



Tami Schaefer
Commodities Manager

Here it is spring again seems like it takes forever to get here and when it comes it goes really fast. I know you producers put in long hours in the spring to get the crop in but make sure you keep safety in mind.

As it looks now for our corn market to stay basically sideways for now we will see some spring and summer weather markets yet this year. We also have to keep in mind that the US has a 2.2 billion bushel carry out for this year.

I would like to congratulate John Guest Jr. for his new role as Commodities Supervisor and also to Dustin Jensen for taking the position of Commodities Supervisor Assistant. Congrats!! I would also like to welcome Gary Lenzen aboard in the commodities department.

Just a reminder to check those bins to make sure that the grain is staying in good condition. Heat damage in corn affects the starch which affects the production of the ethanol and other damage factors will also affect the feed product and also changes your bottom line.

Allen our feed salesman had back surgery the first of April we hope that he is back here shortly. Just a reminder on the feed product that you should order a few days head of time which should guarantee that you get the product when you need it and also helps us know how much product we need for each day. It will make things run smoother on both ends.

Kari Hogstad

Human Resource Coordinator &
Accounting Assistant (continued from page 3)

and is a farmer. Mike and Marcy have two daughters, Morgan and Mallory.

Gary Lenzen joined GLE in April as a grain handler. Gary resides near Bradley on a farm with his wife Elaine and son Matt. Gary most recently worked at Acrotech as a machine operator.

We wish to extend a warm welcome to our new team members.



Reed Storley, Maintenance Manager at GLE, started the racing season in Watertown with his new dirt track car sponsored in part by Glacial Lakes Energy, LLC. Watch for Reed this summer in Watertown and other local area tracks.



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Michael Nealon
Controller

Greetings:

For the second quarter of the fiscal year (December 2004 through February 2005), Glacial Lakes Energy again showed a very strong net profit from operations due to consistent production (only 6.75 hours of downtime) and high selling prices for fuel ethanol. Prices for distillers' grains have been consistent during this period, with a majority of our production in modified wet distillers grains. Our costs for corn have remained close to budgeted amounts, based on the large harvest from the fall and the hedging program put into place for this crop year.

Since the start-up of our plant in August 2002, we have participated in the Bio-Energy Program operated by the U.S Department of Agriculture. Under the Bio-Energy Program, ethanol and bio-diesel producers can receive money from the USDA based on increases in production over the prior year. Unfortunately, funding for the Bio-Energy Program for FY 2005 (October 2004 to September 2005) was set at \$100 million versus the \$150 million for prior years. As we have been at a very high production rate since the fall of 2003, our year-over-year increases in FY 2005 are less than seen in previous years. Please note that the Bio-Energy Program is currently scheduled to expire in September 2006.

Since the middle of 2004, the Federal Reserve Board has been raising interest rates as the economy has started to recover. From August 2004 to February 2005, we have seen increase in the amounts we have borrowed from First National Bank of Omaha under several variable-rate loans. The increases have been around 0.75%, but only about 44% of our debt is variable-rate. When the budget was established for fiscal year 2005, we estimated that interest rates would increase over 1.00%.

Things at Granite Falls Energy are going well, from a financial standpoint. We are on pace with the budget established at the start of the project. If you would like more information on Granite Falls, please go to www.granitefallsenergy.com to read the monthly newsletters and to follow the link to the SEC's website to read the Form 10-K for the year ended December 31, 2004.

Reed Storley

Maintenance Manager (continued from page 2)

inspections, cleaning, and PM's that the crew is very familiar with.

Hopefully in our next newsletter I can update you on the success of our shutdown and the projects that lie ahead for the summer months. I wish everyone a safe successful spring and remind everyone that the speed limit on the plant site is 10 mph.

