

Technical Report

Higher Blends Infrastructure
Incentive Program (HBIIIP) Grant



ABC Distribution, LLC

123 Main St

My City, IA 55555

August 2023

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Applicant

ABC Distribution, LLC (ABC) owns and operates a fuel-grade ethanol plant located in My City, Iowa. ABC is the applicant, operating as an Iowa based limited liability company, formed in January 2014. The plant produces, ethanol, distiller grains, and corn oil. ABC can produce more than 50 million gallons of ethanol per year.

Scope of Work

ABC is located at 123 Main St, My City, IA and is undertaking an expansion project that will increase the availability of higher blend fuels by adding a fuel distribution site with a new tank and loading rack. New equipment will be added in addition to existing equipment.

The purpose of this project is to allow trucks to load either E98 or direct E85. E85 would be sold to local retailers who would then sell directly to the consumer. The cost of this project is budgeted at \$5,700,000 and the company is applying for a USDA Rural Development Higher Blends Infrastructure Incentive Program (HBIIP) grant in the amount of \$2,850,000 to offset costs associated with the project.

ABC's existing location shown below.



Project Description

ABC's proposed project consists of the installation of one loading rack and one storage tank. ABC is planning to expand to offer E98 or direct E85, making higher blends of E85 more available in the area.

Loading Rack

ABC's project includes the installation of one loading rack. This loading rack will allow trucks to load either E98 or direct E85. E85 would also be sold to local retailers who would then sell directly to the consumer.

Aboveground Storage Tank

ABC's expansion project will also require the installation of a steel above ground storage tank (AST), with piping to connect it to the loading rack. ABC and the Project Manager worked with We Are Engineers to select a 1,000,000-gallon tank to store the ethanol.

Agreements, permits, and certifications

Zoning and Permitting Requirements

Mister Construction has prior experience and knowledge and can obtain all necessary permits for this project. Mister Construction is responsible for all required permits for the construction and installation of the project. ABC will assist with obtaining air permits with assistance from Left Environmental.

ABC has contracted Mister Construction to manage and ensure the completion of the project, including construction, installation, equipment procurement, permits, zoning, codes, inspections, and meeting all state and federal requirements. Based upon their previous experience, Mister Construction sees no potential issues with receiving these permits in the timeframe necessary to meet the anticipated schedule of the project.

License Requirements

All contractors working on ABC's expansion project are licensed to operate in the state of Iowa. Information regarding these licenses can be found in the Supporting Documents attached to the grant application.

Mister Construction is the Project Manager for ABC's expansion project. ABC and Mister Construction are familiar with licensing requirements related to the expansion project and will ensure all applicable licenses are updated and in place according to standard protocol for fueling station expansion projects of this nature.

Land Use Agreement Requirements

ABC owns the existing property where its expansion project will occur. No additional land use agreements are required for the project.

Permitting Requirements – Solid, Liquid, and Gaseous Emissions of Effluents

Public safety and compliance with applicable laws, regulations, agreements, permits, building codes, and standards are a non-negotiable priority for all stakeholders, vendors, contractors, and personnel involved in the project.

ABC management and the Project Manager will obtain any necessary permits for ABC’s expansion project and ensure complete compliance with all state and federal regulations and laws.

ABC will comply with all required Federal, state, and local laws and guidelines in their construction activities. These activities include obtaining all necessary air construction permits, required general permits, and SWPPP and city permits. The operation and maintenance of the equipment is in a facility that is manned 24/7 and has a staff of maintenance personnel that operates through a CMMS system. Annually, a third party does inspections and issues written reports on any deficiencies. Every 10 years, the tank is shut down and emptied and a third party enters the tank and performs a full API inspection of the tank. The meter is certified and calibrated quarterly by third party and accompanied by written reports.

ABC and subcontractors will file required 10-day pre-notification required for installations. ABC understands that a Certified Contractor must oversee all work, which must be in accordance with applicable codes.

Project Schedule

ABC management and the Project Manager will order the necessary equipment following award of the Higher Blends Infrastructure Incentive Program (HBIIIP) grant and will have ordering completed by September 2024.

Equipment is expected to arrive in September 2023, which is also when site work is scheduled to begin, contingent upon the weather. Mobilization and underground work will begin in September 2024 as well.

