the Red River Valley and the Bakken oil fields of Western North Dakota. It is built with the vision of a blender pump, the competitive spirit of hard working ND Petroleum Marketers and its architect is the Governor and the innovative and proactive State Legislature of North Dakota.

Following is a chart that shows the concept and fundamentals of a blender pump. Most likely where you fill back at home has two underground tanks. One tank has 100% gas and the other tank has E10 (90% gasoline and 10% ethanol). With blender pumps you will use the same tanks if they are approved and suitable for mid to high ethanol blends. One would have 100% gas and the other would have E85 (85% ethanol and 15% gasoline). We agree with the configuration for blender pumps that CHS has already approved. It would have a dedicated black hose with 100% gasoline to the far left of the pump. We propose another dedicated back hose with 10% ethanol and 90% gasoline (or whatever the Federal Government and automakers prescribe as the standard ethanol blend) for the next hose to the right (the second hose from the left). On the far right would be a yellow colored E-85 hose with a yellow sleeved nozzle and a nozzle talker stating "this is not gasoline". It would contain 85% ethanol and 15% gasoline. The remaining hose would be the second from the right and the third from the left. It would be a product of 20% ethanol or greater. It too would be a yellow hose with a yellow sleeve and a nozzle talker saying "this is not gasoline". Both of these nozzles on the right side of the pump would be clearly labeled on the pump stating this is not gasoline, is for Flexible Fuel Vehicles (FFV) only and that there is a severe penalty for improper fueling. Certified and reputable Petroleum Supplier such as O'Day Equipment, R&R Petroleum and Westmor Industries would be 100% able to advise if Underground Storage Tanks and pipes are legal and suitable for E85 and mid-blend usage. It is estimated that 95% of the states tanks and pipes are E85 legal, compatible and/or upgradeable. Gas retailers want this opportunity to upgrade pumps and they want to be able to double their product offerings with a blender pump.

Attached are samples of letters from cooperatives that support blender pumps. They don't look into the future and see insurmountable tank and pipe rules. They are willing to wait for a UL pump system approval and they are willing to show the courage to ask petroleum suppliers to partner with our states corn farmers to build that economic bridge that North Dakota will forever need.

Gas pumps like this cost \$17,500. A UL approved E85 pump runs \$7,500 extra, bringing the cost to about \$25,000. We are proposing the following incentive to help switch from between 200 to 400 old traditional gasoline pumps over to modern high tech ethanol-blender pumps.

\$5,000	North Dakota Government Incentive	Cap \$2,000,000
\$3.125	Current Federal Law Tax Credit 50% of up to \$50,000 per pump	No Federal Cap Foreseen 25% of pump eligible for 50%
\$2,500	North Dakota Corn Growers Incentive	Cap \$500,000 (25% of state #)
\$2,500	"Potential" Ethanol Plant Incentive	Ethanol Plant Self Competition
<i>\$2,500</i>	Retailer's Pump Resale Market Value	Sold to farmers or commercial
\$15,625	Ball Park Estimate For All Incentives By Invested Bio-Fuel Stakeholders	
\$26,000	Ball Park Estimated Cost for Blender Pump (4% use tax would be \$1,000)	
\$10,375	Net Cost to the ND gas station retailer to switch out pumps, per each pump	

I hope you see the potential and vision of the very innovative legislation from both an economic and an agricultural view point. Our states economy needs these corn crops, corn needs ethanol plants, and ethanol plants need increased local market share. Blender pumps will get America beyond what is called the "Blenders Wall". South Dakota actual results show a build in ethanol volumes from 4% to 20%. Someday soon that could mean 70,000,000 gallons of ethanol being consumed in our own state. This is an opportunity to develop this infancy market for the additional volume that our states new ethanol facilities have created in the past three years. In closing:

- 1. The states part of 200 pumps is \$1 million, corn growers \$½ million, ethanol plants \$½ million, NDPM's \$2.1 million and the effect on our economy is priceless. I'll gladly spend \$62,000 to get a \$30,000 grant to replace six gas pumps that still work, because we need to increase local ethanol volumes to keep our corn industry. Together lets invest in our future.
- 2. Certified ND Petroleum Equipment installers CAN most certainly insure that site specific equipment is safe, suitable and legal for mid and higher blends of ethanol volumes.
- 3. Profitable corn crops are bringing young men and women back to ND's family farms.
- 4. SB 2228 provides a competitive market for the US Automakers and ND's 29,000 FFV's.
- 5. SB 2228 allows ND Petroleum Marketers to partner regional petroleum refineries and the Bakken oil fields to partner with ND family farmers and their high yield corn fields. Together we can build a bridge to lesson oil imports and grow North Dakota's economy.
- 6. A pipeline to move ethanol out of state would cost billions and take years to complete. Doesn't it make sense to spend \$2,000,000 to complete a pipeline from our own family farmer's corn fields to our own automobile tanks? That is what a blender pumps does.

