City of Corunna - Proposed Ethanol Plant

FREQUENTLY ASKED QUESTIONS (FAQ)

January 9th, 2007

This initial FAQ is provided in anticipation of questions and is based on preliminary information that is available to us. Over the coming weeks and months, we will have additional information available to present, and will also schedule public meetings where everyone has a chance to learn more about the proposal.

Certainly, there will be an on-going dialog, as it relates to this important proposed economic development project, so we will address issues as they are identified.

In an attempt to provide consistent and comprehensive information, an "Ethanol" information page has been added to the Corunna web site at; www.corm.us. Included on this page are resource links, video links, publications and investor information. Additional questions and concerns will be posted as they are received and answered.

PLEASE, feel free to contact Corunna City Hall, at 989-743-3650, or the Shiawassee Economic Development Partnership (SEDP), at 989-723-5149, for more information or to provide us with your questions and concerns.

Additional questions may also be emailed to us at; e85@corm.us.

What is ethanol?

Fuel ethanol (ethyl alcohol) is a high-octane, water-free alcohol produced from the fermentation of sugar or converted starch. It is traditionally used as a blending ingredient at 5% to 10% concentrations in gasoline. Ethanol is made primarily from grains or other renewable agricultural products. Ethanol also has a variety of food and industrial uses.

Why is an ethanol plant important?

Ethanol is made from renewable resources, reduces harmful emissions in gasoline, and creates jobs and economic activity in the local community.

The production of fuel ethanol is a way for farmers to add value to their corn through the sale to a processing plant. It is an opportunity to participate in the fuel industry, which is a growth industry, versus producing a basic farm commodity.

Why is E85 looking at our site?

E85 Incorporated (E85 Inc) is proposing to purchase a 130 acre site in Corunna. The site has easy access to Highway M-71 and on to Interstate 69. The property also has adjacent access to adequate rail infrastructure in the Huron & Eastern Railroad (HESR). The availability of natural gas and electricity is adequate and would be supplied by Consumers Energy. The property is

currently zoned industrial, and is identified for heavy industrial use under the city's Master Land Use Plan, making it suitable for an ethanol plant. The city is capable of providing adequate potable water and sanitary sewer for the operation. Non-contact cooling water discharge and cooling water supply options are under review for economic feasibility.

In addition, the site is located close to its markets – close to livestock to sell distillers grains, close to major metropolitan centers to sell ethanol, and close to grain corn production.

How long has the project been under consideration?

Members of the community development team have been working on the project since the middle of October. That team was restricted during the early, exploratory part of the process to Justin Horvath (SEDP), Lindsay Eister (SEDP), Merilee Lawson (Corunna Planner), Steve Corey (Corunna Mayor), Tim Crawford (Corunna Public Works), Gary Arnold (Capital Consultants) and Joe Sawyer (Corunna City Manager). Council members were first told of the project in December when the company entered into land option negotiations. Council has held no closed meetings on this issue.

This project was made public as soon as the company and the local development team had completed preliminary market evaluations that indicated a strong level of likelihood that the project could be successful and after the company had obtained a land purchase option with the property owner.

What has officially been done by the city to approve the project?

No official action by the city council has been needed or taken in regards to the project, as of this time. There will be a variety of official city actions required in the future in addition to many activities conducted by the SEDP, Michigan Economic Development Corporation (MEDC), and other state and community based organizations. Everything will be done with opportunity for community involvement and with the overall best interests of the City of Corunna at the forefront.

The council is under no obligation to approve the requirements of E85 Incorporated (E85 Inc), before allowing ample time for economic and environmental studies to be done, and the citizens to be fully informed. The council is accountable to the citizens of Corunna and the surrounding area affected by the plant. They will take the time necessary to provide objective information and receive public input about the project. E85, the Shiawassee Economic Development Partnership (SEDP) and the City of Corunna will welcome an opportunity to have a reasoned, honest dialog with any citizen or citizens group with the goal of providing and receiving factual information.

