

PUBLIC SERVICE COMMISSION
STATE OF NORTH DAKOTA

M E M O R A N D U M

TO: Commissioners Fedorchak, Christmann, and Kalk
Darrell Nitschke
Legal Division

FROM: Sue Richter - Licensing Division Director

DATE: March 5, 2015

RE: Warehouse License
Dakota Spirit AgEnergy, LLC – Spiritwood, ND

On March 4, 2015, Dakota Spirit AgEnergy, LLC filed a license application to operate a 1,840,000 bushel grain warehouse at Spiritwood, North Dakota. Dakota Spirit AgEnergy, LLC is owned by Midwest AgEnergy Group, who also owns Blue Flint Ethanol, LLC located at Underwood. Dakota Spirit AgEnergy, LLC anticipates it will be ready to receive grain at Spiritwood on March 30, 2015, as construction of this ethanol facility is in the final phase.

In June 2014, the Commission issued a roving grain buyer license to Dakota Spirit AgEnergy, LLC. This license was obtained to secure corn inventories for future delivery to Spiritwood. In September 2014, the Commission issued a grain warehouse license to Dakota Spirit AgEnergy, LLC for a grain warehouse at Wimbledon. This license was obtained to secure additional corn inventories for the Spiritwood facility.

Dakota Spirit AgEnergy, LLC anticipates it will purchase 24 million bushels of corn annually for processing into ethanol. In addition to ethanol, the Spiritwood facility will produce about 6,900 ton of fuel-grade corn oil and 198,000 ton of distiller grains.

The licensed capacity for Spiritwood and Wimbledon totals 2,371,000 bushels and requires a \$625,000 bond under the current grain warehouse bond schedule. Dakota Spirit AgEnergy, LLC applied the new bond rules when calculating its bond requirement and filed a \$1,400,000 grain warehouse bond. This bond amount includes additional bond coverage because Dakota Spirit AgEnergy, LLC is a new licensee and its total annual grain purchase volume will exceed more than seven times its total licensed capacity. The \$1,400,000 grain warehouse bond also includes a 30% bond reduction because Dakota Spirit AgEnergy, LLC established and filed a conversion policy of ten days or less.

Statutory compliance has been met and Staff recommends Dakota Spirit AgEnergy, LLC's request for a grain warehouse license at Spiritwood be approved, effective March 30, 2015. A corresponding motion and order are attached.

skr

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Memorandum

Public Service Commission Staff

Sue Richter