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

www.glaciallakesenergy.com



FUEL • ETHANOL

NEWSLETTER



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From the Desk of the General Manager



Tom Branhan
CEO/General Manager

I filled my truck with gasoline this morning at a cost of \$2.25 per gallon which is an all time high and wondered if you knew the fundamental reasons for the high pump price. Crude oil hit an all time high recently of \$57.27 per barrel even though OPEC is producing and shipping an additional million barrels of crude oil per day. Natural gas this morning was \$7.57 per Mmbtu nearby which is also very expensive from a historical view point.

The major factor in high prices is fear. Traders and refiners are concerned that we are coming into the peak driving season and even though we have adequate inventories, one refinery outage or terrorist event could easily upset the balance and create shortages. Because these same traders and refineries are locking up future supplies in fear of shortages, prices continue to rise. As prices rise, buyers purchase more product which produces the snowball effect of rising prices that we are seeing now.

Natural gas as I said is trading at very high prices even though we have higher inventories than the five year averages. The reason for high natural gas prices is that this commodity is simply following the petroleum market since natural gas is recognized as an alternate energy source. There are no fundamental reasons to raise the price of natural gas other than hanging on to the shirttail of petroleum.

Contrary to the rising price of petroleum products, the selling price of ethanol is dropping because of excess supply in the market. There is over 750 million gallons of additional ethanol production coming on stream this year with no new demand for our product. Atlanta, Georgia is a 500 million gallon of ethanol per year market that our industry was counting on to convert to ethanol on January 1, 2005. Unfortunately Atlanta got a stay in the 11th Circuit Court to fight using ethanol. We expect to win this battle, but the best case scenario is for Atlanta to start using ethanol late this year. As of today ethanol is not recognized as an alternate energy source and is subject to strictly supply and demand. We intend to change that way of thinking and have ethanol recognized as an alternative energy source by creating more supply, legislation, and public awareness.

On the positive side, there are many favorable factors for the continued use of ethanol to keep in mind. First there is the possibility of California taking an additional 300 million gallons by raising their concentration of ethanol from 5.7% to 7.7% in every gallon of gasoline they blend. Atlanta, Georgia will have a tough time convincing the EPA that they should receive a waiver. Every day the general public becomes more aware of the value of ethanol, especially in light of the very high gasoline prices at the pumps. A good example of this is in Watertown, SD the price for E-85 is \$1.55 and the price of regular unleaded gasoline is \$2.25 per gallon. The price difference alone is causing the general public to ask questions and consider blending ethanol. Sooner or later the retail stores and the blenders will start using more ethanol as they have the ability to discretionary blend ethanol with their unleaded gas to extend their fuel supply and to make more profit. It stands to reason that the more ethanol that is blended into gasoline, the less the final product should cost.

Employee Feature

KEVIN KAUERS

Lab Supervisor



Kevin Kauers has been employed by GLE since July, 2002. He is currently the lab supervisor whose main duty is maintaining the plant's QA lab. His main duty is monitoring the fermentation process from the grinding of the corn through the finished products.

Kevin grew up in Milbank and then attended SDSU, receiving B.S. degrees in Biology and Botany, with strong backgrounds in Microbiology and Chemistry. After college, Kevin joined the Navy and served for 12 years as a Hospital Corpsman. His main job in the Navy was as a Medical Technologist while stationed on the West Coast and Japan. After his discharge, he received an A.S. degree in MLT from George Washington University. Before coming to GLE, Kevin was a Lab Tech at Davisco Foods in Lake Norden. Kevin has spent his entire working life in labs of one type or another, ranging from clinical to research to QA labs.

Outside of work, Kevin enjoys golf, hunting, fishing, pool, darts, and reading. "I don't feel comfortable unless I'm reading," he says.

Kevin believes that the ethanol industry as a whole will continue to grow and mature. One of the most intriguing aspects of this industry is the potential for recovering more products from the process stream. At this time there is a limit to what can be extracted but as technology advances the number of products will grow.

Employee Guest Columnist



Tyler Austad

Greetings everyone. First of all, I'd like to thank the employees at GLE for taking me under their wings, helping me out and making me feel right at home. In my eyes, it

takes a well trained and hard working team to make a company run at 100% and GLE has that.

