

WESTERN WISCONSIN RENEWABLE ENERGY

CO-OP PROGRESS REPORT

Dear WWREC Members,
As the summer flies by, the WWREC Board continues to move the ethanol plant project forward. Several things have been accomplished since the last newsletter. We have reached our equity goal of \$27 million and are forming an LLC with Fagen, Inc. and Murex. The LLC's name is Western Wisconsin Energy. AgStar will be the senior lender for the plant and we have accepted a term sheet from them.

We have awarded the contract for site preparation to W. W. Grading and they are currently on site moving dirt. We have also contracted with Densification, Inc. to compact the ground where some of the large tanks and grain silos will be located. They are also on site and will be for several weeks.

The only fly in the ointment that remains is the appeal brought about by the Dunn County Concerned Citizens against the Dunn County Board of Adjustment's decision to grant us our special exception. This is in the hands of St. Croix County Judge Vlack. We are looking for him to possibly make his ruling on the case by early August, 2004. We cannot pour concrete until that is resolved. The Board continues to appreciate the patience and support of you, the Members of WWREC.

Sincerely,

Paul Harrison, President

“Ethanol's economic profile is changing. Big leaps in energy efficiency help, eliminating one of the persistent objections to the alternative fuel for a quarter century. Today, its efficiency ratio is 1.67, according to USDA. It takes 45,800 Btu to make a gallon of ethanol, including energy needed to plant, raise and harvest the corn. A gallon yields 76,300 Btu, including a credit for energy used to produce salable by-products. That's nearly double gasoline's ratio of 0.81 and the diesel efficiency ration of 0.84 after extracting, refining and transporting. And a switch over the 1980's, when ethanol's ratio was under 1.0. The bare energy used to convert corn to ethanol then: around 120,000 Btu.

What's behind the energy gain? More efficient production of corn. Today's yield of around 140 bu./acre is a third more than the average of 20 years ago. At the same time, more targeted applications of nitrogen and other chemicals plus larger trucks, tractors and other farm equipment have helped hold down energy use. So...corn per Btu of energy is rising.

Also, advances in the processing of ethanol: Much larger plants with economies of scale. Recycling of the steam created in distilling to feed power plants. Better heating systems. Since 1981, plants have trimmed the energy used per gallon of output by about three-fifths. Nanofiltration to separate water and ethanol will trim 5% more energy use in the future. And more valuable by-products: Distillers grain, used as a high protein feed for livestock, plus corn gluten, oil and other food additives. Today, 40% of energy used in the process of converting corn to ethanol is attributed to by-products, which are being produced more efficiently, using 7000 fewer Btu per gallon of ethanol output in 2001 than in 1995.” The Kiplinger Agriculture Letter, 7/9/04

PROJECT PROGRESS

The plant site continues to improve. WW Grading Company has cleared the site and completed 80% of the site preparation. They have approximately two weeks left to finish the grading, internal culverts and seeding. Densification Inc. is 60% completed with the compaction of the building pads and has approximately three weeks of work left. We have selected WW Grading to complete the Hwy 170 and access road (370th Street) project. That will begin about 8/30/04 and continue through September.

Simultaneously we are closing the LLC and in the midst of completing the Lender package with AgStar Financial Services, ACA, and their subordinate lenders, with completion of the financial package targeted for late September/early October. With this complete, we would then call for the remainder of your investment commitment.

Even as site work continues, we are still awaiting a ruling from Judge Vlack in St. Croix County on the Dunn County Board of Adjustment decision for zoning. Until the ruling, we will hold off on any actual building construction. As soon as we get a favorable ruling, we will advise each of you.

FINANCIAL SUMMARY

Membership Dues	\$ 264,000.00
Seed Stock Drive	580,000.00
Grants Received	<u>\$136,777.00</u>
Total	\$ 980,777.00
Expenses	<u>755,200.50</u>
Balance	\$ 225,576.50
Equity Drive Committed	\$ 13,607,500.00

AGETWELLNOTE

Debbie Paulson has been out of the office since May with a back injury and had major back surgery in July. We all wish her a speedy recovery. In the meantime, Nadine Gade has been filling in for Debbie.

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Western Wisconsin Renewable Energy Co-op

Our Energy is Cropping up Everywhere!

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