



**Glacial Lakes
Energy, LLC**

NEWSLETTER

2ND HALF FY2022

RECORD SETTING SUCCESS

"We have always invested a significant amount of thought and analysis into the establishment of our dividend distributions and this year was no exception."

With the record setting FY2022 now behind us, let's review our success of the past year. Although our net income of \$120.1 MM was not a record year on a per gallon basis, it was a record year in terms of all-time net income, easily topping FY2014's net income of \$107.1 MM. Also noteworthy is that we generated \$1.1 BILLION in gross revenue during FY2022 which is another all-time high! While this can be easily explained as the result of higher commodity values, it is an important milestone nonetheless. With this level of success, questions such as "why can't we pay out more dividends?" are common.

First and foremost, your Board of Directors and Senior Management team are squarely focused on the three pillars that have made and kept GLE successful: (1) preserving our financial stability, (2) maintaining our plant assets in top operating condition, and (3) investing in prudent capital projects to keep us relevant well into the future. All three of these strategic objectives compete with the payment of higher dividends and all three are critical ingredients to our company's success. We understand and recognize that dividends are important too and we balance all objectives equally.

We have always invested a significant amount of thought and analysis into the establishment of our dividend distributions and this year was no exception. We engage our tax accountants and audit firm who prepare and present numerous options, we study and discuss these scenarios, and we make a decision primarily based upon our taxable net income. There are significant differences between GAAP (generally accepted accounting principles) net income and taxable net income often referred



JIM SEURER, CHIEF EXECUTIVE OFFICER

to as "timing differences" or "book to tax differences". One of the most significant is accelerated or bonus depreciation which is permitted on our tax return but not necessarily in our audited financial statements. Therefore, our financial statement may show \$120.1 MM in audited net income, while our tax return likely shows net income which is considerably lower. As a regulatory principle, GLCP cannot take a deduction for the payment of dividends higher than our taxable net income without triggering compliance issues with the Internal Revenue Service (IRS). Therefore, it is the taxable net income that drives the dividend paid. Those who use our posted net income to calculate what they believe the dividend rate should be, will be off because they do not have all the pieces to the puzzle.

Keeping in mind the aforementioned three strategic objectives, the Board and Management determined it would be prudent at this time to hold approximately \$0.12 per share of taxable net income (\$22.2 MM) at the entity level for distribution at a later date. The taxes for this amount have been paid by the company and/or offset by tax credits so they will not be due until paid to you at a later date. Taking into account both the IC-DISC and patronage sources, we've paid out a record breaking \$0.34 cents per share or over \$63.1 MM in cash dividends attributable to FY2022. This brings our all time total in cash dividends paid since the company was founded to nearly \$330 million.

IF YOU HAVE ANY QUESTIONS ABOUT THIS, PLEASE CONTACT OUR OFFICE AT 605.882.8480.

SUMMIT CARBON SOLUTIONS

Summit Carbon Solutions has partnered with dozens of ethanol plants across the Midwest, including the Glacial Lakes Energy facilities in Aberdeen, Huron, Mina, and Watertown, to develop the largest carbon capture and storage project in the world. This multi-billion-dollar infrastructure project will help GLE and other partner facilities significantly reduce their carbon intensity score and allow them to sell their product at a premium in the growing number of states and countries that have adopted low carbon fuel standards.

With ethanol contributing nearly \$600 million to South Dakota's gross domestic product every year and purchasing more than half of all the corn grown in the state, the Summit Carbon Solutions project will create new economic opportunities for this critical industry while also helping keep commodity prices and land values strong in the years to come.

Summit Carbon Solutions has partnered with 2,300 landowners across the Midwest to sign 3,730 easement agreements or 55% of the proposed route.

Based on this progress, the project remains on schedule and the company plans to begin construction in mid-2023 and move into operations in the second half of 2024. As Summit Carbon Solutions reaches these milestones, communities across the Midwest will receive significant and ongoing economic benefits. Here in South Dakota, the Summit Carbon Solutions project represents a nearly \$800 million total investment, with many of those dollars flowing to local businesses, restaurants, hotels, and more to spur economic growth. This investment will also help generate an average of \$650,000 in new property taxes every year for each county where the project is proposed to operate. These additional dollars will help counties invest in schools, road construction, public safety and other critical local priorities.

