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California Energy Commission  
Dockets Office, MS-4  
Re: Docket No. 10-ALT-1  
1516 Ninth Street  
Sacramento, CA 95814-5512

<b>DOCKET</b>
<b>10-ALT-01</b>
DATE _____
RECD. <u>June 07 2011</u>

Dear Commissioner Boyd and Commissioner Peterman,

Thank you for the opportunity to provide feedback and comments on the 2011-2012 Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program. I would like to submit the following comments in addition to my testimony at the May 23<sup>th</sup>, 2011 Advisory Committee meeting.

In the recently released Committee Draft Report, the California Energy Commission recognized that “gasoline substitutes, including ethanol, represent a significant opportunity to use existing technologies to expand low-carbon alternative fuel use” and that these substitutes will play a critical role in helping meet a variety of federal and state policy mandates, including California’s Low Carbon Fuel Standard. According to the draft report, California’s “fair share” of biofuel consumption to meet the Federal Renewable Fuel Standard will be around 3 billion gallons per year. Ethanol is featured prominently in the State’s Bioenergy Action Plan to achieve these goals.

California will need thousands more E85 stations to deliver volumes at these levels. This is also recognized in the Draft Report: “the retail presence and sales of E85 will need to expand if the state is to meet its fair share of RFS2 compliance”. In addition to policy goals, the Energy Commission cites increased demand for E85 retail infrastructure based on a growing Flex Fuel Vehicles market segment. While sales of E85 have jumped from 0.5 million gallons in 2008 to over 3 million in 2010, the Energy Commission predicts that more than 4,000 additional dispensers will be required.

Given the Energy Commission’s recognition of this imbalance, I am disappointed to see E85 Retail Infrastructure receive a funding cut between drafts. This important category continues to receive far less funding than necessary to achieve significant progress towards policy and demand goals. High-blend ethanol infrastructure continues to lose out in favor of other fuels with smaller vehicle bases, limited market opportunities, and still uneconomic technologies. While promising technologies of the future, investments in such fuels will not create the real and immediate emission-reduction levels currently possible with ethanol.

E85 is a technology available today. It has a customer base of over 9 million vehicles, 500,000 of which are located in California. Consumers are rapidly adapting to this fuel, a fact recognized by American automotive manufacturers, who have committed to making half of their models flex-fuel-compatible within a few years. This makes the market opportunity for E85 an order of magnitude larger than that for hydrogen, electric, natural gas, and propane combined, based on vehicles available today. Investors have noted this and are eager to provide matching capital to the State's investment. Additionally, building the market for high-blend ethanol is critical to ensuring the success of next generation biofuels, including those from cellulosic and algae-based feedstock.

On behalf of Propel and other California E85 retailers, I urge you to reconsider funding levels for high-blend ethanol infrastructure. The Energy Commission has recognized the importance of this investment in the Draft Report; it is critical that corresponding support follow this recognition. I ask that the Commission consider setting funding at a higher investment level than the \$4 million allocated in the latest draft. California residents and their representatives in the Legislature rightly demand that their tax dollars be spent wisely, and I believe that there is no better investment to provide immediate benefits and show visible leadership than increased investment in E85 infrastructure.

I thank you for your reconsideration.

A handwritten signature in black ink, appearing to read "Matt Horton", with a stylized flourish at the end.

Matt Horton, CEO  
Propel Fuels