Will residents outside the city limits have a chance to voice their opinions?

The opinions of residents outside the community will be welcome. They will have opportunities to voice their opinions in future official and informal public meetings.

How serious is E85 Inc about locating in our community?

As demonstrated by their land purchase-option, E85 Inc has a good feeling about the community's ability to meet their requirements. Energy and rail providers have already reviewed project requirements, and are capable of accommodating the project needs in these areas. Road improvements, potable water, sanitary sewer and storm sewer requirements can be accommodated by the local community. Requirements for cooling tower water supply and related clean water discharge will require additional consideration.

E85 Inc has made no "demands" on the community or the city council. Rather, it has offered an opportunity that the community should find attractive and in which they have agreed to fully research. E85 Inc has agreed to work with the community to resolve development issues so long as it remains an attractive partnership to both parties. The entire predevelopment process will occur over the next four to five months giving citizens ample time to fully understand the potential impacts of the project.

The project would be privately financed with a combination of equity and debt financing in a package developed by the company. Naturally, much of the information associated with E85 Inc's financing plan must remain confidential, just as it is would for any existing business or investor looking to open a new or expand an existing business in Corunna.

How long has this company been doing business?

E85 Inc of Kingston, Washington, is a newly formed corporation specifically for this project and others like it in the United States. Over the next two years, E85 Inc plans to build ten captive ethanol facilities throughout North America, each with a production capacity of 100 million gallons per year, and co-produce one to two billion gallons of ethanol per year via network providers.

E85 Inc is a Sterling Infotech Group (SIG) company. Sterling Infotech Group is a diversified global business conglomerate founded in 1988, and has over the past decade and a half rapidly grown in size and stature with interests in telecom services and in the high growth / mass consumption food & beverages business. Post the divestiture of its telecom businesses to Maxis in March 2006, SIG has been pursuing investment opportunities in the renewable energy (including fuel ethanol), real estate, engineering & construction and e-governance initiatives both in India and abroad.

Additional information on E85 Inc is available on their company website at; www.e85.us.

In what other communities has E85 Inc announced land options?

In the month of December, 2006, E85 Inc made announcements on three potential sites. These sites are located in The City of Lancaster in Fairfield County, Ohio; The City of Newark in Licking County, Ohio; and in Cumberland County, North Carolina, near The City of Fayetteville.

What is the production potential for ethanol in Michigan?

According to the American Coalition for Ethanol (ACE), the State of Michigan Potential for Ethanol based on a 10% blend is 504 million gallons per year. Current production in Michigan is approximately 195 million gallons per year. The state of Michigan is currently an importer of ethanol, producing only 39% of our 10% blend needs. E85 Inc desires to produce 85% blend for Flexible Fuel Vehicles (FFV's). In meeting the 10% blend requirements as well as providing 85% blend for flexible fuel vehicles, ethanol production in Michigan is a high growth industry.

How does an ethanol plant help farmers?

Increasing corn processing capacity in Shiawassee County, Michigan and the nation will increase the demand for corn. Economic impact studies have shown that the base price for corn increases by $.05 – $.15 cents per bushel within the 60 mile radius of a fuel ethanol plant.

How would the average non-farming citizen of the area benefit?

Non-farm residents will benefit from having further diversification of the economic structure of Corunna and Shiawassee County. New jobs and potential new businesses or business expansion are likely results from this endeavor. The city's tax base will be expanded along with that of the local schools and the county adding strength to their respective balance sheets. As more than $2 million of local payroll ripples through the economy, Corunna would become a more attractive community for other forms of investment not to mention its increased appeal to new families. E85 Inc has said they intend to become an active corporate citizen supporting community events, activities, and schools.

Would they be buying U.S. corn?

