

2007 Annual Report

A & M Oil
Blaine Construction Corporation
Bob Riley Distribution
Carmeuse Chemicals
Commonwealth Agri Energy
Commonwealth of Kentucky – Fleet Division
Cummins Crosspoint
Eco Energy
Fleet One
For The People
General Motors Corporation
General Services Administration
Governor's Office of Energy Policy
Griffin Industries, Inc.
Jefferson County Public Schools
Kenton County Airport Board
Kentucky Corn Growers Association
Kentucky Department of Agriculture
Kentucky Division for Air Quality
Kentucky Petroleum Supply
Kentucky Propane Education & Resource Council
Kentucky Soybean Association
Lexington Fayette Urban County Government
Louisville/Jefferson County Metro Government
Louisville International Airport
Lykins Oil
Mammoth Cave National Park (US Dept. of the Interior)
Marathon Petroleum
Metropolitan Sewer District (Louisville)
Midwest Terminal
Miles Farm Supply
Murray State University – Transportation Services
Owensboro Grain
Service Welding & Machine
TARC – Transit Authority of River City
United Parcel Service
University of Kentucky – College of Agriculture
University of Louisville – KY Pollution Prevention Center
Waddy Oil



KENTUCKY CLEAN



FUELS COALITION

Established in 1993



U. S. Department of Energy

Mission:

Improving air quality and supporting economic development across Kentucky by promoting the use of clean fuels.

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Metropolitan Sewer District, Louisville

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2007: A Groundbreaking Year

Melissa M. Howell, Executive Director

To sum up this past year in one word—"Groundbreaking."

With a 50-million-gallon Biodiesel plant, Kroger opening the first of many E85 sites and of course the Kentucky Energy Independence Act signed by Governor Fletcher, our members played vital roles across the energy arena yet again.

The partnerships of 2006 produced viable projects in 2007 and helped to reinforce the foundation for new fuels and technologies.

I was fortunate this year to carry the KCFC banner on several fronts: to help secure project funding, assist with policy initiatives, educate the general public and share our successes here in Kentucky and with the rest of the nation.

I was honored to work with the U.S. Department of Energy to host the first annual Clean Cities Leadership Conference and to help get the New Orleans Clean Cities Program on its feet. The 14 years of experience with the KCFC enables me to help others "break ground" as well.

As we begin 2008 with new state leaders and we elect new national leaders, I know the efforts of our current and new members will be recognized and acknowledged for their many groundbreaking achievements.

KENTUCKY CLEAN



FUELS COALITION

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Owensboro Grain Celebrates Biodiesel Plant Completion

On August 29, 2007, Kentucky soybean processor Owensboro Grain celebrated the completion of a 50-million gallon-per-year Biodiesel refinery, making it the largest plant in the Commonwealth and one of the largest plants in the nation.

U.S. Senator Jim Bunning and former Kentucky Governor Ernie Fletcher joined Owensboro Grain and, the Kentucky Soybean Board and the Kentucky Clean Fuels Coalition for the grain opening celebration.

John Wright, VP of Strategic Planning & Development, and a 4th generation family operator of Owensboro Grain says that fuel quality will be of utmost importance.

“This is a multi million dollar investment by Owensboro Grain. We have selected a technology that will give us the ability to meet today’s American fuel quality standard and future fuel standards as they evolve,” said Wright.

“A grant from the Kentucky Agriculture Development Board and a low interest loan from the Agriculture Finance Corporation has been invested for the future” he added.

Owensboro Grain broke ground on the plant in May 2006. It is expected to produce 50 million gallons annually from soybean oil. The plant will utilize soybeans from Kentucky and across the region. Kentucky produces 54 million bushels of soybeans annually with 11 pounds of oil processed from each bushel. Owensboro Grain produces 75 million gallons of soy oil each year currently at its vegetable oil refinery. The Biodiesel plant is located adjacent to that refinery.

There are now 148 plants operating throughout the country with an average plant size of 9.5 million gallons annually. National production was expected to exceed 300 million gallons in 2007, up from 25 million gallons in 2004.

“The Owensboro Grain plant will further our industry’s goals to augment America’s energy independence by providing environmentally friendly, domestically-produced renewable fuels,” said Joe Jobe, CEO of the National Biodiesel Board.

“Plants like these add valuable refining capacity to our nation’s fuel supply. They also contribute to the local economy while stimulating the agricultural sector. That’s a positive step for Kentucky and for the nation,” added Jobe.

The plant was slated to be operational before December 2007. However, damage from a late summer tornado in the area pushed the date to January 2008.