I was amazed when I first started in January at how much corn we took in per day and how much wet and dry distillers and ethanol went out per day.

Looking at the future, it's going to be interesting to see what will happen to the ethanol business considering the high price of gas. In the state of South Dakota, it seems businesses are promoting E-85 and Governor Rounds is traveling around the state in his E-85 truck.

The Grains Department took a trip to Granite Falls and saw their progress pouring concrete for silos and bins. In Granite Falls, the Grains Department learned more about grading corn.

During our recent shutdown, there was a lot of previous planning involved and the P's and Q's seemed to be in order. It was a smooth shutdown. Everyone came and worked together as hard as they could and got everything up and going again.

Best of luck to Granite Falls and their employees and investors. Thanks to the Board members and investors for helping GLE reach its goals.

GLE Receives DENR Award

GLE received the 2004 Industrial Operation and Maintenance Excellence Award from the South Dakota Department of Environment and Natural Resources. This award is for outstanding wastewater system operation and environmental compliance with its state surface water discharge permit for the past year. Only 33 industries in the State of South Dakota received this award.

Check out our Granite Falls Energy website:
granitefallsenergy.com

PRODUCTION TIDBITS



David Culver
Plant Manager

I feel like I say the same thing over and over again in these newsletter articles. The plant is running well, our people are great, and we are doing everything we can to get the plant better, faster, and more efficient. The problem is when the plant is running well, the people are great, and our focus is to get the plant better, faster, and more efficient there really is not much else to talk about.

There are some interesting developments in the ethanol world in general. For the first time I had to think about minimizing the amount of denaturant to add to the ethanol that we produce. Denaturant is what we add to the ethanol to make it undrinkable and therefore non-taxable. In the past we would always add as much as possible, a five percent addition, in order to maximize the amount of ethanol "produced" because the denaturant always cost less than the ethanol and therefore we made money off of it. However, recently denaturant has jumped in cost above the ethanol price and now we are in a situation that we need to minimize its addition to the ethanol product, to a two percent addition, in order to decrease the excess cost that it adds. We are going to see a corresponding drop in our ethanol production.

The other interesting development is in part related to the one above. In the past when we had huge jumps in fossil fuel prices, like the denaturant, the ethanol price has somewhat followed it. The ethanol price has actually been dropping lately. This is related to the large number of plants that have been coming on line lately that have increased the supply of ethanol. The demand has not been able to grow fast enough in order to take in this new ethanol being produced. The demand may be there some day but it has not caught up yet. This is depressing the price and we are definitely feeling the competition of those other plants.

What is the point of all this. I am happy to say that we do have a good plant that does not have a lot to complain about. Our plant is running well, our people are really good, and we have gotten the plant to run better, faster, and more efficient and it continues to be our focus and it will allow us to survive in this more interesting world.



Reed Storley
Maintenance Manager

Spring is one of my favorite times of the year. It looks like we are off to a good start for the planting season with warm weather and a couple of shots of rain. Spring season at GLE means that we are heading into our lengthy spring maintenance shut down. I'm writing this letter just before the shut down is to take place and will briefly describe some of the tasks that we are going to complete during this outage.

We have several outside contractors coming on site to complete various tasks. Some of the contractors include ICM, Hydro Klean, Tranter, Concrete Specialties, McCormick, and several others. These contractors are performing tasks that range from routine cleaning of the EVAP's to installing epoxy to the floor in our Yeast Prop area. As the plant gets older we are starting to find a need for facility maintenance in certain areas. Installation of epoxy to the floor is an example of where the concrete is starting to show wear and needs our attention.