Together lets make ethanol, a North Dakota grown fuel, a North Dakota manufactured fuel, as common at the neighborhood gas pumps as unleaded or premium. Help farmers and ranchers, our rural communities, our environment, our national security and most importantly American men and women in our Armed Forces to make this blender pump legislation a reality that sends a message. Together we can make it possible to fill up, with a fuel grown in our back yard. I commit to you, that it is a mathematical certainty that choice created by blender pumps will result in change in all of our pockets. Thank you for the opportunity to testify. I do encourage you to support SB 2228.





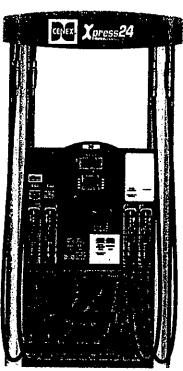
BLENDER PUMPS & ETHANOL MARKETING

WestMor Industries, in partnership with CHS is excited to inform its petroleum equipment marketers and consumers that Minnesota and South Dakota have recently approved the usage of alternative fuel blender pumps.

This is big news for local ethanol and alternative fuel marketers who are currently selling E-85 but would like to allow their consumers the opportunity to purchase alternative ethanol blends at the dispenser. This approval now provides the consumer with the ability to have direct access to more efficient ethanol blends by selecting their pre-blended grade at the dispenser. In addition to what it will do for alternative fuel consumers, it will increase the states' energy and air quality, while benefiting the local corn growers and ethanol producers of America.

WestMor Industries is excited to have been involved in selling and installing the first ethanol blender pumps in the nation at locations in Britton and Watertown, SD as well as locations in Morris, Ortonville and Belgrade, MN. WestMor Industries is optimistic about this trend and feels it will only continue to increase, with an estimated installation of 100+ blenders in Minnesota and South Dakota by the end of 2008.

We would encourage each of you to consider what an alternative fuel blender might do to increase the effectiveness of your marketing efforts. We hope that you will contact us soon to evaluate a system to meet your specific needs.



* OTHER STYLES AVAILABLE

Please contact your sales representative at WestMor or CHS today to discuss what your options are.

We look forward to doing business with you.

Sincerely,

Tim Esterling Steve Kleespies

WestMor Industries

Brent Drefke CHS. Inc

Altachment#2

Testimony of Thomas S. Lilja
Executive Director
North Dakota Corn Growers
and
North Dakota Corn Utilization Council

Before the
North Dakota House of Representatives
Committee on Transportation
on
Senate Bill 2228

March 12, 2009

Transportation Committee of the North Dakota House of Representatives Thomas S. Lilja

Chairman Ruby and Members of the Committee:

My name is Tom Lilja and I represent the North Dakota Corn Growers Association and the North Dakota Corn Utilization Council in supporting Senate Bill 2228.

Prior to representing North Dakota's corn growers, I contributed five years to the hybrid corn seed industry and another five years in grain marketing and crop insurance. I understand futures, options, forward contracts and the techniques farmers use to mitigate risk.

While contributing to the seed business during the mid 1990s, I witnessed biotechnology enter corn production and quickly recognized its resourcefulness to corn production. Since 1995, a solid trend of accelerating yields has transpired in corn production. I am here today to show that the legislation at hand is needed and serves our state's best interest.

The first chart illustrates how corn yields have accelerated specifically in North Dakota. This fact deserves your attention because it is often neglected in the food versus fuel debate. You'll see that corn yields are, in fact, increasing at an expotential rate. I am pleased to report that 180 bushel per acre yields are now commonplace in the eastern half of North Dakota. Our record statewide yield average of 126 bushels per acre in 2008 shows that corn growers responded very well to a challenging growing season and produced yet another record corn crop at 285 million bushels.

