



# Report to the Legislature

## *Retail Biofuel Infrastructure Grant Program*

Kevin Hennessy, 651-201-6223  
625 North Robert Street, St. Paul, MN 55155  
[www.mda.state.mn.us](http://www.mda.state.mn.us)

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Pursuant to Minn. Stat. § 3.197, the cost of preparing this report was approximately \$420.

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## Executive Summary

During the 2015 legislative session, the legislature appropriated \$250,000 per year to the Minnesota Department of Agriculture (MDA) for retail biofuel (ethanol) infrastructure grants.

Funds from the \$500,000 appropriation were used to leverage a grant from the United States Department of Agriculture's (USDA's) Biofuels Infrastructure Partnership (BIP). The MDA received the \$8 million USDA-BIP grant award in late October 2015. Total funding for ethanol-compatible infrastructure is \$16,817,500, with the \$8,817,500 non-federal match consisting of the \$500,000 retail biofuel infrastructure grant appropriation, funds from the MDA's Agricultural Growth, Research and Innovation, Program (AGRI), and cash and in-kind contributions from private-sector partners.

In accordance with the grant agreement with the USDA, the grants will fund ethanol infrastructure as follows:

- E15 retrofits, which can replace parts necessary to make an existing E10 dispenser compatible with ethanol blends up to 25%
- E85 compatible dispensers
- Ethanol blender pumps, which are compatible with ethanol blends up to E85 and can meter and blend E85 and E10 to create other blends of ethanol through that pump, such as E15 gasoline for 2001 and newer light duty vehicles
- Underground fuel storage tanks (USTs)
- Aboveground fuel storage tanks (ASTs)

The MDA released a request for proposals (RFP) for the Minnesota Biofuels Infrastructure Partnership (BIP) Grant Program on December 13, 2015, soliciting applications through its partner, the American Lung Association in Minnesota (ALAMN). Grant applications are being accepted through Friday, February 5, 2016. Those applications will be reviewed for their merit and impact. The MDA plans to make awards in the spring of 2016 so that funds can be disbursed and projects can be completed by the December 30, 2016 deadline specified in the USDA grant to Minnesota.

It is the hope of the MDA that funds through the program will allow for a significant increase in renewable ethanol blends such as E15 and E85 to be sold throughout the state.

## Introduction

This report is submitted pursuant to the Laws of Minnesota 2015, Article 1, Section 2, Subdivision 4:

\$250,000 the first year and \$250,000 the second year are for grants that enable retail petroleum dispensers to dispense biofuels to the public in accordance with the biofuel replacement goals established under Minnesota Statutes, section 239.7911. A retail petroleum dispenser selling petroleum for use in spark ignition engines for vehicle model years after 2000 is eligible for grant money under this paragraph if the retail petroleum dispenser has no more than 15 retail petroleum dispensing sites and each site is located in Minnesota. The grant money received under this paragraph must be used for the installation of appropriate technology that uses fuel dispensing equipment appropriate for at least one fuel dispensing site to dispense gasoline that is blended with 15 percent of agriculturally derived, denatured ethanol, by volume, and appropriate technical assistance related to the installation. A grant award must not exceed 85 percent of the cost of the technical assistance and appropriate technology, including remetering of and retrofits for retail petroleum dispensers and replacement of petroleum dispenser projects. The commissioner may use up to \$35,000 of this appropriation for administrative expenses. The commissioner shall cooperate with biofuel stakeholders in the implementation of the grant program. **The commissioner must report to the legislative committees with jurisdiction over agriculture policy and finance by February 1 each year, detailing the number of grants awarded under this paragraph and the projected effect of the grant program on meeting the biofuel replacement goals under Minnesota Statutes, section 239.7911.** These are onetime appropriations.

## Background

Funds from the \$500,000 appropriation to the Minnesota Department of Agriculture (MDA) for retail biofuel infrastructure grants (each of the \$250,000 allotments for FY16 and FY17) were used to leverage a grant from the United States Department of Agriculture’s (USDA’s) Biofuels Infrastructure Partnership (BIP). The MDA submitted its proposal in June 2015 and received the \$8 million award in late October 2015. Total funding for ethanol-compatible infrastructure is \$16,817,500, with the \$8,817,500 non-federal match consisting of the \$500,000 retail biofuel infrastructure grant appropriation, funds from the MDA’s Agricultural Growth, Research and Innovation, Program (AGRI), and cash and in-kind contributions from private-sector partners. The breakdown for the MDA/Partner match is shown in Table 1. Details on the Minnesota Biofuels Infrastructure Partnership grant program are described in the next section.

