

Minutes of the
RENEWABLE ENERGY COUNCIL
Tuesday, October 21, 2014 – 10:00 a.m. (CDT)
Ft. Union West Conference Room, Great River Energy
1611 East Century Avenue, Bismarck, ND

CALL TO ORDER

Members Present: Al Anderson, Terry Goerger, Randy Schneider, Kyle Bahls (phone), Al Christianson

Members Absent: Rod Holth, Mark Nisbet

Others Present:

Andrea Pfennig, Department of Commerce
Denise Faber, Department of Commerce
Dave Ripplinger, NDSU
Dilpreet Bajwa, NDSU
David Fiebelkorn, Woodshed Renewables

Al Anderson, Chairman, called the Renewable Energy Council meeting to order.

WELCOME AND OPENING COMMENTS

Anderson welcomed everyone.

APPROVAL OF MINUTES

September 12, 2014, meeting minutes were reviewed.

Schneider moved to approve the minutes as presented. Christianson seconded the motion. All in favor. Motion passed.

PRESENTATION OF FINANCIAL SUMMARY

Pfennig presented the financial summary, which was also posted on the website. We have uncommitted dollars as of September 30, 2014 of \$2,920,568.46.

CONSIDERATION OF ROUND 23 GRANT APPLICATION

R023-A: “Application of Agriculture Byproducts for Energy Systems”; Submitted by Woodshed Renewables; Principal Investigator: David Fiebelkorn; Project Duration: 2.5 years; Total Project Costs: \$638,232; Request for: \$237,093.

We received two applications for review. Based on the technical reviews, one project did not move forward. We have one project to review today.

Pfennig gave an overview of the project. The project objectives are to identify price points and markets for new products; develop a regional urban wood waste and agricultural co-products supply schedule; estimate revenue, costs, and returns to pellet production using North Dakota-based, renewable feed stocks; characterization of agricultural processing byproducts in relation to energy applications; and development of high energy density formulation for pellets and fire logs.

The overall reviewers’ recommendations follow: Fund (191), Fund (190) and Funding May Be Considered (157). Average Weighted Score was 179 out of 250. Commerce’s recommendation is to fund the project.

David Fiebelkorn presented the project. The challenges and goals of what we are trying to accomplish is what we will talk about today. There is an existing facility in Finley, ND that is currently not operating, or producing product at this time. Part of their challenge is the application of feedstock and commitment of wood chip, and the ability to find products that we can move into that facility and move back

out. The availability of wood in North Dakota is an issue. We are trying to utilize biomass and crop residue, and not to completely replace a wood pellet. That is not an option. We are trying to stretch the availability of resources of raw materials in North Dakota. The current fuel market for pellets is huge. The projected growth is into the billions, and we are seeing that currently. We operated with the Finley plant selling inventory that is there. Woodshed has a business plan that includes two facilities, and we have not picked a third yet. The market is driven by transportation costs. The last two weeks we signed a partnership with Home Depot and Lowes. They are coming to us with the regional distribution of both the finished product and where the stores are. Currently the product is made in Finley; the fiber was brought from Minnesota. We are right on the edge of the wood supply. They are currently in the market in several locations. Our goal is to drive the Finley plant to a 45,000 ton /year plant. Pellet prices are currently very level, and very little risk. Transportation and storage are major challenges to their project.

One of their contingencies is to find the price points in the market.

Schneider asked what the partnerships with Home Depot and Lowes are. Fiebelkorn replied that means we are an approved vendor. Schneider asked if they already determined the selling price of their product. Fiebelkorn stated yes.

Goerger asked about the BTU formulations that matches everything that is currently out there; do you need to add something to the log to get to the BTU? Fiebelkorn replied no it will just be the ingredients to get it to the ratio of the BTU.

Schneider asked what kind of binder they use. Fiebelkorn replied they do not use any binders in their products.

Schneider asked if the pellet mill they need is available. Fiebelkorn replied yes, they are out there and can be purchased very reasonably.

Schneider inquired what exactly they are looking to finance. Dura flame already has a fire log. Woodshed is asking to spend \$240,000, and what is it you are trying to do. If the machinery exists, and you have the contract with Home Depot, you have those areas covered. What piece of the business plan is missing that you need help with? The Energy Council has already researched extensively many of these things you are requesting funding for. Schneider also stated he likes the idea of using an existing plant in Finley.

Fiebelkorn responded to the questions. He isn't sure what the costs are going to be. He agreed the business plan isn't very clear on those items. Schneider asked if they are looking for assistance with sourcing raw materials. Fiebelkorn responded yes.

Schneider asked if sourcing raw materials at the plant in Finley, and help with determining the ratio of wood to sunflower hulls are the key business plan pieces they need assistance with. Fiebelkorn replied yes, we can then go to bankers with this information. The transportation costs and solving that is also an issue we need help with. They are hoping to partner with the new plant being built in Grandin for transportation.

Schneider asked how long do you think it will take to you source raw materials and produce and identify the correct ratio to produce the pallet? Bajwa responded that it would take 14-16 months to produce optimized formulations.

Goerger asked about sourcing the wood portion of this 70% blend from Minnesota, and having 30% biomass, what would stop you from moving to Minnesota? Fiebelkorn responded that when they look at placing the third facility, it needs to fit within the strategic market.

