
Energy Freedom Loan Program Update

Report to the Washington State Legislature

As required by RCW 15.110.060

Prepared by

Washington State Department of Agriculture

Valoria Loveland, Director

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Washington State Department of Agriculture
Energy Freedom Loan Program Update

Overview:

In 2006, the Legislature appropriated \$17 million to the Washington State Department of Agriculture (WSDA) for the Energy Freedom Loan Program. Direction for implementation was provided for in E3SHB 2939 and the 2006 supplemental Capital Budget (ESSB 6384).

The Director of Agriculture is required to report to the legislature and the governor on the status of the Energy Freedom program by December 1, 2006, and annually thereafter. The report is to include information on the projects that have been funded, the status of these projects, and their environmental, energy savings, and job creation benefits (RCW 15.110.060).

The Energy Freedom Loan program is a ten-year loan program that offers eligible public entities an interest rate of 1%. Repayment can be deferred up to 24 months or until a project starts to generate revenue. The program allows for up to 3% of the total loan amount for administrative cost. WSDA has elected to pass that allowance on to its public sector partner.

- \$10.25 million of the program funds were earmarked in the Capital Budget for five specific projects targeted for the development of oilseed crushing capacity.

Port of Warden	\$2,500,000
Port of Columbia	\$2,500,000
Odessa Public Development Authority	\$2,500,000
Spokane County Conservation District	\$2,000,000
Port of Sunnyside	\$750,000

- \$6.75 million was appropriated for a competitive loan program. The scope of eligible projects included not only oilseed crushers but all “processes that converted agricultural waste into energy.” The authorizing legislation included numerous criteria for the loan process. These criteria are described on page 2 and 3 of this report.

The Competitive Loan Process

The application process was designed with the input of Washington State Department of Community, Trade and Economic Development (CTED), the United States Department of Agriculture (USDA), Washington State University (WSU) and others.

Applications were designed so when applicants applied they were providing the basic information also required by USDA Rural Development Energy Grants/Loans. The deadline for Energy Freedom Loan program was established to be consistent with the USDA deadline.

Competitive Process Timeline:

April 12, 2006	Request For Proposal Issued
May 12, 2006	Applications Due
June 26, 2006	Review Committee Meeting
June 28, 2006	Presentation of the committee recommendations to the Director of the Department of Agriculture
July 7, 2006	Final Decision by the Director of the Department of Agriculture
July 13, 2006	Announcement by the Governor

Application Review

Applications for 14 projects, requesting \$29.8 million were received.

The applications were evaluated by a seven-member committee consisting of representatives of WSDA, WSU Energy Office, Department of Ecology, CTED, WSU-Whitman County Extension, USDA Rural Development, and Evergreen Community Development Association.

The committee first determined if the applications met the minimum eligibility requirement. Eight projects were ineligible for funding because they did not have a public entity partner.

Using the criteria outlined in the authorizing legislation, the committee then completed a two-step evaluation process to score the applications and make recommendations to the Director.

Step one was an evaluation of each application to determine if the project met the qualifications set out in RCW 15.110.020. A qualified project:

- Converts farm products or wastes directly into electricity, biofuels or other coproducts;
- Demonstrates technical feasibility and directly assists in moving a commercially viable project into the marketplace;
- Increases energy independence or diversity for the state;
- Produces long-term economic benefits to the state;
- Results in new jobs, job retention, or higher incomes for citizens of the state;
- Provides an option for the state to purchase a portion of the fuel or feedstock to be produced;
- Uses feedstocks produced in the state, if feasible;
- Produces a product suitable for its intended use, that will meet accepted national or state standards, and be stored and distributed in a safe and environmentally sound manner; and
- Provides for adequate reporting and data disclosure and auditing.

Each of the six eligible projects, requesting a total of \$20 million, met the qualifications.

RCW 15.110.040 directs that if the total requested dollar amount of assistance exceeds the amount available, the applications must be prioritized based upon the following criteria:

- (1) The extent to which the project will help reduce dependence on petroleum fuels and imported energy either directly or indirectly;

- (2) The extent to which the project will reduce air and water pollution either directly or indirectly;
- (3) The extent to which the project will establish a viable bioenergy production capacity in Washington;
- (4) The benefits to Washington's agricultural producers; and
- (5) The number and quality of jobs and economic benefits created by the project.