**Table 1: Details of Matching Fund used to Leverage \$8 Million in USDA Funding for Ethanol Storage and Dispensing Infrastructure Grants.**

<b>Contributor:</b>	<b>Cash</b>	<b>In-Kind</b>	<b>Total</b>
Minnesota Department of Agriculture	\$3,550,000		
Minnesota Corn Promotion and Research Council	\$1,075,000		
Minnesota Biofuels Association (for 8 ethanol plants)	\$720,000		
Prime the Pump (for 7 ethanol plants)	\$630,000		
DENCO II Ethanol	\$90,000		
Corn Plus Ethanol	\$45,000		
Retailers		\$2,707,500	
<b>Total:</b>	\$6,110,000	\$2,707,500	\$8,817,500
<b>Percent of Total:</b>	69.3%	30.7%	

## Grants and Effect of Grant Program

As described in the background section, funds from the 2015 retail biofuel infrastructure grant appropriation have been combined with other state and private funds to leverage USDA Biofuels Infrastructure Partnership grant funds. Consequently, no grant funds from the 2015 appropriation have yet been expended, but are to be expended in FY 2016 and FY2017 as described in this section.

### **USDA-BIP Grant Award**

The \$500,000 Retail Biofuel Infrastructure Grant Program funds are now part of the Minnesota Biofuels Infrastructure Partnership grant program, helping to match the \$8 million USDA BIP Grant award to Minnesota. Total funding for ethanol-compatible infrastructure is \$16,817,500 (\$8 million from the USDA-BIP plus approximately \$8.82 million match). The grants will fund ethanol infrastructure as follows:

- E15 retrofits, which can replace parts necessary to make an existing E10 dispenser compatible with ethanol blends up to 25%
- E85 compatible dispensers
- Ethanol blender pumps, which are compatible with ethanol blends up to E85 and can meter and blend E85 and E10 to create other blends of ethanol through that pump, such as E15 gasoline for 2001 and newer light duty vehicles
- Underground fuel storage tanks (USTs)
- Aboveground fuel storage tanks (ASTs)

Each of these five categories has been allotted a number of pumps and dollars under the USDA-BIP grant agreement with Minnesota. Table 2 shows the infrastructure portion of the grant agreement:

**Table 2: Details of USDA-MDA contract for infrastructure to be installed before December 30, 2016.**

	<b>Total Number</b>	<b>Average Capped Cost</b>	<b>Total Cost</b>	<b>Federal Cost Share Amount</b>	<b>Non-Federal Cost Share Amount for Pumps and Tanks</b>	<b>Federal Cost Share Percentage</b>	<b>Non-Federal Cost Share Percentage</b>
<b>Dedicated E15/E25 Pumps (retrofit of existing pumps)</b>	140	\$5,000	\$700,000	\$200,000	\$500,000	28.6%	71.4%
<b>Dedicated E85 Pumps</b>	15	\$20,000	\$300,000	\$225,000	\$75,000	75.0%	25.0%
<b>Blender Pumps</b>	465	\$29,444	\$14,707,500	\$7,297,500	\$7,410,000	49.6%	50.4%
<b>Underground Storage Tanks</b>	30	\$32,000	\$960,000	\$ 240,000	\$720,000	25.0%	75.0%
<b>Aboveground Storage Tanks</b>	2	\$75,000	\$150,000	\$37,500	\$112,500	25.0%	75.0%
<b>Total Pumps</b>	620	n/a	\$15,707,500	\$7,722,500	\$7,985,000	49.2%	50.8%
<b>Total Storage Tanks</b>	32	n/a	\$1,110,000	\$277,500	\$832,500	25.0%	75.0%
<b>Total</b>	n/a	n/a	\$16,817,500	\$8,000,000	\$8,817,500	47.6%	52.4%

## **Minnesota Biofuels Infrastructure Partnership Grant Program**

The MDA released a Request for Proposals (RFP) for the Minnesota Biofuels Infrastructure Partnership (BIP) Grant Program on December 13, 2015, soliciting applications through its partner, the American Lung Association in Minnesota (ALAMN). The Minnesota BIP Program RFP is based upon the USDA-BIP grant agreement discussed above.

The RFP will close on Friday, February 5, 2016, and applications will be reviewed by a team from the MDA and the ALAMN. Once complete, recommendations will be discussed with the grant funding partners (including private partners) and, finally, the Commissioner of Agriculture will make a decision on grant awards.

Since the grant agreement with USDA requires that projects must be completed by December 30, 2016, the MDA plans to make grant awards and finalize contracts in early spring of 2016.