An ethanol processing plant needs to operate 24 hours a day, 7 days a week, and approximately 351 days a year. It needs a constant and reliable supply of feedstock (grain corn). The ethanol plant would require about 40 million bushels of corn per year. There would be every attempt made to purchase as much corn as possible locally from farmers, large and small, or other sources in the area. This benefits area farmers and the plant by reducing grain transportation costs.

Why choose corn as a feedstock?

Grain corn is readily available on the world market and the infrastructure for transportation and handling systems are in place to move large quantities of corn. Corn yields are increasing at a rapid rate because of the considerable research that is done on corn, the introduction of new varieties, and more efficient farming practices. In addition, the technology to produce fuel ethanol from grain corn has been researched and well developed over the past 10 to 15 years, making it possible to take advantage of the latest technologies.

How would area grain elevators be affected?

E85 Inc will not dry any corn. Area farmers who take their corn to area elevators for drying would continue to do so. E85 Inc will address the questions of corn moisture discounts in the future. E85 Inc will work with farmers directly or with grain elevators in order to ensure timely and cost effective delivery of grain. Area elevators are important as E85 Inc would only have about 7 days of on-site grain storage.

What by-products would the plant produce?

Every bushel of input corn to the ethanol plant would produce three products in roughly equal amounts - ethanol, wet distillers grain and CO2.

The primary product is 200 proof (100%) ethanol. Approximately 2.5 gallons of ethanol are produced from one bushel of corn.

Ethanol production yields large quantities of wet and dry distillers grain. This grain is a high protein feed suitable for livestock. Wet distiller's grain is the preferred feedstock for local markets. The amount of wet grain by-product delivered will be determined by market demand. The plant will have equipment available to dry the wet material for shipment to other, more distant markets. With this capability the plant will be able to adjust its output to market demand.

A third product created during ethanol production is carbon dioxide (CO_2). Carbon dioxide is used in many food preparations as well as other industrial processes such as the manufacture of dry ice.

What other ethanol plants are in Michigan?

Currently four ethanol plants are in operation in Michigan. The oldest is Michigan Ethanol, LLC in Caro, Michigan and produces approximately 40 million gallons per year. New plants include; The Andersons, Inc. in Albion, Michigan (55 million gallons per year); US Bio Woodbury in Lake Odessa (50 million gallons per year); and Great Lakes Ethanol, LLC in Riga, Michigan (50 million gallons per year). Several other plants are proposed in various locations throughout the state.

Has the mayor or any council member visited an ethanol plant?

Not yet. In the near future, trip(s) that will provide greater first-hand experience with similar operations will be arranged. Not all ethanol plants are alike. It is important to visit plants that employ similar technologies. Links to several video tours are available on the City of Corunna website at; www.corm.us.

Has the mayor or any council member visited someone living near and ethanol plant?

Mayor Steve Corey has driven to the US Bio Woodbury plant in Lake Odessa and visited with plant neighbors, and received favorable comments. Additional visits will be planned.

How do I get on the list to attend one of these site visits?

Site visits will be arranged by the Shiawassee Economic Development Partnership (SEDP) and City of Corunna. To get on our list, please call the SEDP, City of Corunna, or send us an email at e85@corm.us. No trips are currently planned, and seats on future trips will be limited.

What about odors and emissions?

The Corunna City Council desires for the project to have no adverse environmental impact in our community. We have heard concerns about possible odors associated with some of the older ethanol plants. We will carefully investigate the different technologies available to mitigate possible emissions which may cause odor.

Ethanol plants have advanced considerably since the first plants were built. The emission control systems are designed to recover dust and recycle it back into the process stream. Volatile organic compounds (VOC's), which are responsible for any possible odors, are captured and routed through a thermal oxidizer where the VOC's are combusted at a high temperature. Through that process VOCs are converted into carbon dioxide and water vapor (steam).

Visually, large plumes of white smoke will be seen emitting from the cooling towers. This non-hazardous steam discharge from the cooling towers would be visible to various degrees as influenced by outdoor air temperature and humidity. These plumes are regulated for not only their contents, but also their opacity (how dense the emissions are).

