



Tami Schaefer
Commodities Marketer

What a great harvest! We filled up our new bins this fall which worked out well for both us and the producers. We dumped 5.4 million bushels from October 11 to December 31. With the new bins we can hold a little over 2.3 million bushels.

On November 10 we broke a record of bushels dumped for a day at 195,000 bushels, which is close to our limit of 200,000 bushels per day because of emissions reasons. The plant grinds about 1.4 million bushels a month so with the bins full we have a little over one month grind on hand.

As many of you know Jack has moved on to new adventures. Bradley Mosher has joined us to take on some of Jack's responsibilities and work more in the risk management for both GLE and GFE. We welcome Bradley to our commodities staff.

Our commodities staff would like to clear up some confusion on the membership contracts. If you contract your corn on another member's contract, the contract and the tickets must be in that member's name. It will make things run a lot smoother on both sides. If you have any questions please feel free to call the commodities department.

Just a reminder to check your bins occasionally to make sure the grain is staying in good condition.



GLE and Grain Receiving broke daily records this harvest season. Thanks to them for their long days and hard work.

Reed Storley

Maintenance Manager (continued from page 2)

projects and get a head start on others. We have spent significant time training the maintenance personnel in the areas of safety, instrumentation, high voltage electrical, belt drives, and computerized maintenance management. We are always looking for new ways to keep everyone up to speed on the technology in the plant.

Looking ahead this winter our goal is to keep production up to the record levels that we are currently experiencing. This is only done by all employees working toward a common goal. Another goal of ours is to be able to identify problems before they become lost productivity. This is an area where our training comes into play. The better our people know the equipment and the process the better they are able to recognize when a problem exists.

Best wishes on a safe and successful new year.



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Michael Nealon
Controller

Greetings:

For the first quarter of the new fiscal year (September 2004 through November 2004), Glacial Lakes Energy again showed a very strong net profit from operations due to consistent production and high selling prices for fuel ethanol. Prices for distillers' grain have been consistent during this period, but we have started shifting towards producing more modified distillers' grain for the winter months. While the cash price of corn has continued to come down based on the large corn crop harvested, the costs of the corn we recognize in the income statement reflects the hedging program that we had in place for this crop year.

As part of our investment in Granite Falls Energy, I have been working on finalizing the terms of the \$34,000,000 construction loan with First National Bank of Omaha. The loan was closed as of December 16, 2004, but we are not expecting to have any amounts borrowed with the bank until March or April 2005.

Similarly to what Glacial Lakes Energy has done to fix rates on its debt, Granite Falls Energy entered into an interest rate swap on January 6, 2005 at 7.69% on \$17,000,000 of the borrowings we expect to have in place by September 2005. We chose to enter into the swap at this time rather than waiting until the end of construction and be subject to the various changes that could occur over that period of time.

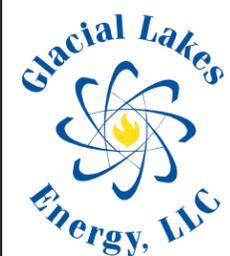
We finalize the construction budget for Granite Falls Energy in November 2004 at an expected cost of \$61,313,700. With over \$64,100,000 of funds available (from the construction loan and from the equity drive), we have adequate funding to complete the project.

During the quarter, Glacial Lakes Energy sent out billings to GLCP members for pool fees owed for the fiscal year ended August 31, 2004. Please note that dividend checks for GLCP will be held until pool fees are paid to Glacial Lakes Energy. We also sent checks to GLCP members for the two percent discount on the DDG they purchased based on their respective corn commitment.

Also in last quarter's article, I talked about a bill known as the American Jobs Creation Act that was to contain several ethanol-related provisions. The President did sign the bill, but the final version was different than what I discussed with you. The final version did not have the 15% tax credit on certain qualifying equipment. Also, the bill did change the Small Ethanol Producer Tax Credit so that cooperatives (like GLCP) will be able to pass the tax credit onto its members, but the definition of a "small ethanol producer" was left at 30 million gallons per year. A new bill has been introduced in the U.S. House of Representatives in January 2005 to change the definition to include plants with production up to 60 million gallons per year.