**TO LEARN MORE ABOUT THE PROJECT, PLEASE VISIT
WWW.SUMMITCARBONSOLUTIONS.COM**

TO CUT FOSSIL FUELS, CALIFORNIA NEEDS POWER LINES, FAST. BUILDING THEM TAKES A DECADE

WRITTEN BY ARI PLACHTA

Reprinted from The Sacramento Bee, Wednesday, December 14, 2022

A century ago, thousands of Californians flocked to opening day for the Vaca-Dixon substation to hear the world's longest and highest-voltage power line hum with electricity for the first time. It was an engineering marvel, built by hundreds of men and their mules in just two years.

Today the Spanish renaissance building, sandwiched between Vacaville and Dixon along Interstate 80, remains a critical piece of the grid, powering homes across the Bay Area. It is also a museum, housing artifacts from the early days of California's energy sector.

The bygone substation, owned by Pacific Gas & Electric, illustrates how long it has been since the state saw large-scale investment in the transmission of electricity. It also underscores a challenge California faces in eliminating reliance on fossil fuels: building new power lines to carry clean energy.

More wind and solar power is coming online all the time. But years-long permitting processes across multiple agencies, community opposition, and high costs mean it can take a decade to build the infrastructure needed to move it. Without enough power lines, California will fall short of its goal to supply 100% clean energy by 2045.

"Imagine it's 2032," said Stanford University climate policy expert Michael Wara. "I hope we're looking back and seeing all this new transmission that got built. But if we're not there, we're in trouble. Because we're not going to be able to meet the goals we've set."

CLEAN ENERGY BUT NOTHING TO CARRY IT

If the grid were a network of roads, transmission lines would be highways. Miles of heavy wires held aloft by steel towers pick up electrons in bulk from power plants in far-off places and carry them to population centers. The electricity is reduced to lower voltage at substations, and distributed by smaller wires to homes and businesses.

The Vaca-Dixon line was built in 1922 to supply a growing population in northern California with energy harnessed from its powerful rivers. The post-war boom drove construction of more lines from coal, oil, and gas facilities through the 1970s.

Apart from a couple projects and plenty of upgrades, California has not built long-distance transmission lines since.

Yet climate change is driving an increased demand for electricity, due to extreme weather and electrification of homes and cars. California's Independent System Operator (ISO), which oversees the grid, predicted peak demand will nearly double by 2040 as homes and businesses switch to electric vehicles and home temperature control.

Clean energy sources such as wind and solar comprised 33% of the grid's supply on average last year, leaving natural gas plants to fill in when sun stops shining and wind isn't blowing — which is why the state is focused on expanding battery storage.

But reliance on renewables has left the grid more stressed during periods of high demand, leading to threats of rolling blackouts during periods like last summer's heat wave. All of this is leading state regulators to agree that more transmission is needed, and fast.

The ISO has not offered an estimate for how many miles of long-distance power line will be necessary. But several agencies project the grid will need

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TO CUT FOSSIL FUELS... CONTINUED

to roughly triple its transmission capacity by 2050. That would mean ramping up total available capacity from around 50,000 megawatts to 150,000.

It's why the ISO's CEO Elliot Mainzer called this moment an "inflection point."

"There's a much greater recognition of the role that new transmission is going to play in helping California meet its clean energy objectives," he said. "Just the sheer magnitude of resources that are going to have to come on the grid in the next 10, 15, 20 years will require significant additional transmission investment."

PAIN IN THE PERMITTING PROCESS

Building a single power line, say for wind farms in the waters off Morro Bay (an auction for leases last week received high-priced bids), requires a multi-year long planning and permitting process. There are bound to be a variety of snags along the way, making transmission an uncertain game of risk and timing.

Major transmission upgrades will likely be needed for offshore wind development anchored to the northern California coast near Humboldt, for example, whether cables run undersea or over the mountains. Experts expect that process to face plenty of challenges.

It took just two years to complete Vaca-Dixon. But in 2022, a long-distance transmission line faces a six-to-ten-year journey through California's regulatory system.

Every new line is first blueprinted by the Public Utilities Commission (PUC) based on demand projected by the Energy Commission, and then planned by the ISO. Environmental and permitting reviews by utilities or third-party companies can take four or five years alone before application to the PUC for final approval.

"We're fighting against a regulatory structure that was not built for today's needs," said Rob Gramlich, president of power sector consulting firm Grid Strategies.

Researchers point to long wait times for projects to connect to the grid as a symptom of longstanding backlog in the transmission process — an average solar or wind farm spends two years waiting to get

studied and approved. After postponing its own deadlines for processing the whole queue, the ISO has instituted reforms to try and speed up the system.

"The backlog in the queues points to a fundamental constraint of our transmission system, that it has not kept pace with the renewable transition," said Joe Rand, a researcher at the Electricity Markets & Policy Group at Berkeley Lab. "It's just a totally inefficient process."