We have been compiling a list of items over the winter for our own personnel to work on during the shut down. We basically start planning for the next shutdown as soon as the one we're working on is completed. The plant maintenance, operations, and grains personnel all contribute to the completion of the tasks on our list. We have a very detailed list of routine

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Kari Hogstad
Human Resource Coordinator &
Accounting Assistant

I would like to take this opportunity to congratulate the following employees on their recent promotions. Joel Bremmon from utility operator to maintenance assistant; Ryan Warkenthien from operator to utility operator and Chad Brenden from shift lead to Operations Manager, replacing Doug Reisdorfer, who

will be leaving us to begin his new duties as Plant Manager at Granite Falls Energy. Tami Schaefer has been promoted to Commodities Manager. The entire grains department will now report to Tami. John Guest was promoted to Grains Supervisor and Dustin Jensen to Assistant Grains Supervisor.

Peter Bullene has joined our team as the Environmental, Safety and Health Manager. Pete was born in Fergus Falls, MN and raised in the Moorhead MN area. Following graduation from Moorhead High he attended Northwest Technical College in Moorhead, MN. Pete was employed by the City of Watertown for about 10 years, leaving them as the Lead Operator of the wastewater facility. Pete then was employed as a private OSHA, DENR, and DOT consultant. Pete came to us from Davisco Foods International where he was the Environmental, Safety and Health Director. Pete and his wife Carol have three children: Tony, Alex and Amanda and reside in Watertown.

With the recent promotions we have added two new plant operators.

Scott Moes joined us in March. He was born and raised near Kranzburg and graduated from Watertown High School. He was previously employed as the Dairy Manager at Modak Dairy in Kranzburg. Scott and his wife, Katie, live in Kranzburg and are the proud parents of Teagan, age 8 months. Katie works as a teller at Wells Fargo Bank.



Pete Bullene



Scott Moes

Travis Arnold has also joined us in March. Travis was raised in Watertown and graduated from Watertown High School. He also attended LATI. He was previously employed by the Watertown Mall in Operations and also in maintenance at the Civic Arena. His hobbies include motorcycle riding, construction work and spending time with his family. Travis and his wife, Rockell, have been married for a year in July. Travis has two step-sons, Dion, age 10 and Dillon, age 8.



Travis Arnold



Marcy Kohl

Marcy Kohl has rejoined the GLE Team as an Administrative Assistant and Membership Services Coordinator. Marcy was the first employee at GLE and comes back to us after a year and a half at Staff Search Recruiters. Marcy is a native of Kranzburg, SD and currently resides there with her family. Her husband, Mike, is a native of Revillo, SD



Gary Lenzen

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Environmental & SAFETY



Pete Bullene
Environmental Health &
Safety Manager

I am pleased to join the GLE team as the new Environmental, Health, & Safety Manager. I have a little over a month under my belt and have found that I work with a great group of people who are very conscientious about health and safety which makes my job more rewarding.

Congratulations to the Glacial Lakes Energy management and staff for being recognized by the South Dakota Department of Natural Resources. GLE received the 2004 Industrial Operation and Maintenance Excellence Award. This award recognized GLE as an outstanding wastewater system in South Dakota in the areas of operation and environmental compliance. Tom Branhan received the award for GLE on April 6, 2005 at the 2005 Water and Wastewater Annual Conference in Rapid City, SD.

On the safety side we have just surpassed 890 days without a loss time injury. An accomplishment such as this shows the commitment put forth by the board of directors, management and employees. The updated safety training schedule is near completion. This will provide all employees with the required OSHA training and also further their knowledge in safety and loss control issues.

Air quality, storm water and wastewater permits are currently under review. A master sampling and documentation schedule is under development. This will enable GLE to fulfill the needed obligations with EPA, SDDENR and the City of Watertown in a proficient and cost effective manner.

Award Winning Ethanol Presentation



Erica Endres (left) and her sister Emily Endres (right) won a purple ribbon for their 4-H presentation on ethanol at the Watertown Winter Farm Show in February. They qualified to speak at the South Dakota State Fair later this summer. The girls' father, Greg, is a member of Glacial Lakes Corn Processors.