KCFC Featured in Louisville Magazine

KCFC Executive Director Melissa Howell joined a panel of six community leaders in the Louisville area to review the status of environmental issues. The entire May 2007 issue of Louisville Magazine was dedicated to the status of the environment in the Louisville Metro area. The focus areas for the panel to issue the “Environmental Report Card” were Energy, Air and Water Quality, Climate Change, Transportation, Land Use, Waste Management, Environmental Education, Equity and Leadership.



Jefferson Co. Schools Stick with Alternative Fuel Use

For a second year, the Jefferson County Public School (JCPS) bus fleet will operate using Biodiesel. The JCPS fleet is the 19th largest in the country and operates over 1100 buses.

Executive Director of Transportation Michael Mulheirn noted a slight increase in fuel cost, but urged the school board to renew the commitment to Biodiesel for the well-being of the students riding buses.

Kentucky to Open Regional Fuel & Pesticide Testing Lab



Kentucky Agriculture Commissioner Richie Farmer and Executive Director of the Kentucky Petroleum Marketers Association, Richard Maxedon, shake hands after groundbreaking ceremonies.

The Kentucky Department of Agriculture celebrated the groundbreaking for a new Frankfort-based Kentucky Fuel and Pesticide Testing Laboratory on May 15, 2007. Preliminary testing is slated for January 2008.

The lab will greatly enhance the department's ability to test motor fuel for quality and octane level.

The facility will have a Biodiesel and Ethanol testing component that will enable the KDA to serve the Commonwealth's rapidly growing biofuel industry.

The KDA tests motor fuel to ensure Kentucky does not become a dumping ground for poor quality fuel. The department also tests for the presence of MTBE, or methyl tertiary butyl ether, a fuel additive that is banned in Kentucky.



KCFC & Mammoth Cave Host U.S. Energy Leaders



Mammoth Cave National Park and the Kentucky Clean Fuels Coalition served as hosts for the 2007 Annual U.S. Department of Energy Clean Cities Leadership Retreat the last week of September. Alternative fuel representatives from 36 states were in attendance.

MCNP was chosen to host the retreat due in large part to the fact it was the first national park in the country to be 100% alternatively fueled.

They utilize Biodiesel in all diesel vehicles and equipment, Propane in all the buses that move visitors, and Ethanol in all sedans and light duty vehicles. All refueling is on site.

Jim Carroll Leaving Mammoth Cave National Park

Jim Carroll, Chief of External Programs and Communications is retiring after an extensive time with Mammoth Cave National Park. Jim has served as a representative to KCFC since 1996. Jim and former Park Superintendent Ron Switzer were responsible for the logistics in moving the entire park to alternative fuels. When asked how long he had been with the park service, Jim responded "all my life.....actually, it all began during the summer of 1972 when I hired on as a seasonal interpreter (cave tour guide). Except for one year (1975 when I worked at Biscayne National Park) I have spent all of my time here in various positions." Jim's time and talents will be sorely missed by the KCFC – we wish him well!



Energy Independence for Kentucky



On August 30, 2007, former Governor Fletcher signed into law a bill for the advancement of energy policy, science, technology, and innovation in the Commonwealth. House Bill 1, known as “Kentucky’s Incentives for Energy Independence Act”, provides new incentives and tax credits for the research, development and commercialization of energy technologies and industries in Kentucky. The 105-page bill covers a range of incentives and policy objectives to spur development of Kentucky’s fossil, biomass and renewable energy resources. Its purpose is to induce innovative energy-related businesses, advance the public purposes of achieving energy independence, create new jobs and new investment and create new sources of tax revenues. Some of the key provisions in the bill are highlighted below:

- Provides sales and use state tax credits to certain companies who propose to build and operate facilities intended to produce alternative transportation fuels from biomass or fossil energy resources or produce electricity for sale from renewable sources of energy;
- Requires negotiation with the Kentucky Economic Development Finance Authority so that combined incentives do not to exceed 50% of capital investment over a 25-year period;
- Allows for negotiation of pre-disbursement of incentives during the construction phase of a project;

- Creates a sales tax credit for equipment purchased that results in a 15% reduction in energy usage in certain circumstances;
- Establishes up to a \$1 per gallon tax credit for producers of ethanol and cellulosic ethanol and allows for a transfer of cap among the ethanol credits;
- Increases the biodiesel production tax credit for producers and blenders to \$10 million;
- Requires development of a strategy for replacing half of the state government’s fleet of vehicles with alternative fuel vehicles;
- Establishes funding for loan forgiveness for certain students who study in energy-related career fields; and,
- Authorizes the borrowing of \$100 million to create an Energy Projects Economic Development Bond Pool.