In step two, the six projects were scored based on the statutory criteria. All six projects were awarded funding, with two projects awarded the full amount requested.

Projects Awarded Loans in Competitive Process

Public Entity	Project Type	Amount
Tulalip Tribes	Anaerobic Digester	\$1,973,000
Port of Sunnyside	Anaerobic Digester	\$1,500,000
Spokane Co. Conservation District	Oilseed Processing	\$853,872
Odessa PDA	Oilseed Processing	\$848,102
Port of Warden	Oilseed Processing	\$796,177
Port of Whitman	Oilseed Processing	\$778,869
	Total	\$6,750,000

Loan Contracting and Negotiation

The program uses a Qualified Depository Bank as a trustee who acts on behalf of the State to disburse all loan funds. In addition to managing the funds, the trustee is required to report to WSDA and to its partners all financial activity and transactions. WSDA elected to use a Qualified Depository Bank as trustee as the department does not have the expertise or funding to manage loan funds effectively.

WSDA contracts with the public sector partner and that entity contracts with its private sector partner. Loan documents are project-specific and typically consist of a loan agreement, promissory note, a trust indenture, and the contract between the local jurisdiction and its private partner. Loan procedures and documentation follow standard banking procedures and require verification of how loans will be repaid and how they will be collateralized in the event of a default.

Final loan documents are reviewed by the Attorney General's office prior to signature.

Status of Projects

The Energy Freedom Loan Program has allocated loan funds to eight projects.

As of December 1, 2006:

- Four project contracts have been finalized and the loan amounts are available for disbursement.
 - Port of Warden – Oilseed Processing
 - Odessa – Oilseed Processing
 - Port of Sunnyside – Oilseed Processing
 - Port of Sunnyside – Anaerobic Digester
- One project contract is expected to be finalized in December.
 - Tulalip Tribes – Anaerobic Digester
- One project contract is on hold until details are worked out between the public and private partners.
 - Spokane Conservation District – Oilseed Processing
- Two project contracts have lost their private partner and are not proceeding as originally planned.
 - Port of Columbia – Oilseed Processing
 - Port of Whitman – Oilseed Processing

The following pages provide details about each of the projects that have been allocated loans from the Energy Freedom Account.

PORT OF WARDEN, Grant County

Contact: Mike Conley, Manager
PO Box 841, Warden, WA 98857
(509) 349-2480
yelnoc@vib.com

<i>ACTIVITIES</i>	<i>Oilseed Crushing Biodiesel Manufacturing Glycerin Refining</i>
<i>PRIVATE PARTNER</i>	<i>Washington Biodiesel LLC Daniel J. Malarkey 605 First Avenue, Suite 100 Seattle, WA. 98104 (206) 622-7078</i>
<i>ENERGY FREEDOM LOAN AMOUNT</i>	<i>\$ 2,500,000 (Earmarked) \$ <u>796,177</u> (Competitive) \$ 3,296,177</i>
<i>EST. TOTAL PROJECT COST</i>	<i>\$90 Million</i>
<i>LOCATION</i>	<i>Warden, Washington</i>
<i>PROJECTED OUTPUT</i>	<i>35 Million Gallons/Yr.</i>
<i>EMPLOYMENT</i>	<i>44 new jobs</i>
<i>CONTRACT STATUS</i>	<i>Finalized</i>
<i>PROJECTED START</i>	<i>Fall 2007</i>

ODESSA PUBLIC DEVELOPMENT AUTHORITY

Contact: Todd King/Pam Kelly
PO Box 763
21 E. 1st Ave., Odessa, WA 98159
(509) 982-2922

<i>ACTIVITIES</i>	<i>Oilseed Crushing Biodiesel Manufacturing</i>
<i>PRIVATE PARTNER</i>	<i>Inland Empire Oilseeds LLC Fred Fleming 106 W Railroad Ave. Odessa, WA 99159 (509) 979-1162</i>
<i>ENERGY FREEDOM LOAN AMOUNT</i>	<i>\$ 2,500,000 (Earmarked) <u>\$ 848,102</u> (Competitive) \$ 3,348,102</i>
<i>EST. PROJECT COST</i>	<i>\$10 Million</i>
<i>LOCATION</i>	<i>Odessa, Washington</i>
<i>PROJECTED OUTPUT</i>	<i>3-5 Million Gallons/Yr.</i>
<i>EMPLOYMENT</i>	<i>8 new jobs</i>
<i>CONTRACT STATUS</i>	<i>Finalized</i>
<i>PROJECTED START</i>	<i>Fall 2007</i>

