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## The long ethanol road

By **PAUL GIANNAMORE**, Business editor

CADIZ — While major construction at the Harrison Ethanol site should begin in July, it's only the visible result of years worth of bureaucratic hoops, investment and plain old hard work behind the scenes.

Wendell Dreve, the managing member of Harrison Ethanol, recounts a story that goes back nearly six years and includes a number of hurdles to get to the point where construction of buildings is soon to begin.

Dreve, an engineer in the oil and gas industry, said Muskingum County farmers had begun asking for an ethanol plant about six years ago. Ohio has no subsidies for ethanol, he said.

A former Harrison County resident, Phil Cunningham, who now lives in the Delaware, Ohio, area, was a major grain farmer in the region who said land might be available in Harrison County. The land, Dreve said, had rail and water necessary for making ethanol and preliminary reviews indicated it could work.

Farmers' Ethanol, the parent company, was registered to do business in Ohio in July 2002. In addition to Harrison Ethanol, its operating subsidiaries include Central Ethanol in Perry County and Pike County Ethanol.

The deal for the ground was made, and then began the permit process.

"It's an arduous process, time consuming and expensive," Dreve said.

Local agricultural professionals were pulled together to form steering committees and guide grain purchases. That led to an eventual partnership with Coshocton Grain Co., which became a strategic partner to supply grain to the facility.

Harrison Ethanol plans on using as much as 9 million bushels of corn a year to generate 20 million gallons of ethanol a year.

Complexity behind the scenes



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Financing began to come together, with a bridge loan through Consumers National Bank.

“They believed in the project. They are a small regional bank from Minerva. They’re family owned and they took a chance on us. They saw the site, looked hard at the project review and loaned us the money,” Dreve said.

At the end of May of this year, Harrison Ethanol paid off the \$600,000 loan from Consumers National a month earlier than planned.

Dreve said the old adage of “measure twice, cut once” has been sort of taking place since a groundbreaking was held in January with Gov. Bob Taft.

“Before we move dirt and build buildings, we want to measure twice and cut once for the dirt movement,” he said.

With a final survey completed in early June, heavy excavation is expected to begin in mid-July, Dreve said.

Even that explanation doesn’t capture all that went into reaching the construction phase.

As an ethanol refinery, Harrison Ethanol had to meet EPA regulations for permits.

Because its operation involves keeping and caring for as many as 12,000 beef and dairy cattle on site, it had to meet Ohio Department of Agriculture standards and to obtain permits from that agency as well.

There were more EPA permits required for water discharge and processing of manure at the plant.

Because a rail spur that served the 276-acre site when it was used in mining had to be refurbished to make way for the corn deliveries, the Ohio Rail Development Authority became involved.

The agencies each have detailed requirements.

The agricultural permits alone, according to documents from the Ohio Department of Agriculture, required:

- A certified livestock manager permit for someone in charge of the facility. Dreve and Marion Gilliland, a managing partner and chief communications officer, both hold the certificate.
- A manure management plan, which in Harrison Ethanol’s case details the collection of manure to be used by other parts of the facility for processing, under Ohio EPA rules.
- Details of an alarm system for immediate notification of failure of the pumps in the constant flush system.
- Details of stormwater collection.



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- An insect and rodent control plan.
- A mortality management plan that sets forth rules for disposal of any dead animals.
- An emergency response plan to deal with environmental and water supply safety, handling of spills, notification of authorities in case of emergency, and prearranged emergency supplies and equipment.
- Maintenance of a detailed operating record.

The EPA permits took 18 months to receive. Published reports say the permitting process in Michigan has been streamlined to as short as 60 days and it takes about four months for an ethanol plant environmental permit in Indiana.

Then, there were the numerous grants and loans and other incentives, including:

- \$500,000 from the U.S. Department of Agriculture.
- \$600,000 from the Appalachian Regional Commission.
- \$40,000 in training funds from the Ohio Department of Development.
- A \$479,203 Jobs Creation Tax Credit.
- \$400,000 in roadwork development funds from the Ohio Department of Development.
- \$7 million loaned from the Ohio Water Development Authority
- \$600,000 in a Rural Pioneer loan.
- \$36.26 million in Ohio Air Quality Development Authority Revenue Bonds.
- \$500,000 on loan from the Ohio Rail Development Authority, plus a \$200,000 grant.

The Columbus and Ohio River Railroad also will make an investment to complete the rehabilitation of a total of 7.2 miles of track known as the Georgetown Branch of the state-owned Panhandle Rail Line.

As part of the rail line commitments to obtain state financing, Harrison Ethanol committed to moving 1,290 carloads a year within three years of the project's completion. The firm estimated to the Ohio Rail Development Commission that 2,800 carloads of inbound traffic and 1,000 outbound carloads will be generated annually.

Along the way, there were reviews by the Army Corps of Engineers, not to mention land title transfers and surveys and securities regulations to comply with.

Why ethanol?

Ethanol is becoming more important to U.S. fuel consumers as the oil industry

phases out a fuel additive called MTBE, which was found to be extremely carcinogenic.

Dreve said that phase-out played into the decision to establish an ethanol business.

“We knew it would make an automatic market. We thought more important because Ohio has four refineries inside the state and three on the Ohio boarder, then the seven refineries could easily buy our ethanol and provide us a very good market,” Dreve said.

“We did our research and found the seven refineries jointly consume about 530 million gallons of ethanol. We weren’t worried about having a market,” he said. “That drove the site selection — the ability to sell the product is very close to the actual production facilities.”

Beyond that, Farmer’s Ethanol is innovative enough to have attracted investment from as nearby as Steubenville and as far away as Asia, with agreements to license its process to construct a similar facility in Romania, as well as one in Oklahoma.

So construction may be the most visible sign of the Harrison Ethanol since its announcement several years ago of intent to build the plant, but it’s been an ongoing effort.

“When the casual observer goes to buy a car, they walk into a dealership and they might not really understand how it was assembled elsewhere,” Dreve said in response to a question about construction. “This is starting everything from scratch, from water, electricity, gas, rebuilding the railroad, the roads, all the sorts of important things to make this industrial plant work.”

He said the Harrison County Commissioners have been very supportive of the effort and helped with overcoming administrative issues.

“They know that if you plop down an \$85 million cash-flow engine, a lot of that is going to stick,” he said.

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