Coming drought-tolerant genes will further enhance production and change the face of North Dakota agriculture for the better. It is also important to note that young producers are returning to production agriculture because of corn's profitability. With 285 million bushels of corn we have seen ethanol and Cargill wet milling facilities conservatively improve basis levels 10 to 15 cents. This basis improvement contributes a minimum of 28.5 to 43 million to our economy. Another simple way to look at it is from a minimum cash price standpoint. In the years prior to 2006, harvest price lows for corn averaged \$1.50 cash or 35 cents under loan rate. In 2007 and 2008 harvest low cash prices averaged close to \$3.00. This \$1.50 improvement in the minimum cash price (or harvest low) of corn alone added \$427 million per year to our state's economy before factoring in multiplier effects. The savings to U.S. taxpayers are substantial as the federal government paid out \$6 - \$9 billion less in countercyclical payments to farmers in each 2006, 2007 and 2008. The American Farm Bureau put it another way in one of its studies. U.S. taxpayers contribute \$4 - \$5 billion in ethanol subsidies and save anywhere from \$12 to \$20 billion in reduced government payments to farmers AND reduced fuel costs.

The Center for Agricultural Policy and Trade Studies at North Dakota State University concluded that the corn industry contributed nearly \$2.5 billion to North Dakota's economy over the past five years. Additionally, the University of North Dakota's Energy and Environmental Research Center released a study entitled "Optimal Ethanol Blend-Level Investigation." Chart two shows that mid level fuel blends with ethanol between 20 to 40% do not significantly compromise fuel mileage, but actually increased in some instances. South Dakota initiated a blender pump program and participating stations saw ethanol enhanced fuel sales increase from 4% of total volume to 22% in only a couple of months time. Now is North Dakota's opportunity to enjoy the same.

I recently attended a national conference in Dallas, Texas where doctor of nuclear engineering and author of "Energy Victory: Winning the War on Terror by Breaking Free of Oil" Dr. Robert Zubrin delivered the keynote address. He presented some very frightening statistics and made a compelling case that the price of imported oil caused the current economic downturn. Chart three illustrates U.S. crude oil and petroleum imports and field production. As you can see, our nation produces 4 million barrels LESS per day and we consume over 7 million barrels per day MORE of oil than 1973. When OPEC staged the oil embargo in 1973, they had to turn the spouts back on after two months because they were out of cash. Today, OPEC could turn off the spouts and have enough cash reserves to last a couple of years. This would devastate our economy and likely lead to military retaliation. You can also see by chart four that 45% of our petroleum imports are from OPEC nations who do not share our beliefs. Regardless of the reason, this fact puts nearly half of our oil supply at serious risk and we need to pursue alternatives.

The best analogy is for those of you who have ever played cards. There are 4 trump suits. Currently petroleum based fuels are trump. If coal based energy were trump, the United States would be in a far less vulnerable situation. But the reality is that major transportation industries such as sea vessels and the railroads converted away from coal early in this century. If Natural Gas were trump like T. Boone Pickens and others promote, we would still have to import 20% of it from unfriendly nations. However, if biofuels were trump, then suddenly we have a game changer and Middle Eastern countries have a very poor hand to play. Instead of having a hugely regressive tax on the U.S. and many of the world's poorest countries, we and our allies would have something they don't – the biofuels trump card. The poorest countries in the world could actually stand up for themselves and produce biofuels from rice, sugarcane, wood chips, switch grasses and other cellulosic materials. The previous chart on petroleum imports and consumption

almost directly correlates to a similar chart showing how Brazil since the early 1980's became energy independent through a combination of the use of sugar cane based ethanol and off shore drilling. In the meantime, we lost our energy independence and are now forced to rely on hostile nations for the fuels needed for our entire trade system to survive. The Brazilian model offers us an opportunity to restore American energy independence by embracing biofuels as trump while partnering with the oil industry. North Dakota can facilitate this process and lead the United States by example.

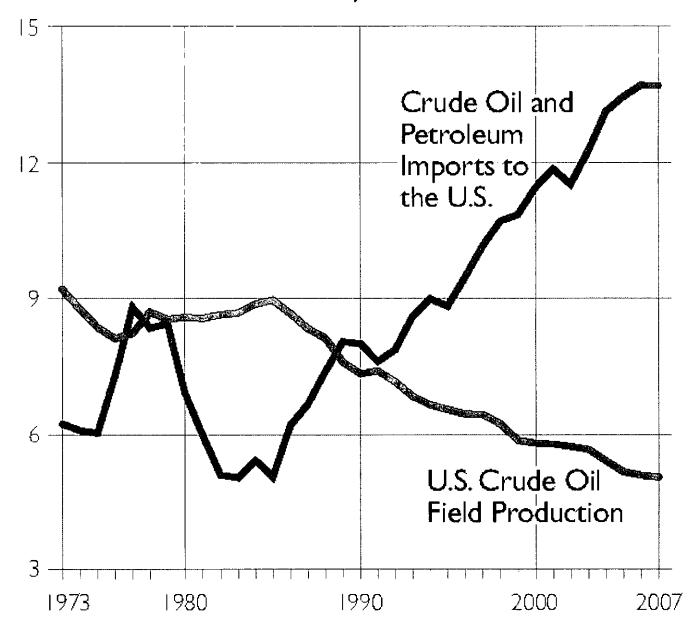
The North Dakota Corn Utilization Council has committed half a million dollars to this grant program to be administered by the North Dakota Department of Commerce.