Daily corn bids are updated daily on the GLE website. Click on daily corn bid.

www.glaciallakesenergy.com



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NEWSLETTER



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From the Desk of the General Manager



Tom Branhan
CEO/General Manager

Here it is the end of January and we just finished the GLCP Annual Shareholders Meeting last Friday in Watertown, SD. If you braved the ice storm and were at the meeting then you heard my presentation and if not, then read on and I'll cover the most important items for you.

GLE finished our fiscal year on August 31, 2004, producing over 47.7 million gallons of ethanol and 153 thousand tons of distillers' grain while grinding 17.2 million bushels of corn. Probably one of the most notable accomplishments was our reduction of downtime for repairs or scheduled maintenance throughout the year. In 2003 we recorded 372 hours of downtime and in fiscal year 2004 we only recorded 238 hours. This is a testament to how well we take care of this plant and how focused we are on preventative maintenance. This plant produces approximately 94 gallons of ethanol every minute that we are in production, so you can see how the reduction of 134 hours is a significant financial benefit to GLE.

We paid out \$43,051,000 for the 17.2 million bushels of corn that we purchased from local producers which equates to \$2.48 per bushel on average. There is no doubt that GLE has narrowed the basis on corn around the Watertown area which provides more cash flow for producers. Another benefit of GLE's presence is that we also provide significant business to local trucking companies that bring corn into the plant and deliver distillers' grain to our patrons.

At GLE, it is an ongoing task to keep up with ever changing technology and continued effort to reduce our operating costs. In this fiscal year we intend to add a fourth, 730,000 gallon fermentation vessel which will greatly reduce our cost to produce ethanol. This is a fairly large project which I hope to start sometime this next spring.

Granite Falls Energy, LLC is progressing even in this cold weather. The administration building is nearing completion and we hope to move into it in March or April to set up permanent offices. Over 6,000 yards of concrete have been poured for footings, tank bases, piers, walls, pits and fermentation tank foundations. In early February structural steel will be erected and the large tanks will start being fabricated and welded together in place. At current time we only have approximately fifty construction personnel on site because of the slow progress during cold weather. The intent is to get concrete poured, foundations in place and structural steel erected so that when the weather breaks Fagen Inc. can increase their labor force and really progress on the construction of this plant. We have recently launched a website for GFE where you can go to get more information on plant construction progress and the business structure. www.granitefallsenergy.com.

Employee Feature
REED STORLEY
Maintenance Supervisor



Reed Storley is GLE's nineteenth employee. In July, 2002 Reed began as a maintenance technician and last February moved up to Maintenance Supervisor. His wife Lori owns and operates Sterling Interiors in uptown Watertown. Reed recently helped her move into her expanded store at the old Outfitter location.

The Storleys have two daughters: Kari, a junior in college at UNO in Omaha and Kendell, a senior in high school.

Born in Juneau, Alaska, Reed completed his early school years in Aberdeen, SD. He graduated from SDSU with a Mechanized Agriculture degree and then went on to be an Operator Mechanic for SD Wheat Growers and a Field Service Technician for Ag-Chem Equipment.

In his job, Reed enjoys daily challenges. In his spare time Reed helps his wife with her business and follows dirt track and NASCAR racing.

Employee Guest Columnist



Mary Dailey

The year was 1979 and an "energy crisis" crunched the country.

In Connecticut, the gas stations closed by 7:00 p.m. On prom night, my pumpkin (a '73 almost gleaming white Vega)

had enough gas to travel to the out of town prom. That is, if I didn't get lost in the back streets of Springfield, MA. Since no gas stations were open, I couldn't refuel and sputtered out of gas by the bewitching hour (12:00).

