

North Carolina Agricultural Energy Partnership

Minutes of Second Meeting January 24, 2006 11.00 am GrandOver Resort, Greensboro, NC

1. Attendees

The meeting was attended by:

- Zach Henderson, Wilkes Co. Commissioner
- Gary Page, Wilkes Co. Manager
- Robin Hamby, Wilkes Co. EDC
- John Guy, Duke Power
- Jared Lawrence, Duke Power
- Judy Stevens, Montgomery Co. EDC
- David Icenhour, Alexander Co. EDC Director
- Kathy Bunton, NC Extension Service, Statesville
- Robin Rhyne, Surry Co. EDC president
- Ray Johnson, Prestage PR Director & NC Green Power Board member
- Jody Smith, NC Extension Service, Munroe
- Rupert Fraser (RJF), CEO, Fibrowatt LLC
- Carl Strickler (CWS), COO, Fibrowatt LLC
- Eric Jenkins (EJ), VP of Commercial Development, Fibrowatt LLC
- Terry Walmsley (TPW), VP of Environmental Affairs, Fibrowatt LLC
- Geno Kennedy (GK), Project Consultant, Fibrowatt LLC
- Kellylorén Metzger (KM), Executive Assistant to Rupert Fraser, Fibrowatt LLC

2. Introduction

- (a) Attendees introduced themselves.
- (b) The minutes of the previous meeting were briefly reviewed.
- (c) RJF gave an update on Fibrowatt's Minnesota project. The construction site webcam address is: www.knutsonconstruction.com/htdocs/webcams.

3. Progress Update

(a) Project Planning

CWS provided an update on the planning process and noted that Fibrowatt is drawing up a detailed project plan, which will include the following 10 main project task headings:

- Fuel contracting;
- Power Sales contracting;
- Facility Siting;
- Legislative liaison;
- Outline plant design;
- Permitting;
- Ash Sales contracting;
- Detailed Design and Engineering;
- Operations Planning;
- Financing.

(b) Fuel

EJ described progress with fuel procurement. He noted that in some areas growers appear keen to supply as much as 50% of their litter to Fibrowatt rather than the “normal” 40%. Fibrowatt is therefore confident that there is sufficient fuel for its needs in the Northwest region, the Central region and the Coastal region.

Other biomass fuels to be mixed with the poultry litter could include vine clippings and apple prunings.

EJ pointed out that Broiler Litter is the best fuel, followed by Turkey Litter and then Breeder Litter. Egg Layer Litter does not have enough net heating value to be worth using (unless it comes with a fee).

(c) Sites

The Fibrowatt team extended thanks to Partnership members who have been supplying site details. Fibrowatt believes that it have some good options available, but continues to encourage everyone to be alert for further possibilities.

(d) Electricity Sales

Fibrowatt reported that it is in discussions with a number of potential electricity buyers, including the Duke representatives present, other utilities and co-ops. Fibrowatt asked attendees to be alert for ideas for other potential buyers, which might include government entities such as military bases, municipalities, state bodies, or academic institutions such as university campuses.

(e) Engineering and Technical

Fibrowatt reported progress with outline discussions with engineering contractors, equipment suppliers and consultants. The fact that more than one project for North Carolina will be developed simultaneously will be of great assistance in achieving price reductions to help make the project economics achievable.

4. Forthcoming Activities

(a) Fuel

During the next few months, Fibrowatt will be finalizing its proposed fuel contracts. These will be similar to the Minnesota version, but will be checked to make sure that they conform to North Carolina law. It was noted that Fibrowatt expects to sign a large number of contracts, as most of them will be relatively small. This contrasts with Fibrowatt's experience in Minnesota where many of the poultry farms are directly owned by integrators.

Fibrowatt provided reassurance regarding the form of grower contract. The contract is structured as a 2-3 page agreement with a set of standard terms and conditions attached. Fibrowatt's experience is that growers find this format acceptable. Some of them will seek their own legal advice, while others may rely upon a review by the Poultry Federation or other independent body.

Fuel transportation distances were discussed. Fibrowatt advised the meeting that it is important for each plant to provide the same service to all poultry farmers in its catchment area, because the future prospects of the plant depend entirely on the prosperity of the poultry industry. Fibrowatt commented that, for all of its projects, it expects to get 75% of its fuel within, say, a 25 mile radius, but the remaining 25% can come from further away. In fact, Fibrowatt's lenders prefer that there should be fuel arising in different geographical areas so as to protect against the effects of potential disease outbreaks.

(b) Fuel testing

Over the next four months, Fibrowatt will be conducting fuel sample tests. These are important because the chemical and combustion characteristics of the poultry litter and other biomass fuels will determine the size of each plant as well as driving part of the project economics. In response to a question, Fibrowatt confirmed that it will take poultry litter from storage as well as directly from the houses.

(c) Site assessment

Fibrowatt confirmed that its intention is to progress site selection in parallel with the above activities. TPW described some of the criteria that will be applied to the site assessment process including:

- Electric interconnection;
- Water supplies;
- Natural gas availability;
- Sewage system;
- Environmental issues, including wetlands and watersheds;
- Road access;
- Storm water management;
- Proximity of poultry farms;
- Purchase or leasing price;
- Site size and soil conditions;
- Community support;
- Zoning status and degree of certainty.

At this stage Fibrowatt would appreciate it if people continue to look for sites, and Fibrowatt will focus on the assessment process. In about three months time Fibrowatt plans to draw up a short list of two or three sites per project, at which stage the process will go public, and there will be open days and public meetings.

(d) Electricity Sale discussions

Fibrowatt will continue discussions with buyers of electricity with the aim of agreeing outline terms as soon as possible.

5. Political Activities

Fibrowatt asked those present to keep alert for grants that could assist with project development and/or construction, as well as green power initiatives or loan guarantees that could be utilized in structuring the project economics. Fibrowatt confirmed that it hopes to have a clear idea of the likely project structure in time to present it to the NC Legislature and other authorities.

The importance of ensuring that all the relevant state authorities, politicians and other bodies are aware of and, if possible supportive of the project, was raised by several of those present. Fibrowatt will produce a list of contacts that it has already established and circulate this for comment and additions.

6. UK Plant Visits

The possibility of visiting the UK plants was discussed, and it was noted that it would be important for local community representatives to visit the UK in order to report back to residents, but that such visits could only be justified once a particular community has been selected, or at least short listed. Fibrowatt will discuss UK plant visits with the Department of Commerce and other NC agencies.

7. Press Coverage

Fibrowatt reminded attendees that press enquiries should be forwarded to Rupert Fraser on 651-260-8451 or Carl Strickler on 267-352-0014. Fibrowatt will provide updated versions of its handouts and talking points.

8. Next Meeting

This will be held on Thursday, 23rd of February, 2006 at 11.00 am (Note: This was one of two dates discussed at the meeting).