A complete summary of the bill can be found at Legislative Resources Commission Web site at www.lrc.ky.gov/record/07S2/HB1/bill.doc. The bill’s primary sponsor, House Majority Floor Leader Rocky Adkins of Sandy Hook, believes that the bill that will take advantage of new energy research and emerging technologies, as well protect the air Kentuckians breathe, while helping to maintain affordable energy bills.

KCFC Partners to Write Louisville–Metro Strategic Air Reduction Program



As part of a continuing effort to reduce toxic air emissions, the Louisville Metro Air Pollution Control District convened a stakeholder group in the summer of 2006 to further the implementation of the Strategic Toxic Air Reduction (STAR) Program. Comprised of industry and academic experts, planners, health and environmental advocates, health professionals, business representatives and citizens, the group worked to address the reduction of toxic air emissions from minor stationary sources, area sources and non-road and on-road mobile sources. Emissions reductions from larger industrial sources are addressed through a larger regulatory initiative in the STAR program.

In September of 2007 this group presented the District’s Board with 35 recommendations for achieving reductions in Louisville. These recommendations focused on reducing toxic emissions, as well as, reducing exposure to those emissions. The recommendations include such measures as stricter rules for dry cleaners, development of an idling regulation, the use of Biodiesel, and consideration of diesel particulate exposure in planning and design decision-making.

With the addition of this group’s recommendations, the STAR program addresses cumulative cancer and non-cancer risk goals from all sources, large and small. The recommendations are currently under review by the Air Pollution Control Board. KCFC Executive Director Melissa Howell participated throughout the process, particularly on the Mobile and Non Road Mobile Source Committee.

Brown Goes Green in Louisville



United Parcel Service has launched an initiative to use Biodiesel fuel in its ground support vehicles at its air hub in Louisville. UPS' Biodiesel initiative in Louisville is funded in part by a \$515,000 federal CMAQ grant that will assist with the purchase of Biodiesel fuel infrastructure at the

airport. The infrastructure will provide a 5 percent Biodiesel blend of fuel to run 366 ground support vehicles in early 2008.

In all, says UPS, it now operates 1,629 alternative-fuel fleet vehicles worldwide, including CNG, liquefied natural gas, propane and electric and hybrid electric vehicles. UPS says it is the largest private "green" fleet in the transportation industry.

KCFC Executive Director Speaks to EPA Group in Atlanta

The Second Annual Southeast Diesel Collaborative (SEDC) Partners' Meeting held June 26-27, 2007 in Atlanta, Georgia, offered participants the opportunity to discover more about clean diesel research, technology, projects, and strategies underway in the region and across the nation. The goals for the meeting were to highlight successes and efforts underway since last year's Kick-off meeting of the SEDC; for policy makers to identify priorities and challenges for the future in the Southeast; to begin the strategic planning process for the SEDC and others.

KCFC Executive Director Melissa Howell was a featured speaker at the conference.

Lexington Fayette Urban County Government Report—David Scharrs, Sr. Transportation Planner

Lexington Biodiesel Initiative Gaining Momentum

The Lexington Fayette Urban County Government fleet switched to Biodiesel at the Town Branch treatment plant in October 2006.

Fayette County Schools and LexTran followed suit.

UK has utilized Biodiesel for over a year. Under the new initiative, UK requested contractors work on campus to utilize Biodiesel in their equipment. Turner Construction Co. reported ideal performance using a B10 blend. Riley Oil began offering a B10 Biodiesel blend at one of their locations

TARC Report—Geoffrey Hobin, Special Projects Manager

TARC Adds More Hybrid Buses in Louisville



In June 2007, TARC added four additional hybrid buses to its existing fleet of five. U.S. Congressman John Yarmuth joined Louisville-Metro Mayor Jerry Abramson and TARC executive director Barry Barker for the official dedication, July 13, 2007.

The new buses look very much like those placed in service in October 2004. They have the same familiar red butterfly on the blue sky background. The prominent white hump on top of the bus (the cowling that protects the nickel-metal hydride batteries and inverter module) is just the same. A sharp eye will notice that the new buses look sleeker. That's because TARC elected to install flush-mounted, bonded windows on these buses. It gives them more of a streamlined appearance.

The buses were purchased thanks to a direct appropriation from U.S. Senator Bunning, and an award of Congestion Mitigation and Air Quality (CMAQ) funds from the Kentucky Transportation Cabinet.

(on Leestown Road) and later added a site on Winchester Road.

Expanded refueling in 2007 was made possible in part by a CMAQ (Congestion Mitigation & Air Quality) grant. The additional refueling enables Fayette County Schools, LFUCG and the University of Kentucky (UK) access to Biodiesel in more strategic locations.

LexTran will incorporate Biodiesel at their new fueling station to be complete in early 2008.

