



Tami Schaefer
Commodities Manager

Here we go: another volatile weather market. What will the yield be in the eastern Corn Belt or even the western Corn Belt for that matter? The July crop report is still keeping the US carryout at over two billion bushels for the 2005-2006 crop year.

As I write this newsletter article, the crop in this area looks great. We will need to get a shot of rain here shortly to carry the crop through pollination stage.

We apologize for any inconvenience that we may have caused with not being able to take corn every day. There has been a lot of corn moving this summer to keep our new bins full. We also had an issue with the aeration in our three new steel bins, and we got the first two emptied and fixed; but we had to shut down dumping for a few days to get bin four emptied and fixed.

I would like to stress how important it is that when you are hauling in corn on another member's contract that the ticket has to be registered in that member's name with your name as the producer. That way, the corn is applied to the right contract and the checks get made to the right people. Checks are written out every Monday for the loads that were brought in the previous week, and the checks are mailed on Wednesday. If there needs to be a correction on any of those tickets, please inform us as soon as possible so it can get changed before the check is issued.

I would like to welcome Kathy Jost to our commodities staff. Kathy's duties are invoicing, accounts receivable and helping with orders of the DDGs and WDGs. Welcome Kathy. We're glad to have you aboard.

Reed Storley

Maintenance Manager (continued from page 2)

we allowed ourselves.

Since that time we have been working on several new projects. Some of these projects include major bearing service on the centrifuges, installation of a larger denaturant pump to speed up unloading times of railcars, addition onto the administration office building, automated openers for fermenter lids, enlarging the maintenance shop door, and the current oil separation system. There never seems to be a shortage of work for maintenance. We always have projects on the table or on a wish list however you want to look at it.

We have also squeezed in some training for the maintenance personnel in the last two months. Different members of our department have attended a compressed air seminar, lubrication training, instrumentation training, the FEW workshop in Kansas City, and centrifuge maintenance.

I would like to take this chance to say thank you to Bob Benson for his service in the maintenance department and wish him well in the future. I would also like to welcome Travis Arnold as our newest Utility Operator to the maintenance department. A special thanks to all my guys for their efforts during this stretch of hot weather.

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

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Michael Nealon
Controller

Greetings:

For the third quarter of the fiscal year (March 2005 through May 2005), Glacial Lakes Energy again showed a good net profit from operations due to consistent production. The results for the quarter reflected our scheduled maintenance shutdown in April. Prices for ethanol in April and May were lower than budgeted due to the impact of the new summer contract season.

Prices for distillers' grains have been consistent during this period, with a significant portion 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.

Things at Granite Falls Energy are going well, from a financial standpoint. We are still 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 web site to read the reports we have filed. We have hired a CFO / Controller for Granite Falls who started on July 18. Her name is Stacie Schuler and she comes to us from Cargill in Maynard, MN where she was the Finance Manager for several locations. I will be working with Stacie to complete the set-up of the accounting function for Granite Falls.

As we approach the start of the next fiscal year (September 2005 to August 2006), we are preparing the first draft of the operating budget for Glacial Lakes Energy, which will include the activities of Granite Falls and Redfield. Given the nature of the current markets for ethanol, corn and energy inputs, the budgeting process will be quite challenging.

At the same time, we are also looking at the end of this fiscal year in August. We have been talking with our outside auditors about the timing of the FY 2005 audit and the preparation of the income tax return. This is all needed before the annual meeting, which we expect to have in January 2006.

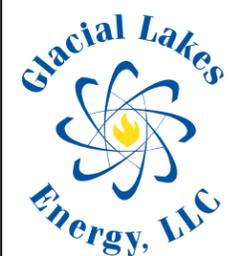
Allen Wells

Commodities Marketer (continued from page 3)

distillers' grains seminar in Ames, Iowa. One of the speakers at this seminar was Dr. Simon Timmermans from Alltech Corp. He spoke about the practical uses of distillers' grains in beef and dairy operations. Simon used his father's dairy to give an example of the cost savings observed feeding six pounds of dry distillers' per head per day versus ration without. The cost savings using distillers' grains came to .22 cents per head per day.

