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## In town of Lena, prosperity stinks

Ethanol boom has some holding noses

**By Greg Burns**

Tribune senior correspondent  
Published June 25, 2006

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LENA, Ill. -- It moved in waves, pungent and sickly sweet, across the peaceful countryside.

It burned the eyes, caught in the throat and made it tough to take a deep breath without coughing.

"You had to run from the car to the house," recalled Heidi Thorp, a glass artist with a studio here. "You couldn't breathe."

The good people of Lena have lived through the dark side of the ethanol boom, and, like the acrid emissions from the local factory, hard feelings are just starting to dissipate.

For several years, ethanol divided this small bedroom community 40 miles west of Rockford, pitting neighbor against neighbor.

Now, with a renewable-fuel boom in full swing, ethanol is starting to pay big dividends, like a double-digit percentage cash return, for the locals who sank their money into it as much as a decade ago. The financial disappointment, litigation and air pollution worries have given way to renewed hopes and an uneasy truce.

The ups and downs in Lena serve as a warning for the dozens of Midwest towns that see economic salvation in new ethanol plants.

Lavish government subsidies have touched off a gold rush in the corn-derived fuel. At least 33 new plants are under construction, on top of the 101 operating, nearly all in the Grain Belt. Dozens more are being planned.

But anyone who thinks of ethanol plants as cash machines should take a look at Lena. Making money in this business is by no means automatic, and some level of environmental impact is a given.

Even the best operations emit contaminants, and the worst can turn fresh country air into a chemical stew that costs a fortune to correct.

As of last year, 83 percent of U.S. ethanol producers were operating under federal consent decrees aimed at protecting the environment, according to the Illinois attorney general's office, which is suing Lena's hometown producer, Adkins Energy LLC.

While the halls of Congress ring with stirring claims of ethanol's benefits, including cleaner vehicle emissions and reduced dependence on foreign oil, those sentiments sound hollow to folks like Lena resident Vicki Randecker.

Ethanol became an unwelcome guest at her daughter's wedding a couple of years back, when a faction of the family, miffed by her opposition to the plant, opted to stay away.

"It did cause lots and lots of harsh words and feelings to be hurt," she said.

These days, much is left unspoken, and the glowing outlook for ethanol has soothed the raw nerve running through this rural hamlet of 2,852.

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Ron Fluegel, a grain and cattle farmer in Lena who invested in the initial start-up 10 years ago, is thrilled to see the plant going full blast.

"I've stuck with it this long, through the hard times, and now things are looking good," he said.

When Fluegel and his fellow investors formed their co-operative in 1996, they were pioneers, ordinary farmers breaking into a business long dominated by Archer Daniels Midland Co. and other giants.

"We were part of the infancy of ethanol," Fluegel said. "It's been a tough enterprise."

Almost as soon as it started, the Lena group ran into trouble. Years went by in the planning and financing stage, then a split among its directors sent a bloc north to Wisconsin, where they launched a rival plant. The schism almost sunk the Lena project, but its investors regrouped, securing loans and commercial partners for the \$65 million venture. They made their first ethanol in 2002.

Farmers who bought in were supposed to reap profits three ways: through rising share values, annual cash dividend payouts and an above-market price for the grain they pledged to the factory. But even when higher oil prices made ethanol more attractive as a fuel additive, the big payoff failed to materialize because of a short-lived market aberration.

No simple operation

Worse yet, the plant didn't work as promised.

On the surface, ethanol plants look simple. They're basically oversized stills, producing alcohol from corn mash just like the moonshine of yore. Grain is ground, mixed with water and yeast, fermented and distilled. The alcohol gets blended with gasoline, and the leftover corn mash is fed to cattle.

But as Adkins discovered the hard way, running these homespun chemical factories is no simple feat.

To hear critics tell it, the co-op was too cheap to install a costly thermal oxidizer, which uses heat and oxygen to clean emissions. Instead, they say, Adkins tried to get by using its cattle-feed dryer for the same purpose, causing a great deal of pollution.

Plant managers say they were the victims of poor design and malfunctioning equipment, which they have since spared no expense in correcting. Everyone agrees that problems attended the start-up, including a series of fires within the plant.