The blender pump initiative will lead our state to energy independence, save your constituents money at the pump and help retain young people in production agriculture. Therefore, the North Dakota Corn Growers Association supports Senate Bill 2228 and encourages you to as well.

U.S. Oil Production and Imports

U.S. oil production has been on the decline since the mid-1980s, while imports have risen dramatically.

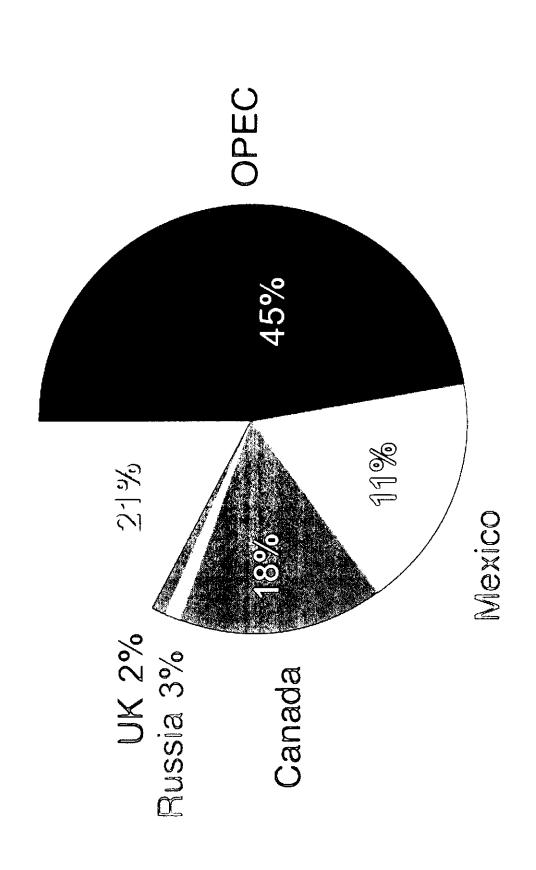
In Millions of Barrels Per Day



Source: Energy Information Administration, Petroleum Basic Statistics, September 2008, at http://www.eia.doe.gov/basics/quickoil.html (October 28, 2008).

PETROLEUM

2007 US Imports from Select Countries





P.O. Box 2599 Bismarck, ND 58502 (701) 355-4458 FAX (701) 223-4645

MEMBERS.

AmeriFlax

BNSF Railway Company

Independent Beef Association of North Dakota

Milk Producers Association of North Dakota, Inc.

Minn-Dak Farmers Co-op

North Dakota Ag Aviation Association

North Dakota Ag Consultants

North Dakota Agricultural Association

North Dakota Agri-Women

North Dakota Association of Soil Conservation Districts

North Dakota Association of Agricultural Educators

North Dakota Barley Council

North Dakota Beef Commission

North Dakota Corn Growers

ota Corn Utilization

North Dakota Crop Improvement and Seed Association

North Dakota Department of Agriculture

North Dakota Dry Bean Council

North Dakota Dry Edible Bean Seed Growers

North Dakota Farm Bureau North Dakota Farm Credit Council

North Dakota Farmers Union North Dakota Grain Dealers Association

North Dakota Grain Growers Association

North Dakota Lamb and Wool Producers

North Dakota Oilseed Council

North Dakota Pork Producers

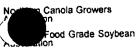
North Dakota Soybean Council

North Dakota Soybean Growers Association

North Dakota State Seed Commission

North Dakota State University Agriculture and University Extension

North Dakota Wheat Commission



Northern Plains Potato Growers Association

Northern Pulse Growers Association

Red River Valley Sugarbeet Growers

Attachment#3

Testimony of Mike Beltz North Dakota Ag Coalition In Support of SB 2228 March 12, 2009

Chairman Ruby and members of the House Transportation Committee:

For the record, my name is Mike Beltz and I farm near Hillsboro. I am here today as the chairman of the North Dakota Ag Coalition. On behalf of the Ag Coalition, I would encourage your support of SB 2228, which establishes a cost-share program to increase the installation of biofuels blender pumps.