E85 Inc would be required to go through the regulatory process set out by the Michigan Department of Environmental Quality (MDEQ) which would require E85 Inc to demonstrate that any possible emissions from the ethanol plant are below the threshold levels established by the state and federal governments. Once design plans are finalized, they would be required to file a comprehensive application.

E85 Inc would also be required to comply with State of Michigan air quality monitoring requirements.

How much water would the plant use?

The plant would use about 1,000 gallons of non-contact cooling water per minute. Extensive geological studies and test wells will be evaluated. Any ground water supply would take into consideration and mitigate any potential adverse effects on the community. Potable water usage would be negligible. E85 Inc and the city are jointly reviewing the water system questions and will make a future judgment regarding design requirements and a rate structure necessary to finance any identified upgrades.

How much waste water will the plant produce?

Sanitary waste is negligible. Process water is recycled internally. Any other water discharge from the plant would be storm water and water that does not come into contact with production materials. If it is required that the plant discharge cooling tower "blow down" water into the sanitary sewer system, adequate infrastructure improvements and increased capacity needs will be addressed. E85 Inc and the city are jointly reviewing the sewerage system questions and will make a future judgment regarding design requirements and a rate structure necessary to finance any identified upgrades.

Will there be a lot of noise?

Noise levels are regulated by the Michigan Department of Environmental Quality (MDEQ) and the plant would be required to meet all regulatory standards.

E85 Inc will be working with their national engineering firm as well as our city engineering firm to help us establish baseline noise levels, quantify the noise levels from their equipment and to develop appropriate controls.

What are you doing to control light from the site?

The site needs to have outdoor lighting for the safety and security of the employees. At the same time, they recognize the need to be neighbor friendly. They would ensure that any outdoor lighting is positioned so that it is directed internally onto the site. They are investigating different types of lighting systems.

How many trucks will be coming out of and going into the plant daily?

E85 Inc estimates that as many as 200 trucks per day could be traveling area roads making deliveries or off-loading product from the plant. Many of the trucks will be coming from the east or west along Highway M-71. This number of trucks would be reduced considerably with their planned use of the adjacent rail system. Nevertheless, it will be important for the community to plan for additional truck traffic and to make the necessary adjustments, if any, to ensure safety and good traffic flow. Additional revenues from the project's property taxes, franchise fees, use fees, and other sources could be directed to those issues.

What would be the effects on the neighborhood?

E85 Inc would be required to have full site plan approval from the Corunna Planning Commission, to include a landscape plan. The plant would be designed and constructed to be a good neighbor to the community and its surrounding residents. Like any agricultural, industrial or commercial activity there will be impacts beyond its borders. It will be among E85 Inc's goals to ensure that the positive impacts to the community far outweigh the negative.

How many jobs would be created?

Over the course of a one year construction period, there would likely be hundreds of people involved in the construction process, but they will not all be on-site at the same time. A good number of the construction workers may actually come from the Shiawassee County area as sub-contractors or temporary laborers. Consequently, many will be commuting to the work site from nearby homes. Others who relocate, temporarily, for this project may seek motels or rental housing in Corunna or surrounding communities. Others may actually take up permanent residence in Corunna. The increased activity related to construction of the plant should present welcome opportunities to existing businesses and local entrepreneurs but should not cause unmanageable stress to the community.

Although significant portions of specialized equipment will be fabricated elsewhere, there will be abundant opportunities for local contractors to participate in the construction of this project. Ranging from site work and paving to building construction, utilities, and roofing there are dozens of potential local contracts worth millions.

Once the plant is operational, E85 Inc would employ approximately 48 skilled people. Some of the jobs would require secondary school education in biological processes and engineering. It is too soon to say how many existing residents would be employed at the plant, or how many new employees would move to the Corunna area. E85 Inc says it intends to offer most of the approximate 48 new jobs to people locally with a handful going to people with specialized backgrounds. A combination of resident employees and commuter employees is likely, but it is not possible to provide precise estimates.