Adkins sits on a rise along the road to town, surrounded by farmland, houses and, six-tenths of a mile away, Denny Drake's KOA Kampground. The smokestack with its white plume is fully visible from his tidy campsites, and when production cranked up, his guests complained.

"A very strong smell of burnt nuts," Drake recalled. "It was a tremendous threat to our business."

Drake, Thorp, Randecker and other neighbors got together and hired attorney Nancy Rich of Chicago's Katten Muchin Rosenman, which usually represents industry.

"They were just pumping out all this pollution," Rich said. "I've been there and sniffed."

State lawsuit filed

The citizens filed suit, as did the Illinois Environmental Protection Agency and state Atty. Gen. Lisa Madigan. Their intervention in 2003 forced the plant to "spend some money that wasn't spent early on, that frankly should have been spent," said Matthew Dunn, chief of environmental enforcement for Madigan's office.

The pressure came at an inconvenient time for Adkins. Ethanol prices were in the dumps, and the prospect of pouring more money into an underperforming investment inspired resentment of the townies who had pushed the issue.

Adkins President Jay Butson describes the activists as a tiny minority, representing as few as seven people altogether. "CAVE people," he said. "Citizens against virtually everything."

As for the odor in the air, not everyone objected. Margaret Kempel, who also lives nearby, considered it nothing out of the ordinary here in farm country with manure all around. She expresses no sympathy for the "chronic complainers" who fought Adkins, where her relatives have invested.

"Shut the windows and turn on the AC and that's it," she said.

But businessman Steve Magee, a village board member who heads the health and environment committee, chuckles at the description of the citizens group as a few isolated malcontents.

"It was a huge deal," said Magee, who generally favors development. "On given days, the whole school would smell. I have four kids. We were all concerned."

Location a factor

Much of the distress stemmed from the plant's location so close to town. Ethanol factories need access to water, highways and, preferably, rail lines, not to mention a ready workforce—all easier to find in populated areas.

In addition, towns can award meaningful tax breaks, as Lena did, taking matters into its own hands amid discontent about the level of state investment in the area. Indeed, nearly every community in Illinois is on the lookout for development opportunities, and ethanol is the hottest in a long time.

Over the past few months, the IEPA has received applications from wanna-be ethanol producers in Joliet, Champaign, Kankakee, Danville and Carbondale, among other sizable towns. A proposed plant just off Route 20 in Rockford has drawn fire from a citizens group worried about odor and groundwater pollution.

"You shouldn't put these plants near people," said Rich, the lawyer for the Lena activists. "Lena is the classic example of the plant sited in the wrong place too close to residents."

Even so, the plant is mulling expansion. In September its investors got their first cash return, a robust 23.5 percent, said Butson. This year he expects a 30 percent to 35 percent payout. Adkins also is offering a solid premium for the local corn it buys, and its share values are rising too.

Moreover, a change in environmental regulations under consideration would reduce testing and reporting requirements, so the timing is ripe.

"We'd like to double the size of it," said Butson, "because our nation needs fuel."

Still, impediments remain. Settlement discussions with Madigan's office had reached an advanced stage, said Dunn. But in May the IEPA cited the plant for additional alleged violations. Although Butson said the plant has made all necessary repairs, Dunn wants more answers.

"We won't just blindly charge ahead with a site we thought was returning to compliance," Dunn said. "These things need to be sorted out."

Meantime, the neighbors will be sniffing the air for any whiff of wrongdoing.

"Expansion? Hah!" said Randecker. "We will be watching them like a hawk."

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Ethanol plants in Illinois

Illinois has seven ethanol production plants in operation or under construction, with 30 more proposed. Renewable fuels are gaining popularity as traditional fuel sources become more scarce and expensive.

- ETHANOL PLANT OWNER LOCATION
- 1 Adkins Energy LLC Lena
- 2 Illinois River Energy\* Rochelle
- 3,4 Archer Daniels Midland Co. Peoria and Decatur
- 5 Aventine Renewable Energy Inc. Pekin
- 6 LincolnLand Agri-Energy Robinson
- 7 MGP Ingredients Inc. Pekin

\*Plant under construction

Source: American Coalition for Ethanol

Chicago Tribune

- See microfilm for complete graphic.

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