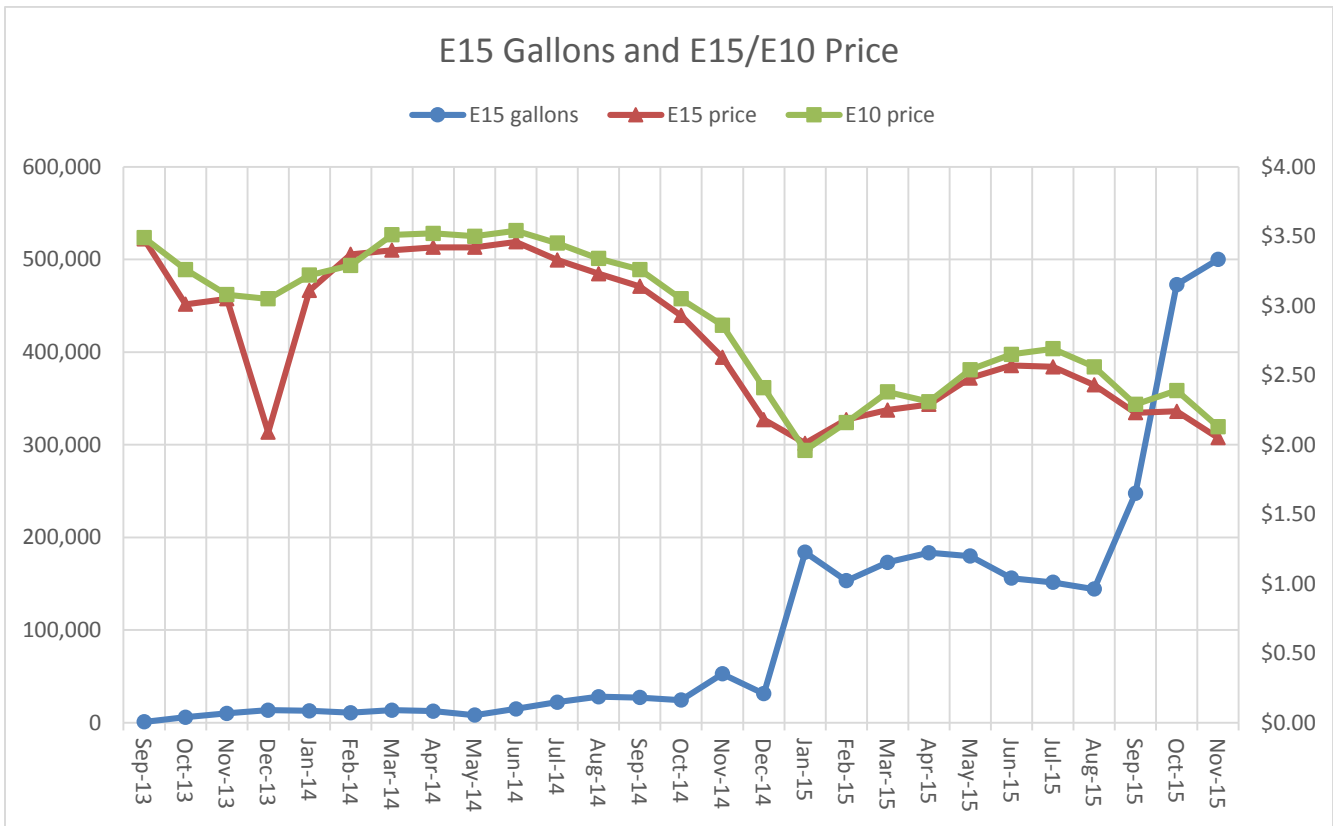
Because the \$500,000 of the FY16 and 17 allocations is being used for match for the USDA-BIP grant, none of those funds are being used by the MDA for administration, even though permitted in the legislative appropriation.

### **Impact of Minnesota BIP Grant Program on Biofuel Goals in Minn. Stat. 239.7911**

The effect of the MDA/Minnesota Corn Research and Promotion and Council (MCRPC) grant program, which awarded a total of \$2.5 million over the years of 2013-15, has been significant. Gallons of E15 sold as gasoline, during the months permitted by the United States Environmental Protection Agency (USEPA), have increased dramatically. Also the price of E15 has been consistently lower than E10, making it an appealing fuel for the economically-concerned consumer (see Figure 1).