PORT OF SUNNYSIDE, Yakima County

Contact: Amber A. Hansen, Manager
PO Box 329, Sunnyside, WA 98944
(509) 839-7678

<i>ACTIVITIES</i>	<i>Oilseed Crushing Biodiesel Manufacturing</i>
<i>PRIVATE PARTNER</i>	<i>Natural Selection Farms Ted Durfey P.O. Box 419 Sunnyside, WA 98944 (509) 837-3501</i>
<i>ENERGY FREEDOM LOAN AMOUNT</i>	<i>\$ 750,000 (Earmarked)</i>
<i>EST. PROJECT COST</i>	<i>\$ 1 Million</i>
<i>LOCATION</i>	<i>Sunnyside, Washington</i>
<i>PROJECTED OUTPUT</i>	<i>0.5 Million Gallons/Yr.</i>
<i>EMPLOYMENT</i>	<i>6-8 new jobs</i>
<i>CONTRACT STATUS</i>	<i>Finalized</i>
<i>PROJECTED START</i>	<i>September 2006</i>

SPOKANE COUNTY CONSERVATION DISTRICT

Contact: Rich Baden, Executive Director
210 North Havana Street, Spokane, WA 99202
(509) 535-7274 x14

<i>ACTIVITIES</i>	<i>Oilseed Crushing Biodiesel Manufacturing</i>
<i>PRIVATE PARTNER</i>	<i>Palouse Bio, LLC Mike Conklin 210 North Havana St. Spokane, WA. 99202 (509) 523-3511</i>
<i>ENERGY FREEDOM LOAN AMOUNT</i>	<i>\$ 2,000,000 (Earmarked) <u>\$ 853,871 (Competitive)</u> \$ 2,853,871</i>
<i>EST. PROJECT COST</i>	<i>\$9 Million</i>
<i>LOCATION</i>	<i>Spokane, Washington</i>
<i>PROJECTED OUTPUT</i>	<i>5 Million Gallons/Yr.</i>
<i>EMPLOYMENT</i>	<i>25 new jobs</i>
<i>CONTRACT STATUS</i>	<i>Drafted/Negotiation</i>
<i>PROJECTED START</i>	<i>Fall 2007</i>

PORT OF COLUMBIA, Columbia County

Contact: Gene Turner, Manager (Part Time)
1 Port Way, Dayton, WA 99328
(509) 382-2577 (8 a.m. – 12 p.m.) or (509) 382-2287
portoc@columbiainet.com

<i>ACTIVITIES</i>	<i>Oilseed Crushing Biodiesel Manufacturing</i>
<i>PRIVATE PARTNER</i>	<i>Not Available</i>
<i>ENERGY FREEDOM LOAN AMOUNT</i>	<i>\$ 2,500,000 (Earmarked)</i>
<i>EST. PROJECT COST</i>	<i>Not Available</i>
<i>LOCATION</i>	<i>Not Available</i>
<i>PROJECTED OUTPUT</i>	<i>Not Available</i>
<i>EMPLOYMENT</i>	<i>Not Available</i>
<i>CONTRACT STATUS</i>	<i>On Hold</i>
<i>PROJECTED START</i>	<i>Not Available</i>

PORT OF WHITMAN

Contact: Joseph R. Poire, Manager
302 N. Mill St., Colfax, WA 98111
(509) 397-3791
joepoire@stjohncable.com

ACTIVITIES

*Oilseed Crushing
Biodiesel Manufacturing*

PRIVATE PARTNER

*WiBio Fuel
Bruce Nave
3640 Cactus Roads
Apache Junction, AZ 85219
(509) 758-6130*

*ENERGY FREEDOM
LOAN AMOUNT*

\$ 778,869 (Competitive)

EST. PROJECT COST

\$15 Million

LOCATION

Tentative

PROJECTED OUTPUT

5-15 Million Gallons/Yr.

