**United States Department of Agriculture**
**Rural Development**

October 13, 2010

SUBJECT: Finding of No Significant Impact (FONSI)
Coskata, Inc.'s Cellulosic Ethanol Facility
Boligee, Alabama

## DESCRIPTION OF ACTION

The U.S. Department of Agriculture, Rural Business-Cooperative Service (RBS) has received an application from Coskata, Inc. for a loan guarantee under the Biorefinery Assistance Program. The purpose of the loan would be to construct and operate a cellulosic ethanol biorefinery that would produce up to 55 million gallons of fuel grade ethanol per year at its peak capacity. The facility would be located in Boligee, Greene County, Alabama. The environmental analysis of this proposed action is contained in an Environmental Assessment (EA) prepared by RBS.

The facility would include the construction of a feedstock yard, gasifier, fermentor, distiller, and related infrastructure and would convert wood biomass to ethanol. The facility would utilize a biotech-based syngas-to-ethanol production process utilizing a fully integrated three-step process, including biomass gasification, syngas biofermentation, and ethanol separation. The facility would require 560,000 dry tons of biomass per year made up of pulpwood, mill residuals and forestry residuals within a 75-mile radius of the Facility. The anticipated 55 million gallons of ethanol per year output is expected to directly displace 55 million gallons of gasoline per year, thereby contributing to the overall reduction of $CO_2$ emissions in the U.S. Facility construction would begin in Spring 2011, and be complete in 2013; operations would commence in Fall 2013, and last until approximately 2033.

The facility proposes to fill 10.2 acres of wetlands and ephemeral drainageways, to dredge 12.4 acres of wetlands to reactivate a former gravel/borrow pit, and to construct an 8,192 linear-foot wastewater discharge pipe to the Tombigbee River. This proposal, construction and operation of the cellulosic ethanol facility, would have moderate, adverse effects to wetlands/waterways, and minor adverse effects to air quality, water quality, and local flora and fauna; however, it does not pose significant adverse effects to the natural or human environment.



"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800)795-3272 (voice) or (202) 720-6382 (TDD).

## BASIS FOR FINDINGS

As required by the National Environmental Policy Act and agency regulations, RBS has assessed the potential environmental effects of the proposal. After consideration of the applicant's proposal, comments from Federal and State environmental regulatory and natural resource agencies, the agency has determined that the proposal will not have a significant adverse effect on the natural or human environment. Therefore, RBS will not prepare an Environmental Impact Statement for this proposal.

The Applicant must obtain and comply with all appropriate Federal, State, and local permits and approvals required for construction and operation of the biorefinery, and this requirement shall be incorporated and enforceable through the Agency's Conditional Commitment for Guarantee.

**The following mitigation measures must be part of the letter of conditions to the applicant for the Loan Note Guarantee.**

**Mitigation Measure 1** – If any construction activities associated with the proposed National Pollution Discharge Elimination System (NPDES) discharge pipe are to occur outside of the proposed footprint presented in the EA which was reviewed as part of the Historic Resources' Area of Potential Effect, Coskata must notify RBS (Program Support Staff (PSS)) and the State Historic Preservation Office (SHPO). A cultural resource assessment by a professional archaeologist will be required on any areas not previously disturbed and concurrence from RBS (PSS) and SHPO will be required prior to the start of construction of the discharge pipe.

**Mitigation Measure 2 –** Coskata must submit to RBS (PSS) all supporting materials submitted to U.S. Army Corps of Engineers (USACE) concurrent with the submission to USACE, for the individual permit for proposed impact within the 151-acre proposal site, including all plans for compensatory mitigation, prior to the start of construction, in order that RBS (PSS) may complete its joint agency review of the compensatory mitigation plan. In addition, Coskata must provide a copy of the Individual USACE permit to RBS prior to the start of construction.

**Mitigation Measure 3 -** As long as RBS guarantees this loan, if the microorganisms intended for use at the facility change from those submitted for review during this EA, Coskata must notify RBS (PSS) and submit an adequate microbial risk assessment encompassing potential release of this/these organisms to the environment so that RBS (PSS) can complete another review of these microorganisms.

## FINDINGS

The attached environmental assessment for the subject proposal has been prepared and reviewed by the appropriate Rural Business-Cooperative Service officials. After reviewing the assessment and the supporting materials attached to it, I find that the

subject proposal will not significantly affect the quality of the human environment. Therefore, the preparation of an environmental impact statement is not necessary.

I also find that the assessment properly documents the proposal's status of compliance with the environmental laws and requirements listed therein.

Prepared by: 10/13/2010

JULIET C. BOCHICCHIO — Date
Environmental Protection Specialist
Program Support Staff

Recommended: 11/22/10 12/6/10

WILLIAM C. SMITH — Date
Director, Energy Division
Rural Business-Cooperative Service

Approved: 12/7/10

JUDITH A. CANALES — Date
Administrator
Rural Business-Cooperative Service