In 2004, we're facing another energy crisis in our country as we ride the roller coaster of gas prices dependent on the supply of crude oil. If, or when we would deplete the world's oil supply remains in question. Whatever the case, renewable fuels, including ethanol, are essential to not totally relying on crude oil in a volatile market.

Recently, I enjoyed meeting Senator Tim Johnson in the GLE Board Room as he questioned a few employees and Board members what he should do as a member of the Senate Energy Committee. It's exciting to be the grass roots (or should I say corn roots?) voice in the forefront of legislation.

Education is key to enlightening future generations. My fourth grader was recently studying for a Social Studies test. As I quizzed her on words like petroleum oil and nonrenewable fuels, I thought how area classrooms could learn how locally grown corn produces a "renewable fuel." Through tours, pamphlets, farm shows, etc., Glacial Lakes Energy continues educating area people.

I've only been here eight months, but ethanol seems to me to be a win-win situation where good old-fashioned American ingenuity uses the supplies we have on hand to meet our needs.

I've really enjoyed greeting the various groups, investors and individuals who stop in at the office and hope to continue to learn and grow here at Glacial Lakes Energy.

Oh, and don't worry, someone with a fuller tank of gas came to rescue me back in 1979. Thanks, Dad.

Check out our Granite Falls Energy website:
granitefallsenergy.com

PRODUCTION TIDBITS



David Culver
Plant Manager

It looks like we made it through another holiday season. The plant is running well and we are currently reviewing any concerns and addressing our options for this next year.

So far this winter has had only a few real cold days with no significant levels of snow which has made it a lot easier on us at the ethanol plant. I am hearing this week about predictions of snow storms and severe cold, but I think that we are well prepared to deal with what is thrown at us. Ethanol plants seem to

run a little better in the cold, however, that usually means 40 to 50 degrees not 10 to 25 below where we are at risk of freezing up equipment. We have prepared ourselves by making sure to winterize equipment and we have had a couple years of experience to figure our potential problem points. We should be able to come through just about any weather unscathed.

Our last major shutdown was in the first part of October. We have had a few short shutdowns since to fix some problems as they arose, but these minimal periods of time have not greatly affected production. According to our production records we have averaged a 49 million gallon per year production rate of ethanol since October. This is over 120 percent of the designed production capacity. We are going to be spending our next few months putting together lists of improvements and fixes and getting prepared for our next maintenance shutdown in the late part of April.

We are hoping for another good year this year and hope to continue to make improvements in our plant. We are pretty much at the point where we are hitting the ceiling for productive capacity in the plant without investing in higher capacity equipment or attempting to modify current systems. While investigating what we need to do to get past these equipment bottlenecks for further production, we are looking at ways that we can cut costs in the plant through the improvement of procedures and the fine tuning of process systems.



Scott Warkentien, plant operator, takes his turn at a Christmas shift. Thanks to all the employees who worked the holidays. Photo courtesy of Watertown Public Opinion



Reed Storley
Maintenance Manager

Hello again from the Maintenance Department.

It seems like the harvest and Christmas season came and went in a flash. We were busy preparing for winter to arrive and now we're planning for our spring maintenance shut down. With the exceptional weather that we've been experiencing the winter has been less of a hassle for us in maintenance. Basically no snow to move, no scales to unthaw, very few freezing issues to deal with, but the winter is not over yet.

Hopefully everyone had a successful and safe harvest this fall. By making some adjustments to the existing grain receiving equipment and to the new steel bin conveyors we experienced very few issues during the long unloading days of harvest. I would like to remind everyone that we have 10mph speed limits throughout the entire plant.

With the mild temps and lack of snow we have been able to finish up some smaller
(continued to page 4)



Kari Hogstad
Human Resource Coordinator &
Accounting Assistant

Hi. I hope everyone had a wonderful holiday season. It's hard to believe that it is already January and spring is just around the corner.