The Ag Coalition has provided a unified voice for North Dakota agricultural interests for more than 25 years. Today, we represent 38 statewide organizations and associations that represent specific commodities or have a direct interest in agriculture. The Ag Coalition takes a position on a limited number of issues brought to us by ourmembers that have significant impact on North Dakota's agriculture industry.

The Ag Coalition supports the blender pump initiative as it would result in the increased consumption of ethanol. This would benefit producers, consumers and the state as a whole. North Dakota producers would see increased demand and prices, consumers would have choices at the pump and the state would see expanded economic development opportunities.

We appreciate your past support and would encourage your continued support of biofuels incentives as they have been and will continue to be driving forces in the future of North Dakota's agriculture industry.

Beltz testimony in support of SB 2228.

Altachment# 4



Testimony for SB 2228

Good morning Chairman Ruby & Transportation Committee Members. My name is Scott Rising. I am here this morning on behalf of ND's Soybean Growers seeking your favorable consideration of SB 2228.

Soybeans & Ethanol? You Bet! Because this is not an ethanol only bill.

This is a biofuels bill! This bill embraces our energy future in an inclusive way. It includes biodiesel from soybeans or canola or ANY RENEWABLE FUEL OF OUR FUTURE that flows through a pump and hose.

It is <u>all</u> about the spigot . . . the faucet end of the biofuel flow.

North Dakota's corn growers have no problem growing and supplying the raw commodity to the fuel processers. They grew almost 300 Million of bushels last year alone . . . No Problem!

North Dakota's ethanol producers have absolutely no problem converting the corn into fuel. They produce hundreds of millions of gallons last year . . . No Problem!

If I were to say, "North Dakota's consumers are using millions of gallons of biofuels each year" . . . We'd have a PROBLEM! That's not occurring. . . . What's the Problem?

Some in North Dakota might believe that it is in our best interests for America to continue importing oil form those around the world that seek to undermine our ideals and propose our demise. Not I!

Some in North Dakota might believe that it is in our best long-term best interests to ignore the renewable fuels as they have little value to our State and Nation. Again, Not I!

I believe we have a Spigot Problem! Actually, Two - Spigot Problems!

First . . . History! Our current fuel distribution system is basically no different today than it was . . . when? Ever since I can remember, we go to our petroleum marketing agent . . . "the gas station" . . . and we put the gas that they have . . . in our vehicles . . . at Their Price, or Walk! Competition consists of what . . . the best price on Coffee? a Dounut? a Car Wash?

Or on a very lucky day . . . a Gas War from real competition! This bill provides an opportunity to introduce Real Competition to what we have always known and done. Increased biofuel blends directly competing with fossil fuel blends; in a meaningful way, at the point of sale . . . it adds Competing Spigots . . . How bad can that be?

Second . . . in my consumer life . . . I have always had only a couple of choices at the historic Spigot . . . Regular or Premium, Final Filters or Not, and now Regular or E10. If you are going out to eat . . . and the only choices restaurants offered were either a beef burger or a chicken sandwich, how excited would you be? This bill seeks to add several options to the age old fuel menu . . . in fact a whole new cuisine! There is strong evidence that the "new cuisine" works. People are choosing to buy increased levels of home-processed-renewable-fuel-blends when they are available.

New choices at the Spigot . . . How bad an that be?

Biofuels 2nd to Last Gate.

At what pace would we expect to have biofuels "Competing Spigots," dispensing the "New Cuisine," available to consumers across North Dakota

when they are in <u>direct competition with AND Yet entirely dependent upon</u> yesterday's fuel distribution system? We believe that it is in the best interests North Dakota's consumers, her biofuel producers and her commodity producers to facilitate a rapid deployment of these important competing options. That is why we are asking for your approval of the proposed grant process in this legislation.

Biofuels Last Gate.

We know by experience . . . More Spigots . . . combined with the New Cuisine . . . cause the Last Gate, Consume Acceptance, To Open . . . increasing the use of North Dakota's renewable fuels . . . benefiting North Dakota and America.

We enthusiastically request a "Do Pass" on SB 2228.

. . . and let me take this opportunity to Thank You for Your Service too.

THANK YOU.

Scott

Contact Information: Scott Rising

701-527-1073 (cell)

grwbeans@earthlink.net

Attachment#5 Randy Schneider.

