

Exhibit Number: 21

This exhibit contains several articles collected by *John Maxness* regarding Ethanol, in regard to HB 464.

This exhibit exceeds the maximum amount of pages that can be scanned. However to aid in your research 5 pages have been scanned. The original exhibit is on file at the Montana Historical Society and may be viewed there.

TO: Montana Legislators

FROM: John Maxness

RE: Information on Ethanol use.

Enclosed you will find several articles I have collected on the use of Ethanol. I hope you will take the time to read each of them. I have taken the time to highlight some of the points I would like to stress if you do not have the time to read each article completely.

As you have probably already figured out, I am not a proponent to Mandated Ethanol Use. I think Ethanol is fine, however let the industry stand on it's own. Keep in mind, no other industry that I know has as many opportunities to thrive as the Ethanol producers. Tax incentives seem plentiful at not only the local level, but within both State and Federal levels. If this were such a good deal, why wouldn't the industry be thriving? It now appears the only way the Ethanol groups can continue this agenda is to convince the legislature to mandate the people of Montana to use their product and ultimately pay an expensive price for such.

I can remember traveling to Helena in the early 80's and purchasing "Ethanol" at the pumps. Service station owners for years have been trying to find a niche to market a product and maybe bring in a few extra pennies. Ethanol has been one of these products. They have all tried it, but none have succeeded. Again, if ethanol is such a good deal, why wouldn't these stations be selling the heck out of this stuff in the free market?

It is legal to produce, transport and sell ethanol-blended fuel in Montana. The legislature has already given this industry the mechanism to do business in Montana. Now it appears the ethanol producers, by their own accord, still cannot get their product to sell, so they want to mandate its use.

An alternative to a **mandated consumer use** would be to mandate each station replace one grade of fuel with ethanol blended fuel. That way when you pull up to the pump, the consumer can decide what is good for themselves. This would still allow the ethanol producers to promote their product and let it stand on it's own merits. Give it a trial period until next session and see how it goes. Without providing the TRUE financial ramifications associated, consumers will ultimately pay a very expensive price for having this decision made for them. Let the people of Montana decide if they want to purchase Ethanol.

Costs to Montana Taxpayers

Currently 575,000,000 gallons of gasoline is sold in Montana each year.

Department of Energy (exhibit A) indicates a 4.7% drop in mileage using ethanol blend.

575,000,000 X \$ 2.00 per gallon X .047 equals:

\$ 54,050,000

Now as quoted by refiners and several other sources, our cost of fuel will increase by 5 to 8 cents per gallon, as refiners have to deal with the extra costs of mixing the fuels. Here is the math. Keep in mind it now takes 4.7% more gallons to travel the same miles.

(575,000,000 X 4.7%)

602,025,000 X \$ 0.05 per gallon equals:

\$ 30,101,250

Total cost to the consumers of ethanol-blended fuel in Montana:

\$ 84,151,250

This is the additional cost to all consumers that purchase ethanol in the State of Montana. This is money that would be stripped from budgets of families and businesses each year. What current debts and obligations must the average Montana consumer cut back on to accommodate these numbers?

Original URL: <http://www.jsonline.com/news/metro/jan05/297475.asp>

Lawmakers push state ethanol mandate

Fans call it 'freedom fuel,' but others warn of potential pitfalls

By RAQUEL RUTLEDGE
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Posted: Jan. 29, 2005

Wisconsin legislators are considering mandating what one senator calls "freedom fuel" - ethanol-blended gasoline similar to that now required in metropolitan Milwaukee - throughout the state, an effort critics say amounts to pushing the "greatest snake oil of the 21st century."

It's a move the state Department of Natural Resources says could actually increase some types of pollution and could require other maneuvers, such as dropping speed limits. The measure (AB-15) would require all gasoline in Wisconsin to contain between 9.2% and 10% ethanol, with a few exceptions for airplane fuel and gas for motorcycles, boats, snowmobiles and other small engines. The bill was introduced in the Assembly last week and was referred to the Committee on Agriculture.

"It would help us become less dependent on foreign oil so we wouldn't have to worry about stationing troops abroad to protect our oil supplies," said state Sen. Dale Schultz (R-Richland Center), co-sponsor of the bill.

Schultz and other supporters say the ethanol requirement would create jobs, keep money in Wisconsin, result in cleaner air and create a boon for corn farmers.

Ethanol, chemically known as CH₃CH₂OH, is primarily produced from corn, but the fermented and distilled sugars can also come from sugarcane, wheat, cheese whey, potatoes and other sources.