On the beef side Simon used a feedlot in NW Iowa he calls on. The feedlot currently adds only 16% of dry matter from wet distillers' grains to their rations. This is by no means the maximum inclusion rate that could be fed, but 16% showed a savings of \$27.60 to finish an 800 pound steer compared to using a conventional ration without distillers' grains.

One of the main topics discussed at this seminar was finding a source of distillers' grains that is of high quality and stays consistent. Rising Star Feeds is definitely one of these sources.



FUEL • ETHANOL

NEWSLETTER



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From the Desk of the General Manager



Tom Branhan
CEO/General Manager

The summer heat is here and we are already planning for our fall maintenance shutdown and winterizing of the plant. It is essential to the continued success of GLE to always be looking ahead for opportunities to improve and/or protect the plant. As such, we have many opportunities to investigate and possibly move forward in our schedule.

One opportunity that we are considering is our involvement in a new fuel ethanol plant to be constructed in Redfield, South Dakota. We are in the very early stages of organizing Redfield Energy as a separate entity that Glacial Lakes Energy will provide construction and operational management and for those services receive an equity position in the new 50 million gallon per year plant. GLE would also receive a monthly management fee from Redfield Energy for operating the facility. At present, we are gathering information on construction costs, design, permits, easements and operational costs in order to create financial models for raising equity and obtaining a loan for Redfield Energy.

Equity drives will be announced soon so that anyone from South Dakota can buy stock in this new plant.

Another production improvement is underway at GLE in the form of adding a fourth fermenter tank to our facility. This additional tank is essential to maintaining higher production levels while producing quality feed co-products. Please read Dave Culver's article in this newsletter for a complete explanation of the process and the necessity of adding the fourth fermenter.

The newest talk in the fuel industry and with legislators is in BioFuels. GLE has the unique opportunity to be involved in SunSource BioFuels which is a fledgling company being formed to produce bio diesel fuel. The new concept produces bio diesel fuel from corn oil that we currently ship out of the plant in the form of distiller's grains and solubles. The oil will be separated out of the feed stream through centrifugation before it reaches our dryers which will save the plant money on drying costs and reduce emissions from the plant. We anticipate that the quality of our feed will improve by removing the oil from the feed as it tends to make the feed sticky and not as free flowing as we would like.

The first centrifuge is in our plant and currently being tied into our process for field testing. The corn oil produced from this centrifuge will initially be sold to the poultry industry until a bio diesel plant can be constructed.

The construction of Granite Falls Energy, LLC is going great which means the plant will start production sometime this October. We will have an actual corn grind date by mid August and will then be able to make final preparations for a successful start up. On July 27 we held a job fair in Granite Falls to interview potential candidates from the area to work at various jobs in the plant. All GFE employees will be hired by mid August to allow for orientation and extensive training in anticipation of an October start up.

The ethanol industry continues to be a strong and viable market and GLE is well positioned to take full advantage of the many opportunities that are available.

Employee Feature
ADAM BUTTERFIELD
Maintenance Assistant



Adam has been a Maintenance Assistant at GLE since the plant opened in 2002. In fact, his nickname on his hard hat "Julio" is taken from one of the original contract workers when GLE was under construction. Born in Clarkfield, Minnesota, Adam has lived several places across the country including Arizona where he gained experience as a mechanic. Before GLE, Adam also worked at Westside Implement in Clark and as a welder at 81 Welding. Adam says he likes everything about his job, especially the repair aspect. "There's something new every day." In the ethanol industry, he thinks "the future is open for opportunities." Adam also enjoys the people who make his job interesting.



CORN FLAG featured on the back of the GLE Fourth of July float. Thanks to the maintenance crew and all the others who helped build the flag (including Allen Wells, corn gatherer).