Why Should the State Invest in Blender Pumps?

Investing in blender pumps will help North Dakotans have more access to North Dakota produced ethanol made from North Dakota grown corn that is good for the environment and reduces our nation's dependence on foreign oil.

How Does it Work?

- The state, in connection with the ND Corn Growers, ND Ethanol Producers, and the federal government, will help reduce the cost of installing blender pumps from \$25,000 per pump to \$10,000 per pump. The state will receive \$1,000 back through a 4 percent USE Tax.
- Without incentives, the cost-benefit of installing the blender pumps is prohibitive and the sale and use of biofuels in North Dakota will stagnate.
- SB 2228 aims to convert 200 to 400 North Dakota pumps from traditional gasoline to modern blender pumps that will be adaptable for future fuels.

Good Return on Investment

- In 2008, North Dakota Ethanol producers produce 245 gallons of ethanol/year, shipping over 95 percent of the product out of state at 20-25 cents/gallon.
- Keeping product in state to fuel North Dakota's existing 29,000 flexible fuel vehicles could generate additional sales of 11 million gallons of ethanol (at E30), save producers \$2.3 million in shipping costs, save consumers \$1.9 million in fuel costs (5 cents/gallon), and generate another \$115,000 in state tax.
- North Dakota-produced ethanol uses 88 million bushels of corn, 95 percent of which is grown in North Dakota. North Dakota ethanol plants consume 35 percent of the state's total corn production.
- Corn production has significantly increased farm income in North Dakota and corn's profitability has helped attract young producers back to production agriculture. Taxpayers contribute \$4-5 billion in ethanol subsidies and save between \$12-\$20 billion in reduced government payments and reduced fuel costs (Source: American Farm Bureau.)
- SB 2228 will help keep up to 20 percent of North Dakota ethanol or 70 million gallons in state for sale to North Dakota consumers.
- A similar program in a neighboring state helped increase ethanol fuel sales from 4 percent of total volume to 20 percent within a few months.

Blender pumps are a vital investment in our state's energy infrastructure. They:

- 1. Support our young ethanol industry and the corn producers feeding it.
- 2. Facilitate the sale and use of North Dakota made biofuels in North Dakota.
- 3. Allow the driving public to choose the best price and the best fuel percentage for their specific vehicle.

Decrease Foreign Dependence on Oil

- 45 percent of US petroleum imports are from OPEC nations who do not share our beliefs, meaning nearly half of our oil supply is at serious risk.
- When OPEC staged the oil embargo in 1973, they had to turn the spouts back on after two months because they were out of cash. Today, OPEC could turn off the spouts and have enough cash reserves for a couple of years.
- The Brazilian model offers us an opportunity to restore American energy independence. Since the early 1980's Brazil has became energy independent through a combination of sugar-cane based ethanol and off shore drilling.
- By embracing the infinitely efficient and cost-effective biofuels and partnering with the oil industry, North Dakota can help lead the U.S. toward this same goal.

Green Fuel

- Ethanol blend fuels generate fewer ozone-forming pollutants and are an important part of reducing CO2 emissions.
- A typical flexible fuel car driver can prevent 4 tons of lifecycle CO2 and other
 pollutants from entering the air every year by fueling with E85 instead of
 gasoline.
- Additionally, using E85 can reduce ozone-forming pollutants by 20 percent and evaporative emissions by 25 percent or more.
- The American Lung Association has designated E85 as a Clean Air Choice fuel.

Attachment#1

NDLA, Intern 07

From:

Radig, Scott A.

nt:

Thursday, March 12, 2009 2:53 PM

NDLA, Intern 07

Subject: Attachments: Glatt, Dave D.; Berreth, Gary W.; Mike Rud; Bitz, Jeff R. Proposed amendments to engrossed Senate Bill 2228

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO 2228 doc

Chairman Ruby and Members of the House Transportation Committee:

As discussed this morning, we respectfully submit the attached proposed amendments to engrossed Senate Bill Number 2228. The Department of Health is in support of this bill, however we would like to ensure that installation of a biofuels blender pump system does not increase the possibility of leaks to the environment. Cleanup of additional leaks would be an additional burden on station owners and on the North Dakota Petroleum Release Compensation Fund.

As written, the bill would require installation of an associated storage and piping system, in addition to installing a new blender pump. The large majority, but not all, existing underground tank and piping systems are already compatible with biofuels, which is the reason why we recommend adding "have or" to Page 2, line 19 and Page 3, line 3. If a dealer already has a compatible underground storage tank and piping system they should qualify for the financial incentive.