Community opposition can also be the source of delay. Whether it's from suburban homeowners concerned about property values or indigenous tribes protecting cultural resources, advocates hope to find a public that's more receptive to clean energy infrastructure development.

When homeowner Joanne Genis saw the first transmission tower go up in her Chino Hills neighborhood, she became a "thorn in the side" of her local representatives and state regulators.

Southern California Edison's 173 mile Tehachapi project, one of the few lines built in recent memory, was nearly derailed by protesting and door-knocking community activists.

After nearly eight years of opposition, Edison ended up undergrounding approximately three miles of high-voltage lines in Genis' neighborhood, an extremely expensive undertaking. A lower-income community nearby, however, was left with above ground towers.

"I'm not sure what the answer is to our infrastructure problems," she said, adding that she thinks California is pushing too hard on renewables before the infrastructure is ready. "But you just can't ramrod these projects and people's environments, where it ignores the community."

WHO PICKS UP THE CHECK?

There is also the matter of cost. In the days of Vaca-Dixon, emerging monopolies spent \$100 million to build thousands of miles of transmission lines connected to river hydroelectric plants. In today's dollars, that would be \$1.7 billion.

Transmission build-outs today can run into the millions of dollars per mile, making cost a source of contention between renewable energy developers and utilities.

PG&E, California's largest utility, is still saddled with debt following bankruptcy proceedings for wildfires sparked by its equipment. New wind, solar and battery project developers, meanwhile, say they are being unfairly burdened with the costs of grid upgrades that stand to benefit the larger system.

In 2011, the Federal Energy Regulatory Commission issued rules meant to spread the costs of new power lines more broadly and open the marketplace to competitive bidders, not just monopoly utility companies.

Those steps were meant to unleash a wave of transmission development, but didn't. And the Federal Energy Regulatory Commission is in the middle of a major revamp of transmission policy. Meanwhile, electricity customers will inevitably pick up the rising cost of new line construction.

A key question for California is the capacity of monopoly utilities like PG&E to undertake this overhaul, said Edward Randolph, former deputy executive director at the Public Utilities Commission now at Caliber Strategies consulting firm. As the company prioritizes aggressive wildfire prevention, they could be lacking in the capacity to raise funding and develop new power lines.

If we want to meet state goals for a fully clean energy grid, he said, streamlining the process and making it predictable for developers is critical and instituting reforms around the edges won't be enough.

"We need to create a kind of permanent paradigm that is durable and predictable, not something that solves the problem for one or two lines but really changes things," said Randolph. "To do that you've got to dig deep into what the problem is."

ABOUT THE AUTHOR

Ari Plachta is a political enterprise reporter for The Sacramento Bee. She has covered water issues for the Los Angeles Times and schools for the L.A. Daily News but got her journalism start in Israel and Palestine. She grew up in the San Fernando Valley and graduated from UC Santa Barbara and UC Berkeley.

COMMODITY MARKETS — PROGRESS, DISRUPTION, AND INFLATION

“Looking forward to global commodity prices, Weisendanger expects energy prices to remain elevated and that means GLE should continue to see good margins in the near term.”

All commodities saw a drop in value during the third quarter and prices have remained modest into the fourth quarter. “Americans are concerned about inflation and a recession. That’s what pushed prices lower than everyone expected,” said Ty Weisendanger, GLE Director of Commodities & Risk Management.

Gasoline saw a decrease in price, as did ethanol during the third quarter. Currently, demand for gasoline remains high as falling gas prices continue to drive higher demand for ethanol. Diesel and gasoline reserves are low compared to prior years and this will keep the fuel market margins tight in the coming months. “The limited refinery capability is playing a part in keeping the fuel market tight,” said Weisendanger. “A number of our refineries are old and need to be updated. Some are no longer able to refine crude oil to gasoline or diesel today.” Another aspect depressing gasoline markets is a looming talk of a recession.

There has been a significant slowdown in corn exports, particularly to China, as the country continues to face lockdowns due to COVID-19. China has also been working toward finalizing an import deal with Brazil.

The summer months were profitable, allowing GLE to earn back unrealized losses with the drop in commodity prices. This was partly due to distiller grains and corn oil being sold ahead of production, locking in higher prices before the market turned bearish.

Railcar transportation issues have put a strain on distiller grain prices. The bulk of our distiller grains moves by rail, and our railcars were not coming back,” said Weisendanger. “During one five-week period, railcars that normally take 15 to 19 days to return were taking 30 to 37 days.” The delay in railcar availability forced more localized sales of distiller grains driving the profits down compared to what would have been earned via rail. “When it comes to ethanol and distillers, we can try to move a few more trucks, but we quickly find our limitations given our high production volume,” said Weisendanger.