This past quarter has been very busy. December 11 we held our annual Christmas party and a good time was had by all. January finds us seeking insurance quotes as our health insurance is up for renewal on February 1.

I would like to take this opportunity to introduce to you our newest employees.

Bradley Mosher is our new Commodities Manager. Bradley grew up active on a farm in northwestern Minnesota. He attended the University of Minnesota, Crookston and received a degree in Ag Finance. It was the commodity business that brought Bradley and his family to Watertown; as the National Sales Manager for Morning Song Wild Bird Food Co. based out of Lafayette, IN. Most recently he was employed by Hesco in Watertown as the purchasing/trading manager. Bradley brings over nine years of commodity experience to GLE.

Bradley's hobbies include spending time with his family, golfing, officiating college wrestling and basically anything outdoors. Bradley has been married to Carolyn for 20 years and they have two children: Gracie, age 6 and Hatti, age 3.

Scott Salzer has accepted the open plant operator position. Scott was born and raised on a farm near Leola, SD. Most recently he has been employed as a horse trainer and manager of Norwegian Fjord horses. Prior to this Scott spent four years traveling 44 states as a horse handler for the Budweiser Clydesdales operation. In this capacity he drove the horses and wagons to events and then drove the eight-horse hitch in parades. Needless to say Scott's hobbies are riding and training horses.

Scott and his wife Tammy have been married for 22 years and have two daughters: Courtney, a sophomore at the University of Sioux Falls, and Kristin, a freshman at Roslyn High School.

Tyler Austad has joined us as a grain handler. Tyler grew up in Watertown and graduated from Watertown High School. His previous experience has been at Dynamic Engineering and Modak Dairy.

Tyler and his wife Amy have two children: JoAnna age two and newborn Logan.

Please join me in welcoming these new employees.



Bradley Mosher



Scott Salzer



Tyler Austad

Environmental & SAFETY



Susie Johnson
Environmental Health &
Safety Manager

We passed a major safety milestone last quarter. GLE has gone over two years without a lost time accident. GLE employees, management, and the board of directors are all to be commended for our commitment to safety. It pays! Tom rewarded GLE employees for this major accomplishment with insulated bibs. With the recent cold weather, these have been much appreciated.

We continue to operate in compliance with our emissions requirements. Our 2004 annual reporting for the Emissions Inventory and Toxic Release Inventory will be submitted this quarter.

An additional air emissions amendment for Granite Falls Energy will be submitted this quarter to reflect corrections between the original plan and the current design. We should have GFE's water appropriation allocation from the new well at the elevator this quarter as well.



Allen Wells
Commodities Marketer

Half way through what has been a very balmy winter finds the feed department at GLE a busy place. The demand for our quality distillers' grain has us pretty well sold out up into spring. This tells me that even

with this year's lower priced soybean meal and other protein sources, distillers' grain is continuing to gain a bigger share of the feed ingredient market. Even though we are nearly sold out of distillers' grain now, I have been writing some new contracts starting in spring through summer. If this would work for you, give me a call.

By the time this publication is out we will have taken Rising Star Feeds on the road to a couple of different events. On January 13 we hosted a Distillers' Grain Seminar at the Watertown Elks Lodge. Topics of the seminar were the benefits of distillers' grain in your feed rations compared to corn and other protein sources.

With the growing demand and interest in our quality distillers' grain in western South Dakota we took Rising Star Feeds to the Winter Expo trade show in Pierre on January 15 and 16. This proved to be a very worthwhile event as we have an individual in Ft. Pierre that will stock and sell our dry distillers' grain.

GLE and Rising Star Feeds once again has a booth and is sponsoring the Supreme Row at the Watertown Winter Farm Show. This is always an exciting and competitive event. We're proud to be part of a great community event like the Farm Show. See ya' there!!



Mission Statement

"Profitability Adding Value to Local Agriculture"