The change to Page 2, line 20, deleting "The pump must be the type" is because written that way it appears that only the pump must be manufactured to industry standards and have a compatibility warranty. We feel that the storage tanks and piping must also be compatible with the biofuels which are dispensed.

Likewise, these same changes were made to the requirements for biodiesel blender pump systems because the US EPA believes that biodiesel has greater solvent effect than petroleum diesel which may affect diesel storage tanks.

ncerely,

Scott A. Radig, P.E.

Director, Division of Waste Management North Dakota Department of Health 918 E. Divide Ave. Bismarck, ND 58501 (701) 328-5158 sradig@nd.gov

Division Website:

http://www.ndhealth.gov/wm/

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2228

Page 2, line 19, after "must" insert "have or "

Page 2, line 20, after "system" delete ". The pump must be the type"

Page 3, line 3, after "must" insert "have or "

Page 3, line 4, after "pump" insert "and an associated storage and piping system"

Page 3, line 6, after "purchaser" delete "and"

Page 3, line 8, after "law" insert "; and "

Page 3, after line 8, insert a new line "c. Is manufactured to an industry standard and carries a warranty for compatibility with dispenser components and storage and piping systems."

Renumber accordingly

Roger Johnson
Agriculture Commissioner
www.agdepartment.com



Phone (701) 328-2231 Toll Free (800) 242-7535 Fax (701) 328-4567

600 E Boulevard Ave., Dept. 602 Bismarck, ND 58505-0020 Equal Opportunity in Employment and Services

Testimony of Roger Johnson
Agriculture Commissioner
Senate Bill 2228
House Transportation Committee
Fort Totten Room
March 12, 2009

Chairman Ruby and members of the House Agriculture Committee, below please find the written testimony of Agriculture Commissioner Roger Johnson in support of SB 2228, which establishes a cost-share program for the installation of retail blender pumps.

Iowa and South Dakota have already developed and implemented blender pump incentive programs in their states. South Dakota created a grant program to help retailers defray the cost of purchasing and installing blender pumps. Iowa also awards grants, via the Iowa Renewable Fuel Infrastructure program, to help cover the expense of installing E85 dispensers, blender pumps and biodiesel dispensers. The Kansas Corn Commission and other partners also began an incentive program in the fall of 2008.

Many other states are providing assistance to retailers to help install E85 infrastructure. States include Georgia, Idaho, Indiana, Maine, Michigan, New York, Ohio, South Carolina and Tennessee.

According to the American Coalition for Ethanol, there are now more than 80 blender pumps in operation across the country. A map and listing of the locations is attached. The Farmers Union Oil Company in Forman installed a brand new blender pump in the fall of 2008. Their blender pump offers the choice of E85 or E20. They have experienced an increase in the sale of ethanol, especially at the E20 blend level.

The use of ethanol blender pumps continues to be an issue at the federal level. The Environmental Protection Agency (EPA) has ruled that it is legal to sell higher level ethanol blends in flex-fuel vehicles. EPA, however, has not approved the use of mid-level ethanol use in standard vehicles. Several of my Midwestern counterparts and I sent a letter to the President just last week encouraging him to support an EPA waiver for higher level ethanol use in standard vehicles. Additionally, I support Growth Energy's recent request to EPA which would allow gasoline to be blended with as much as 15 percent ethanol.

I have long supported the production and use of ethanol. I believe that developing increased infrastructure in North Dakota to market higher blends of ethanol will provide additional local markets for our ethanol producers. In addition, blender pumps will provide for greater consumer choice at the pump, increase our overall usage of renewable fuels and decrease our dependence on finite energy sources.

Chairman Ruby and committee members, I urge a do pass on SB 2228.

Attachment #3



Elizabeth A. Lowery
Vice President
Environment Energy and
Safety Policy

March 5, 2009

S. Richard Tolman, CEO National Corn Growers Association 632 Cepi Drive Chesterfield, MO 63005

Dear Rick,

On behalf of GM, I want to extend our thanks for leading the effort to get the automotive and ethanol industries to work together on the promotion and expanded use of ethanol. The meeting in Washington, DC was very productive and there is greater awareness within our industry associated with the importance of biofuels for the U.S. economy.

GM, the National Corn Growers, RFA, NEVC, and ethanol producers have partnered extensively to promote and educate consumers on biofuels and to introduce E85 across the country, especially in markets where there are flex fuel vehicles. To date, we have increased E85 stations from 400 in 2006 to nearly 2000 in 2009 with approximately 300 stations being a direct result of GM and partners such as the National Corn Growers.