25 X 25 Town Hall Meetings



The Kentucky 25 X 25 Roadmap project since July 1, 2007 has successfully accomplished many of the goals in holding Town Hall meetings at; Frankfort, Somerset and Princeton, Kentucky communicating the benefits of 25 X 25 renewable energy and energy reduction, plus gathering questions, comments and input from the attendees. The implementation of communication tools to expand the knowledge base of the 25 X 25 message has been key this year.

Roadmap and Core teams have been formed from interested individuals that have met frequently to provide the direction, develop goals and oversight of the many activities that have taken place. The final report is due for completion by December 31, 2007. The University of Kentucky is developing an economic analysis of several energy opportunities that will estimate future economic potential.

We are developing a report that will include recommendations for the final 25 X 25 Roadmap.

Biodiesel Infrastructure Expands Across Kentucky

With a grant from the Governor's Office of Energy Policy, two Southeast Kentucky fuel distributors made Biodiesel more accessible in the region. Kentucky Petroleum Supply, Mt Sterling, Winchester and Somerset and Bertram Oil in Beattyville shared the grant with storage and distribution equipment installed.

The two additional storage site managers estimate a total of nearly 60,000 gallons of Biodiesel per month being sold to regional fleets.

Kentucky Alternative Energy Research Receives National Notice

Researchers from the University of Kentucky and the University of Louisville are receiving additional funding and national attention for their work with alternative fuel research projects.

The initial funding for the research was provided through the Kentucky Rural Energy Consortium (KREC). There were seven research projects with five directly involved with alternative fuel and energy use.

Additional funding of \$2,015,000 from EPSCor was received by researchers for the next phase of Photocatalysts for Solar Energy and Hydrogen Production. A Sun Grant of \$250,000 was awarded additionally for Differentiating Microbial Pathway and Membrane Adaptations for Enhanced Performance in Extreme Environments.

Research is being presented to experts across the country on Production of Biomass Briquettes as an Alternative Fuel Source, Novel Catalytic Approaches for Bio Oil Upgrading and the Development of an Ethanol Pilot Scale Facility to Evaluate the Effect of Collection, Storage and Pre Treatment of Corn Stover.



Kroger Opens Its First Kentucky E85 Station

The Kroger grocery store chain opened its first E85 (Ethanol) retail site in Kentucky in April 2007. The site at Latonia – near Covington is located at 4303 Winston Avenue. Kroger will add two additional E85 sites in the Northern Kentucky area in 2008.



MSD Report - James Hunt,
Director Physical Assets

Thornton's Introduces Biodiesel at Louisville Retail Sites

MSD (Metropolitan Sewer District of Jefferson County) began using a 5% blend of Biodiesel fuel (B5) in October 2007.

The fuel is provided through a fueling contract with FleetOne and Thornton's Inc. MSD expects to use 216,000 gallons of Biodiesel fuel annually.

This is just another way that MSD continues support for the use of clean fuels. MSD currently has a fleet of 30 dedicated compressed natural gas (CNG) vehicles and 5 hybrid electric vehicles.

The four Thornton Biodiesel sites are as follows: 18th and Hill, Cane Run Road, 7th & Algonquin, Bardstown at Watterson.

2007 KCFC Operational & Project Income

Membership Dues - \$34,000

Southeast Biodiesel Infrastructure - \$21,000

State Energy Office - \$20,000

US Dept. of Energy Leadership Retreat - \$14,000

National Oil Heat Research Alliance - \$10,000

US Department of Energy Clean Cities - \$10,000

Carry Over - \$35,000

Total 2007 Budget: \$144,000

Members in the Spotlight

Davies Receives Honor from Kentucky Rural Energy Consortium

John Davies, Director, Division of Renewable Energy & Energy Efficiency, Governor's Office of Energy Policy was honored by industry leaders for his work in the energy arena across Kentucky.

Davies received the Larry Turner Leadership Award during the Kentucky Rural Energy Consortium meeting held in Frankfort in September 2007.

The award was presented by KCFC Executive Director Melissa M. Howell.

In presenting the honor, Howell noted the ability of Davies to bring so many partners together for the "bigger energy picture".

Dr. Larry Turner, Associate Dean for Extension & Associate Director for the University of Kentucky College of Agriculture, oversaw the Agriculture Extension offices across Kentucky. He was a founding member of KREC and so many other worthwhile programs across Kentucky. He was killed in a 2006 Lexington plane crash.



Mammoth Cave Adds to 100% Alternative Fuel Fleet

In March 2007, Mammoth Cave National Park added a seventh Propane powered bus to its fleet owned and operated by Forever Resorts,



Inc., a concessionaire for the national park. These buses move just under 400,000 visitors from the common parking area to the cave entrance each season. The bus was purchased from Capitol Bus Sales in Houston.

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