EMPLOYMENT

8-20 new jobs

CONTRACT STATUS

On Hold

PROJECTED START

Fall 2007

PORT OF SUNNYSIDE, Yakima County

Contact: Amber A. Hansen, Manager
PO Box 329, Sunnyside, WA 98944
(509) 839-7678
ahansen@portofsunnyside.com; www.portofsunnyside.com

<i>ACTIVITIES</i>	<i>Anaerobic Digester</i>
<i>PRIVATE PARTNER</i>	<i>George DeRuyter & Sons Farms Dan DeRuyter 5121 Dekker Rd. Outlook, WA 98938 (509) 837-7783</i>
<i>ENERGY FREEDOM LOAN AMOUNT</i>	<i>\$ 1,972,715 (Competitive)</i>
<i>EST. PROJECT COST</i>	<i>\$5.1 Million</i>
<i>LOCATION</i>	<i>Outlook, Washington</i>
<i>PROJECTED OUTPUT</i>	<i>Electricity to 700 homes</i>
<i>EMPLOYMENT</i>	<i>3-5 new jobs</i>
<i>CONTRACT STATUS</i>	<i>Finalized</i>
<i>PROJECTED START</i>	<i>November 2006</i>

THE TULALIP TRIBES

Contact: Tom McKinsey, Manager
6700 Totem Beach Road, Tulalip, WA 98271
(360) 651-4399
Tmac@tgi.net

<i>ACTIVITIES</i>	<i>Anaerobic Digester</i>
<i>PRIVATE PARTNER</i>	<i>Qualco Energy Corp. Dale Reiner 11817 203 St. SE Monroe, WA 98272</i>
<i>ENERGY FREEDOM LOAN AMOUNT</i>	<i>\$ 1,500,226 (Competitive)</i>
<i>EST. PROJECT COST</i>	<i>\$ 3.9 Million</i>
<i>LOCATION</i>	<i>Monroe Honor Farm, Washington</i>
<i>PROJECTED OUTPUT</i>	<i>Electricity to 350-400 homes</i>
<i>EMPLOYMENT</i>	<i>3-5 new jobs</i>
<i>CONTRACT STATUS</i>	<i>Drafted/Negotiation</i>
<i>PROJECTED START</i>	<i>Summer 2007</i>

Washington State Department of Agriculture
Energy Freedom Loan Program Summary

<i>Public Entity</i>	Port of Warden	Odessa Public Development Authority	Port of Sunnyside	Spokane County Conservation District	Port of Columbia	Port of Whitman	Port of Sunnyside	Tulalip Tribes
Activity	Oilseed Crushing, Biodiesel Manufacturing, Glycerin Refining	Oilseed Crushing, Biodiesel Manufacturing	Oilseed Crushing, Biodiesel Manufacturing	Oilseed Crushing, Biodiesel Manufacturing	Oilseed Crushing, Biodiesel Manufacturing	Oilseed Crushing, Biodiesel Manufacturing	Anaerobic Digester	Anaerobic Digester
Private Partner	Washington BioDiesel, LLC	Inland Empire Oilseeds	Natural Selection Farms	Palouse Bio, LLC		WiBio Fuels	George DeRuyter Farms	Qualco Energy Corp.
Energy Freedom Loan Amount	\$3,296,177	\$3,348,102	\$750,000	\$2,853,871	\$2,500,000	\$778,869	\$1,972,715	\$1,500,266
Est. Project Cost	\$90 Million	\$10 Million	\$1 Million	\$9 Million		\$15 Million	\$5.1 Million	\$3.9 Million
Location	Warden	Odessa	Sunnyside	Spokane		Clarkston	Outlook	Monroe
Projected Output	35 Million Gallons/Yr.	3-5 Million Gallons/Yr.	0.5 Million Gallons/Yr.	5 Million Gallons/Yr.		5-15 Million Gallons/Yr.	Power to 700 homes	Power to 350-400 homes
Employment	44 new jobs	8 new jobs	6-8 new jobs	25 new jobs		8-20 new jobs	3-5 new jobs	3-5 new jobs
Projected Start	Fall 2007	Fall 2007	Sept. 2006	Fall 2007		Fall 2007	Nov. 2006	Summer 2007

For more information, contact: Greg Wright, WSDA Bioenergy Coordinator, (360) 902-1918 / gwright@agr.wa.gov