Looking forward to global commodity prices, Weisendanger expects energy prices to remain elevated and that means GLE should continue to see good margins in the near term. Of special note is the need to secure corn for GLE production at all facilities through the winter months. Weisendanger and his team are working diligently with producers to do this.

COMPLETED PROJECTS & LOOKING AHEAD

Prior to the purchase of these facilities in December 2019, additional fermentation capacity was anticipated for the Aberdeen and Huron plants to increase the yields to match the efficiencies being realized at the Mina and Watertown plants. Huron’s fermentation expansion has been in operation since late summer. Aberdeen’s fermentation expansion was to be completed several months ago, however, delays in the receipt of electrical equipment now have the project coming online during the month of December 2022. Fermentation expansion at the two facilities is projected to boost the ethanol yield and corn oil production yield significantly.

The Huron location outgrew its ethanol holding capacity long ago with only two days of production storage available. The addition of two larger finished ethanol storage tanks will increase that capacity to ten to twelve days with a projected completion date by the end of 2022 after which the plant will have up to 10 to 12 days of storage.

All four plants will receive hammermill upgrades in Spring 2023 to improve efficiencies and lower our cost per unit. Other projects focused on the recovery of additional corn oil are being evaluated as well. The GLE Management Team is squarely focused on cost control, efficiency (higher yields) and lowering our CI (carbon intensity) scores.

On the grain side, the Mina plant is constructing a 1.2-million-bushel grain bin and two additional super pits to be completed by harvest 2023.



Progress continues on the new 1.2MM bushel corn bin in Mina. Once complete, we will have 4.85MM bushels of storage onsite. This project should be completed just in time for next year’s harvest.

STRONG PERFORMANCE MEANS RECORD DIVIDENDS AND CONTINUED FINANCIAL STABILITY

Despite continued logistical challenges with railcar transportation and the ongoing conflicts in Ukraine, favorable markets and margins in the third and fourth quarters made fiscal year 2022 the strongest in terms of financial performance in GLE's history. The company was also the recipient of \$16.1 million in federal USDA biofuel producer relief during the third quarter.

According to David Elkin, Chief Financial Officer, "Our combined net income of \$29.3 million for the third quarter and \$40.9 million for the fourth quarter, gave us a consolidated fiscal 2022 YTD net income of \$120.0 million." The fourth quarter saw the best overall income for the year, followed by the third quarter. Working capital at fiscal year-end was \$148.7 million.

GLE's strong fiscal year financial performance helped distribute approximately \$0.34 per share or \$63.1 million. A new one-year record in shareholder dividends. These dividend payments consist of the IC-DISC dividend of \$0.02 per share for the period

from September 1, 2021 through December 31, 2021 paid in January 2022, the patronage dividend of \$0.10 per share paid in early September 2022, a second patronage dividend of \$0.20 per share that will be paid in January 2023, and the IC-DISC dividend for the period from January 1, 2022 through August 31, 2022 of approximately \$0.02 per share that will be paid in February 2023.

Financial Report for the twelve months ended August 2022 (audited)			
Dollars in Millions			
Total Assets	\$413.3	Current Assets	\$262.3
Total Liabilities	\$157.2	Current Liabilities	\$113.6
Net Worth	\$256.1	Working Capital	\$148.7
NET INCOME \$120.9 MILLION			

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**Glacial Lakes
Energy, LLC**

**CREATING VALUE FROM SUSTAINABLE AGRICULTURAL PRODUCTS WHICH
HAS MEANINGFUL IMPACT FOR OUR STAKEHOLDERS AND ENVIRONMENT.**

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This document contains forward-looking statements by the use of words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "predict," "hope," "should," "could," "may," "future," "continue," "potential" or the negatives of these terms or other similar expressions. These statements are based on management's beliefs and expectations and on information currently available to management.

Forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties. Important factors that could significantly affect future financial condition and results include, among others, operating margins in the ethanol industry, the rapid pace of expansion in the industry, the cost of corn and the price of ethanol, changes in ethanol supply and demand, changes in current legislation or regulations that affect ethanol supply and demand, disruptions to infrastructure or in the supply of raw materials, the results of our risk management and hedging transactions, and ethanol industry valuation generally.

Our actual results or actions may differ materially from those set forth in the forward-looking statements for many reasons, including events that are beyond our control or assumptions not proving to be accurate or reasonable. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this document. We cannot guarantee our future results, levels of activity, performance or achievement.

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Glacial Lakes Energy and the ethanol industry?

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