The plant would have and estimated annual payroll of two million dollars. Comparable operations report approximately 24 production workers, eight maintenance workers, six supervisors, five office/clerical positions, and three managers.

Studies of existing ethanol plants in the U.S. have measured direct and indirect job creation would yield approximately 146 to 1,400 total new jobs over time. Trucking opportunities would also be created for both local and regional operations.

What are the benefits to the community?

Studies of existing 100 million gallon per year ethanol plants in the U.S. have measured the economic impact of ethanol manufacturing plants in the approximate 80 miles surrounding the plant. Using these models, it is estimated that E85 Inc would generate $216 to $400 million of direct and indirect economic activity in Corunna and surrounding areas.

Other communities have reported that virtually all community businesses have realized a benefit by selling their products and services to their local ethanol production company.

The community would also receive additional tax base as a result of the construction. The city and county tax assessors will review the project at a future date. Initial estimates indicate that the company should plan on a real property assessment of approximately 50% of the constructed value, with approximately 50% as personal property.

Initial assessments, assuming the approval of an Industrial Facility Tax (IFT) abatement, indicate local property revenues (School District, County, and City) would be in excess of $1,000,000 per year.

Would E85 Inc be given local tax incentives?

The Corunna City Council has adopted Industrial Facilities Tax (IFT) abatement guidelines. IFTs are granted based on the number of jobs created, wage levels, industry type and investment amount. The maximum IFT abatement is 50% for 12 years.

It is likely that application would be made by the city for a Community Development Block Grant (CDBG) to assist with public infrastructure needs. The CDBG would be coordinated through the Michigan Economic Development Corporation (MEDC) and its field service staff. The City of Corunna would assist E85 Inc to make a formal application for the grant when the project is further along in its development timeline. It is likely that the grant amount would be for approximately $900,000, and require a 10% local match funded by the City of Corunna Industrial Development Fund. This fund was established from a private gift to the city and is reserved for economic development use.

Other incentives may be evaluated at a future date.

How does a CDBG work?

The CDBG process typically takes 90 to 120 days for approval. Public hearings would be a part of that process. The City of Corunna under the supervision of and with the assistance of MEDC prepares an application. After the application is reviewed and all the attendant supporting documentation and requirements has been completed the governor also reviews the project and approves the grant.

Each grant application is specific to the project applying for it so details regarding this project are not yet fully developed. The decision regarding specific uses for the CDBG funds have not yet been identified.

Would an ethanol plant change our quality of life?

Other communities that have developed modern ethanol facilities report no significant adverse effects that limit economic development or quality of life. In fact, the reverse seems to be true. Spin off opportunities have been the result of an ethanol plant locating to an area, leading to improved quality of life and additional investments.

Would an ethanol plant reduce my property value?

Communities across the nation have reported just the opposite. They report that homes and property values have increased as a result of an improved local economy.

What is the timeline for the project?

The pace of the project is dictated by design engineering and due diligence needs, environmental permitting processes, local zoning requirements, construction schedules, and the state/federal requirements to qualify for CDBG assistance.

What makes you think the community would be interested?

In our last community survey, conducted 2005, city residents spoke loudly that Economic, Industrial and Commercial Development are among their top priorities, along with Infrastructure Improvements (water, sanitary sewer, storm sewer), Maintaining Service Levels, and providing Tax Relief. Collectively, responsible growth is the only way to achieve these goals. We as a community have to seriously think about both the positive and negative impacts of having an ethanol plant located in our city.

From where and by whom was this information gathered?

With over 100 ethanol production plants operating or under construction in the United States (four in Michigan), ample information is available to the public. The information provided was assembled by exhaustive research by city staff, the SEDP, the developer and their engineers. Additional and more detailed information will become available as plans are further developed.

Corunna City Manager, Joe Sawyer, compiled this document and the resources on the Corunna website.