Milwaukee-area motorists have had the clear-colored, alcohol-based fuel make up 10% of their gas since 1995, as mandated by the Environmental Protection Agency under the Clean Air Act. When coupled with other changes to conventional fuel, ethanol can reduce carbon monoxide and other ozone forming emissions.

Wisconsin is home to three ethanol plants that produce about 120 million gallons of ethanol a year. Operation at a fourth plant is due to start in April, another plant is pending approval and several others are in the planning stage.

Wisconsin would become the third state, after Minnesota and Hawaii, to enact a statewide mandate.

'Farmers are ecstatic'

The Wisconsin Corn Growers Association said it supports the bill and that Wisconsin would have no trouble producing enough ethanol to supply the state once new plants are online. Wisconsin farmers produced a record-high amount of corn in 2004, nearly 12 billion bushels, ranking it No. 6 in the country, said Bob Oleson, association spokesman.

"Farmers are ecstatic about this," Oleson said.

But a draft report by the Department of Natural Resources says the measure could actually backfire, resulting in higher volatile organic compound emissions and oxides of nitrogen emissions - primary precursors for ozone formation.

Without other modifications to conventional fuel, as are required by the EPA for clean-air standards, it could lead to an increase in other airborne toxins, such as acetaldehyde and peroxyacyl nitrate, both of which are respiratory irritants at high

levels of exposure, the report states.

To reap the cleaner air benefits, the state would have to require that the conventional gasoline that would be mixed with ethanol be changed to reduce the level at which it evaporates, a costly proposition for refineries. Those requirements are in place in metropolitan Milwaukee, and refineries pass along that cost to consumers. Gas typically costs 5 to 8 cents more per gallon

Authors of the report list a number of other concerns, such as availability and price of non-reformulated fuel for exempt vehicles and equipment. Gas station owners would have to have a separate storage tank if they wanted to sell conventional fuel, and many may opt not to. The pump would be posted with a permanent notice stating that the fuel is for use in collector vehicles, motorcycles, boats and small engines. The bill includes fines of between \$10 and \$100 for selling conventional fuel illegally.

Could lower speed limits

To offset some of the increased pollution levels, the report suggests that the state would need to do several things in addition to tweaking the specifications of conventional fuel, such as beef up fuel inspection, require specialized vent caps on all gasoline storage tanks, and spend more money on speed management and enforcement. Lower speed limits could lead to reduced emissions.

DNR spokeswoman Wendy Weisensel said the report was still in its draft form and could change before it's presented to the agriculture committee.

The state Department of Commerce, which regulates petroleum, said the bill would require the state to buy new testing equipment that would cost \$270,000 plus about \$20,000 a year for testing and maintenance.

Supplies not regulated

The commerce department currently tests ethanol solely for its percentage in the fuel blend. And, while monitored and tested for quality by producers, ethanol is not policed by state or other governmental agencies for purity.

A state fuel inspector in November said bad ethanol may have been to blame for a wave of fuel injector problems plaguing the Milwaukee area.

Nicholas Hollis, president of the Washington, D.C.-based not-for-profit Agribusiness Council, said many farmers oppose the bill and are being bullied by big business - specifically Decatur, Ill.-based agriculture giant Archer Daniels Midland Co. - into backing it. ADM produces roughly 30% of the ethanol in the country and dominates the trucking and ethanol transportation industry, Hollis said.

Hollis called the idea the "greatest snake oil of the 21st century."

ADM executives declined to comment.

Hollis and other critics contend that ethanol is far from the precious panacea its supporters profess.

"They're using this demagogue approach, using fear and slogans and lies about cleaner air and cleaner emissions and helping the farmer," Hollis said. "Every one of these claims turned out to be hollow."

Ethanol lowers gas mileage, damages cars, deflates the price of corn, pollutes the air, uses enormous amounts of water and requires more energy to produce than it saves, they say.

"It's a net loser," he said. "If we converted every ear of corn in this country, we'd be more dependent on the Middle East than we are now."

The Wisconsin Petroleum Council, an agency representing oil producers that supply the state's gas, also opposes the bill, said Erin Roth, executive director.

"We're just opposed to creating another boutique fuel in Wisconsin," she said. "We use ethanol because of politics. Do we want to use ethanol? No."

The Committee on Agriculture is scheduled to take up the issue Thursday.

From the Jan. 30, 2005, editions of the Milwaukee Journal Sentinel
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