In addition, GM is working with generation II bio tech companies to accelerate the introduction of ethanol from waste materials in an effort to rapidly grow bio-based fuels and reduce our dependence on sources of energy that have demonstrated pricing and supply instability.

GM is the largest producer of flex fuel vehicles with over three million in the United States. GM offers over twenty flex fuel models today, and plans to make fifty percent of its vehicles flex fuel capable by calendar year 2012. The acceleration of flex fuel offerings will support and be able to absorb ethanol entering the market at any blend up to eighty-five percent ethanol.

We would like to see a more focused emphasis on additional testing to understand the impacts of mid-level blends on our conventional fleet. Durability and catalyst testing with a representative vehicle fleet is essential. Congress has recently recognized this need by including language in the Joint Explanatory Statement to H.R. 1105, the Omnibus Appropriations Act of 2009, directing the Department of Energy to "expand and accelerate testing of intermediate fuel blends." Also, as Ford noted in its letter of February 20, OEMs need to address concerns about the use of ethanol in the legacy fleet. Please advise how we can work together to accelerate these efforts.

There remains a critical need to continue to support favorable policies for flex fuel growth, expand consumer education, develop a comprehensive blender pump rollout plan that includes labeling and enforcement, review certification fuel requirements and work together on cadenced testing, and ensure OEM protection from field actions associated with a change to the base fuel.

We look forward to continuing to work with all ethanol interests to ensure that, as a nation, we can meet the Renewable Fuel Standard, support greater energy diversity, and create new green jobs.

Sincerely

Beth Lowery

Attachment #8



1901 N. FORE MYER DRIVE • SETTE 500 • ARLENGTON, VA 22209-1604 • 703-351-8000 • FAX 703-351-9160

March 6, 2009

The Honorable Steven Chu Secretary of Energy 1000 Independence Ave., SW Washington, DC 20585

Re: Higher Ethanol Blends with Gasoline

Dear Secretary Chu:

In the March 6, 2008 Washington Post article titled, "Ethanol Producers Press for Higher Limits," you were quoted as saying "the only issue is what auto companies say about the damage it could do to engines."

While automobile damage and warranties are an issue, there are several other significant issues that must be resolved. Currently, the Petroleum Marketers Association of America (PMAA) estimates that there are approximately 700,000 retail gasoline dispensers in use across the U.S. Of those 700,000 dispensers, we estimate that less than 5,000 have been UL certified for dispensing gasoline with ethanol levels above E-10. This is a very big concern because several federal regulations, state laws, local ordinances and insurance policies require UL certified equipment. There are similar issues in regards to existing underground storage tanks and piping systems. Additionally, there are Clean Air Act conflicts as well.

PMAA represents 8,000 independent petroleum marketing companies who own 60,000 retail gasoline outlets and supply motor fuels to an additional 40,000 retail outlets. Many of our member companies are very supportive of expanded use of ethanol; however, they are very concerned about all of the potential conflicts with existing laws and regulations. We will be working with Congress, EPA and DOE to resolve these issues, if possible. In the interim, we wanted to bring these concerns to your attention.

Sincerely

Dan Gilligan President

Sur Gelleys

Attachment #9



PO Box 2136 • 1415 12th Ave SE Jamestown ND 58401 800-366-8331 • 701-252-2341 www.ndfu.org

March 12, 2009

SB 2228 House Transportation Committee Representative Ruby, Chairman

Chairman Ruby and members of the Committee,

My name is Woody Barth; I am here to represent North Dakota Farmers Union. I am here to support SB 2228.

orth Dakota Farmers Union supports the development of innovative ways to encourage the use of renewable energy. Our organization believes that the state has an opportunity to press forward and become one of the leading states who use ethanol. We see SB 2228's blender pump program as an innovative way to increase the use of renewable energy in North Dakota.

We have seen the benefits of programs such as this in South Dakota. As of November, 45 stations have filed applications to receive grants to install blender pumps and to date, 34 stations are operational in 27 cities across South Dakota (Ethanol Producer Magazine, February 2009 issue).

North Dakota, too, can reap the benefits of an Ethanol Blender Pump program. The use of blended fuels not only helps the environment and reduce our dependence on foreign oil, but can also provide a boost for farm income for our state's producers.

Thank you, Chairman Ruby and members of the committee. I will answer questions at this time.