News In Brief

EPIC

Tom Branhan was recently elected President of EPIC – Ethanol Promotion and Information Council, a national industry-wide effort to create a positive message identity for ethanol. Check out their web site for fact sheets on ethanol. Don't see the question you want answered? Click on learn more and you can ask the expert. www.drivingethanol.org

SunSource BioEnergy

As Tom stated in his article, SunSource BioEnergy is an exciting new industry. To learn more, click on www.glacialakesenergy.com and on the right hand side of our web page click on SunSource BioEnergy LLC. Basic questions and answers about this new venture can be found here.

Ethanol's Energy Balance

The Claim: Recent news reports have falsely claimed the ethanol production process is inefficient, actually using more energy than ethanol provides as a fuel.

The Truth: Ethanol contains at least 77,000 BTUs of energy, while only 35,000 BTUs of energy are required to make it. Ethanol's energy balance is clearly positive.

Click on our web site under Ethanol Facts to print out a sheet entitled Net Energy Balance of Ethanol Production.

E-85 Vehicles

Some of you may be driving a car that can use E-85 and don't even know it. In Watertown, SD the cost of E-85 has consistently been between \$1.55 and \$1.79 per gallon. Click on our web site under links to see if your car can use E-85 or call our office for a free brochure. Next time you trade in your vehicle, ask to see some of your dealer's E-85 or Flex Fuel Vehicles.

If you do not have the internet, feel free to call our office for print-outs of any of the above information.

PRODUCTION TIDBITS



David Culver
Plant Manager

This has been an amazing couple of months for us at GLE. Never before have we been able to achieve the production levels we are currently producing! I am very proud of our production numbers and want to thank the staff for all of their efforts in helping us identify and eliminate or minimize bottlenecks.

In the past, the biggest bottleneck we were experiencing was in what we call the molecular sieve. In the final step of process it is the job of this sieve to remove the last of the water from the

ethanol that was not able to be removed through the normal distillation process. How the process works is the alcohol passes through a tank full of BB size beads that are strongly attracted to the water in the ethanol. Because of the strong attraction, these beads are able to absorb the remaining water however our capacity seemed limited by the limited amount of bead capacity.

At our last shutdown we took the sieve apart and did some maintenance on the valves and piping and more importantly we had a chance to inspect the sieve beads themselves. We discovered that we had capacity to add more beads to each of the tanks thus increasing the number of beads available to grab water from the ethanol and increase our production capacity. Our capacities after our changes increased three to four gallons per minute which does not sound like much but this adds over two million gallons of capacity per year.

We were able to maintain this capacity while the temperatures stayed cool but as the temperatures increased we ran into issues. Normally the answer to this would be to increase our overall flow rates in the plant, but we discovered two new bottlenecks.

The first one is relatively easy to fix. We have to cool the cooked mash that we process before we send it to fermentation. As we have pushed capacities we have also pushed the capacity of the heat exchangers that we use to cool this mash. I am already in discussions with the manufacturer to add further capacity to these exchangers.

The second issue we are dealing with is our limited capacity in our fermentation system. Our fermentation tanks were already pushed to the edge when we were running at the 50 million gallon rates. With the cooler temperature, which helps the fermentation run better, we had a little better environment for fermentation to keep up with the rest of the plant. As we have had to push the system harder and deal with higher outside temperature the capacity of the tanks has been pushed a little too far and they have difficulty keeping up with the higher rates. We measure the capacity of the fermentation tanks in hours of fermentation time. We would prefer to have over 55 hours of fermentation. Currently, we are lucky if we get 46 hours. Even at our previous rates where we were able keep up we were lucky to get 48 hours.

One of my goals is to get another fermentation tank installed into the plant to allow us room to grow in our capacity. At this point we are limited and the capacity we have been able to achieve has been right on the knife edge of the performance capacity of the fermentation equipment. It would be nice to move away from that edge and continue improving our production and overall bottom line.



Reed Storley
Maintenance Manager

The way the weather was going during planting it didn't look like we would ever see the sun. However, like they say in South Dakota if you don't like the weather just wait five minutes and it will change. It's mid July and we could probably use a little rain. In the last newsletter we were preparing for the spring maintenance shutdown. Even though we found some additional items to deal with we still completed everything within the time frame
(continued to page 4)



Kari Hogstad
Human Resource Coordinator & Accounting Assistant

Hi! I can't believe that summer is half over already. Boy the time really does fly by. To start with this month I would like to introduce our three newest employees.

