

Growing with the Industry

As the ethanol industry takes on new challenges in the form of increased fuel mandates, thinning margins at the pump and ever-increasing competition, Conestoga Energy Partners LLC moves forward with its newest plant.

Between 1888 and the 1920s on the banks of the Cimarron River, the town of Arkalon, Kan., struggled with the sandy soil that made horse traffic difficult and the floods that took a toll on everything else. When the railroad changed its route in the 1920s, the southwestern Kansas town disappeared, leaving behind little more than a deserted stretch of prairie where cattle graze and locals occasionally go to fish. Today, a steady wind pushes past the oil pumps that slowly leach oil out of the ground. The only thing that seems to outnumber those pumps are the 3 million head of cattle stocked in the counties that surround Seward County, the home of Arkalon Energy LLC.

On Christmas Eve in 2007, the plant began grinding corn and milo. "A great way to finish up the year," says Tom Willis, chief executive officer of Conestoga Energy Partners LLC, the company that owns and operates the 110 MMgy ethanol plant, along with its twin Bonanza BioEnergy LLC in Garden City, Kan.

ARKALON ENERGY LLC	
LOCATION	Liberal, Kansas
DESIGNER/BUILDER	ICM Inc.
PROCESS TECHNOLOGY	ICM Inc.
CAPACITY	110 MMgy
FEEDSTOCK	corn/milo
ETHANOL MARKETER	Murex
DISTILLERS GRAINS MARKETER	Conestoga Energy Partners LLC
CARBON DIOXIDE MARKETER	undeclared
BROKE GROUND	August 2006
START-UP DATE	December 2007

Construction of Arkalon Energy began near Liberal, Kan., in August 2006. Colwich, Kan.-based ICM Inc. was the design/builder and process technology provider. According to Willis, not enough can be said of ICM's commitment to completing the project. "We experienced no delays, and everything came in on time." As margins began to shrink in 2007, this became increasingly important to the team at Conestoga.

The plant sends out a majority of its distillers grains as wet cake even though it has the ability to dry up to half of its coproduct. This helps avoid steep energy costs. "We have 3 million head of cattle on feed in this area," Willis says. "Being able to send out distillers wet

grains and having the feedlots so close is quite a savings to us."

Site selection is important in the evolving ethanol marketplace. Most producers choose to be close to their feedstocks, while others choose to be closer to user markets. Willis feels Arkalon enjoys an advantage in having local feedstock and distillers grains markets, which will reduce transportation costs. The plant will source 70 percent of its corn and milo locally.

In addition to this cost savings, Willis also points to the advantage of using unit trains. "We feel we have very competitive freight rates going into the Texas, Arizona and California markets," he says. Arkalon Energy is located on a Union Pacific rail line, and has the ability to shuttle between 80 and 110 cars per unit train. The plant's rail loop can accommodate up to 110 inbound or outbound cars.

Arkalon Energy is one of three projects for Conestoga Energy. In October, it began ethanol production at Bonanza BioEnergy, a 110 MMgy plant 70 miles

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north of Liberal. Now that Arkalon Energy is complete, Conestoga will focus on Boot Hill Biofuels LLC in Wright, Kan., also a 110 MMgy design. With the success of the first two projects, Boot Hill's expectations are high.

Arkalon Energy did present some challenges, however. Even with a good business model, a record of achievement and strong talent in the facility's board of directors, financing was difficult. Any plant looking for funding in the past 18 months has seen equity drives last longer, and banks are less willing to finance projects. The team at Conestoga was able to overcome these challenges but acknowledge that the situation isn't likely to improve in the short term. "The strength, experience and diversity of our management team, and board of directors, was a big plus," Willis says.

The Arkalon facility is "the dream of a group of people who believe in biofuels," Willis stresses. Though the town of Arkalon exists only in memory and a few crumbling foundations that are slowly being reclaimed by the Kansas prairie, Arkalon Energy exists as a testament to the vision of Conestoga Energy Partners.

More information about Conestoga Energy Partners can be found at www.conestogaenergy.com.

—Craig A. Johnson
Photos by Craig A. Johnson