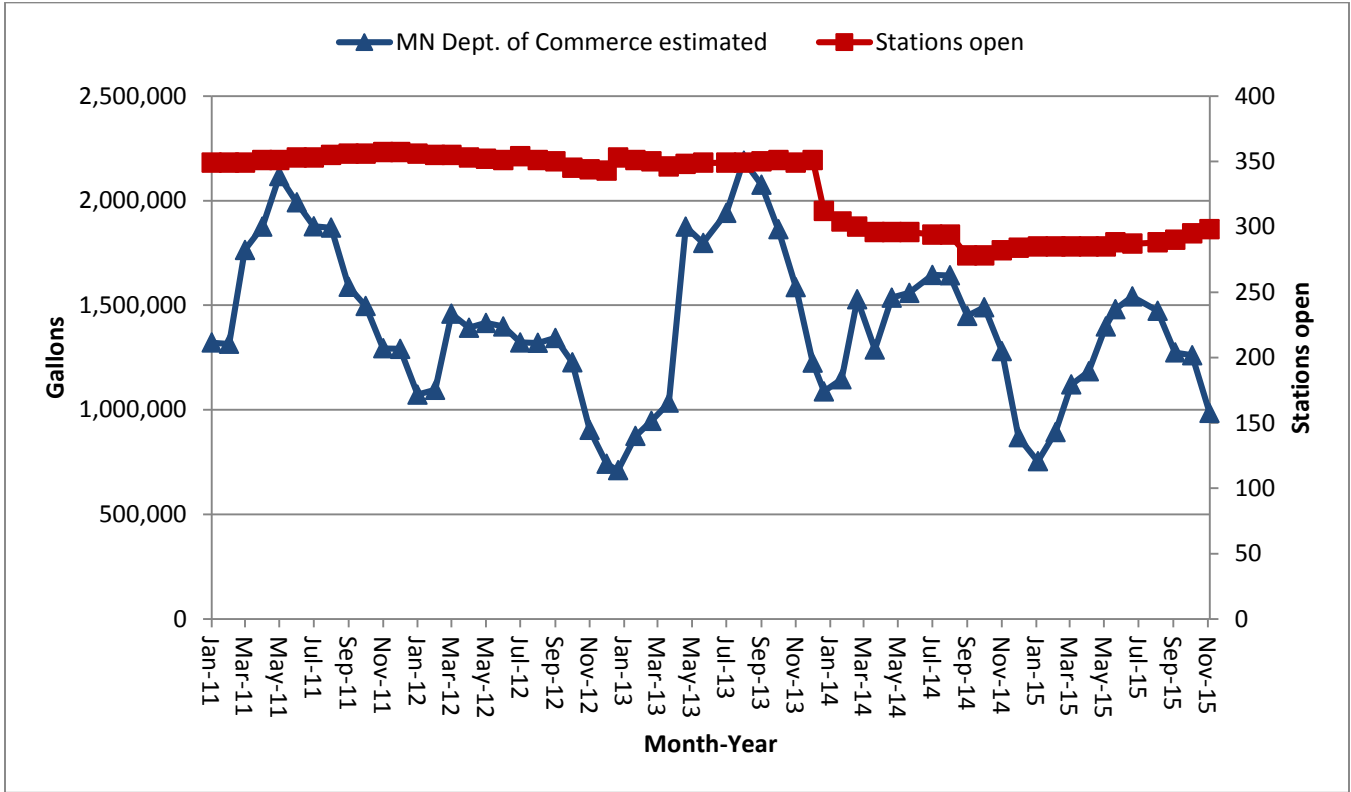
**Figure 1: E15 sales in gallons since September, 2013 (when first E15 gasoline station opened in state) and comparative pricing of E15 and E10<sup>1</sup>**



Funds under the MDA/ MCRPC program also aided in the recovery of the number of stations and volume of E85 sold in the state, which had been depressed due to a 2011 USEPA ruling regarding compatible infrastructure for storage and dispensing of ethanol blends. (See Figure 2).

<sup>1</sup> Data provided by Minnesota Department of Commerce.

Figure 2: E85 Stations open in Minnesota and Minnesota Department of Commerce's E85 Sales Estimates (in gallons).<sup>2</sup>



It is anticipated that the impact of the Minnesota BIP grant program will be much greater, moving the state closer to its next goal of 18% in 2017<sup>3</sup>.

<sup>2</sup> Data provided by Minnesota Department of Commerce.

<sup>3</sup> See [Minn. Stat. 239.7911](#) for the Petroleum Replacement Promotion Statute and the petroleum replacement goal.

## Summary

The FY16 and FY17 allocations were used as match in application to the USDA-BIP grant program. This money helps to leverage \$8 million in USDA grant funds that will be used to expand ethanol-compatible infrastructure around the state through the Minnesota BIP grants.

Grant applications are being accepted through Friday, February 5, 2016. Those applications will be reviewed for their merit and impact. The MDA plans to make awards in the spring of 2016 so that funds can be disbursed and projects can be completed by the December 30, 2016 deadline specified in the USDA grant to Minnesota.