Kathy Jost joined us in May as our Feed Assistant. Kathy grew up on a farm near Leola, SD and then

moved to Colorado for 25 years. In Colorado, Kathy was in customer service at Agilent. Before coming to GLE, Kathy also worked in customer service at Co-Ev in Watertown. Kathy's husband, Jim, owns his own business, Spruce Tree Remodeling. They have two grown daughters, Michelle and Jennifer, and a 12 year old son, Jonathan.

Dennis Will joined us a plant operator in May. Dennis grew up in Milbank, SD where he graduated from high school. He obtained a B.S. degree in Mechanical Engineering from SDSU before serving in the Army for four years as an officer in the Air Defense Artillery Battery. From there, he worked in Quality and Engineering Departments at Horton in Britton, SD, was Quality Manager for Smith Equipment in Watertown and a Quality Engineer at Co-Ev in Watertown. Beth, his wife of 28 years, is an R.N. at Prairie Lakes Care Center. They have three grown children, David, Andrea and Sara.

Also joining us as a plant operator in May was Wayne Johnson. Wayne was born in San Francisco, grew up in Watertown and graduated from Watertown High School. He and his wife, Karen, have been married for three years. Wayne has a son, Dustin, age 20 and a daughter, Kristin, age 17. Wayne also has four stepsons, Daniel, age 25, Travis, age 20, Ryan, age 11 and Tyler, age 10. He is also a proud grandpa to grandson, Ian and has a granddaughter on the way.

I would also like to take this opportunity to congratulate Travis Arnold on his promotion from plant operator to utility operator.

As July draws to a close we are busy preparing for a Job Fair to be held in Granite Falls, MN in anticipation of our October plant opening.

I was noticing on the way back from lunch today that we have now reached 982 safe work days. Congratulations and keep up the good work everyone.



Kathy Jost



Dennis Will



Wayne Johnson



FOURTH OF JULY FLOAT: Tyler Austad, Laurie Bleeker and Kari Hogstad with Bryce Bleeker (Laurie's son) as corn man. Also, thanks to Chad Brenden, Mary Dailey and Marcy Kohl for helping with the float.

Environmental & SAFETY



Pete Bullene
Environmental Health & Safety Manager

Greetings! I am pleased to say that GLE is in full compliance and has met all of our requirements with EPA, South Dakota Department of Environmental and Natural Resources (DENR) and the City

of Watertown! We have also reviewed our air quality, storm water and wastewater permits to ensure that they are current and up to date. A sampling and documentation schedule was implemented in June of this year for all permits to ensure continued compliance.

On July 28, we began conducting an air quality compliance test. The results of the test will supply the State with the needed information to reaffirm that GLE is in compliance with our air quality permit as well as provide GLE staff information for adding a fourth fermenter and increasing our permitted production level to 60 million gallons per year.

On the safety side of things, we are continuing to provide ongoing safety training sessions for all employees. Over 20 safety training sessions have been conducted since our last newsletter. These training sessions also further the employees' knowledge in personal safety and reduce the potential exposure for accidents and injuries while on the job. **Because of our continued efforts, we have just surpassed 975 days of no loss time injury and are closing in on 1,000 days readily!** This is a huge accomplishment for everyone at GLE not to mention it shows the commitment put forth by the Board of Directors, Management and Employees. Congratulations!!!



Allen Wells
Commodities Marketer

Hi from Rising Star Feeds. First of all I would like to thank everyone for their kind words, thoughts, and prayers during and after my back surgery. It's good to be back to work.

Here we are in the mid-summer already and the crops and pastures are looking excellent. Before you know it harvest will be here and with harvest comes 4-H achievement days and many local and state fairs. Rising Star Feeds will be on the road again, so hope to see you at one or more of these events.

Fall also brings the time of year to be thinking about your distillers' grains needs for the coming feeding season. We will be glad to visit with you about contracting your feed needs.

Early this spring I had the opportunity to participate in a
(continued to page 4)