ABC Distribution, LLC Schedule is subject to changes due to weather.

Order equipment, systems, parts	After approval of grant, by early February
Equipment arrives on site	September 2023
Site work	September 2023 weather dependent
Mobilization	April 2024
Underground work: • Install tank	April 2024
Tank installation	June 2024
Commissioning – Initial start-up of system	Late August 2024
Optimization of system	September 2024

Resource Assessment

ABC produces more than 50 million gallons of ethanol on an annual basis. The implementation of the HBIIIP project creates a demand of 21.5 million gallons per year. ABC's production alone will satisfy the increase in demand for higher ethanol blends that will be need for the terminal site.

Demand

As an ethanol producer ABC has supplied wholesale customers through their production facility but unable to offer higher blend ethanol fuels. This HBIIIP project provides an increase in availability of higher blend ethanol fuels in the My City, IA market and surrounding rural communities, as well as creates the ability to increase sales by supplying higher ethanol blends to local retail fueling stations.

Incremental Increase in HBIIIP Throughput	
Validated demand	6,105,253
Documented incentives	425,000
Investment to consumer education & marketing	492,870
Partnerships	14,500,000
Total Incremental Increase	21,523,123

Validated Demand

ABC anticipates 5% of the plant's annual production will transition to fuel retailers with higher blends through the terminal site.

Market Drivers

ABC is not attributing any HBIIIP gallons to this category.

Documented Incentives

May 2022 Iowa passed the Biofuels Bill mandating higher sales of ethanol be available at retail sites. Retailers will be required to offer E15 and higher blend ethanol and biodiesel fuels. With the Biofuels Bill being adopted in Iowa ABC believes this will create the need for more fuel terminals to supply the increasing demand retailers will have with higher blend ethanol fuels.

Project Sustainability

ABC is not attributing any HBIIIP gallons to this category.

Investment to Consumer Education and Marketing

ABC believes it can be competitive in the market by educating new retail consumers and transitioning existing ABC customers to utilizing the terminal site for high blended fuel versatility.

Partnerships

On occasion ABC experiences supply chain disruptions, unplanned downtime, and long wait times at the plant loading bay. The fuel distribution terminal creates a partnership opportunity to increase efficiency and reduce wait times.

Historical Net Income				
	2019	2020	2021	Average
Net Income (Loss)	(1,712, 402)	5,878,663	24,497,974	9,554,745

Project Economic Assessment

ABC anticipates that the project incremental increase in net income of 18% resulting in additional income of \$6.2 million over the next 10 years. ABC is basing this assumption off historical revenue and expenses. ABC is estimating the total cost of the project to be \$5,700,000. Major costs to the project are equipment and installation. The three-year historical average net income for ABC was \$9.6 million. The project is projecting to increase sales by \$620,000, or 18 percent.

ROI

ABC's ROI was calculated using projected sales less the historical costs, this amount is Amount gained from this project. The amount spent would be the total budget for the project.

Return on Investment Calculation	
ROI = (Net Income / Cost of Investment) * 100	
Project Net Income	\$ 10,174,745
Divided by Total Cost of Investment	\$ 5,276,000
Percentage Return on Investment	178%

ABC's project includes one location, with major costs being the new storage tank and loading rack. Site preparation consists of breaking up concrete to install the new equipment and putting in new concrete to fill the area after installation.

Statement of Certification and Assurances

We, ABC Distribution, LLC, certify the project will be installed in accordance with applicable local, State, and national codes and regulations. In particular, the project must conform to all applicable Federal, State, and local regulatory requirements pertaining to:

- i. Technical Standards and Corrective Action Requirements for Owners and Operators of Underground Storage Tanks (UST), 40 C.F.R. Part 280 and Part 281.;
- ii. Regulation of Fuels and Fuel Additives, 40 C.F.R. Part 80.;
- iii. Occupational Safety and Health Standards Subpart H— Hazardous Materials Section 106— Flammable Liquids, 29 C.F.R. §1910.106.;
- iv. Safety and Health Regulations for Construction Subpart F— Fire Protection and Prevention Section 152—Flammable Liquids, 29 C.F.R. §1926.152; and
- v. Automotive Fuel Ratings, Certification, and Posting, 16 C.F.R. Part 306.

(Name)

(Title)

(Signature)

(Date)