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California Energy Commission
Dockets Office, MS-4
Docket No. **09-IEP-1K**
1516 Ninth Street
Sacramento, CA 95814-5512

Subject: 2009 IEPR – Transportation Energy Forecasts Docket No. 09-IEP-1K

Dear Commissioner,

Community Fuels is a biodiesel manufacturing company located at the Port of Stockton where we operate a 10 million gallon per year biodiesel manufacturing plant, with the ability to expand to over 60 million gallons per year at our current site. We find our location ideal since we have access to rail, truck and marine transportation infrastructure.

This letter is to comment on the Draft Staff Report dated August 2009. First let me commend staff on pulling together a document that attempts to quantify, describe and analyze the very complex transportation energy delivery system that we have in California.

Community Fuels supports the staff finding on page 111 of the report which describes the biodiesel distribution terminal logistics as a significant constraint to providing biodiesel. Our experience in working with fuel distributors, to market our product, is that they are reluctant to convert existing storage to biodiesel use unless there are pre existing customers. In talking to potential biodiesel end users they are reluctant to buy biodiesel because it cannot be easily supplied due to lack of distribution infrastructure. A large number of bulk fuel distributors have told us that they would be willing to carry biodiesel if they had an available tank, but they are unwilling to install capacity until they are confident there is a market. This has put biodiesel manufacturers, like us, in a difficult chicken or the egg dilemma. We find that many customers are willing to use biodiesel once it can be easily delivered from the bulk distributors' facilities. CEC should focus on supporting the installation of dedicated (12,000 to 40,000) gallon B99 and B100 storage tanks at bulk fuel distributors who are willing to commit to provide biodiesel in their product offering. We believe that as the market grows organically with sufficient dedicated biodiesel storage infrastructure at the interface between the producer, the final distributor and end users, the essential economic drivers will be sufficient to stimulate investment in additional production and storage capacity at major marine and terminal transportation hubs.

Another infrastructure related area that should be addressed is related to warranty concerns expressed by certain engine manufacturers for using biodiesel's greater than B5. Efforts by CARB and the CEC to

AMERICANBIODIESEL, INC 760.942.9306 Tel • 760.943.6696 Fax • PO Box 23-4249 • Encinitas, CA 92023 • www.communityfuels.com

assist engine manufacturers in addressing these issues would go a long way towards acceptance of biodiesel as a viable alternative.

In Figure 3.39 on Page 107 the California Biodiesel Demand Forecast 2010-2030 is based on the premise of extrapolating a "fair share" distribution of the federal renewable fuel mandates into the distant future. I believe a plausible argument can be made that to meet the Federal RFS and California LCFS standards that biodiesel will become the fuel of choice.

The draft report does a good job of describing the logistical challenges for adoption of each alternative fuel. It would appear from this analysis that the barriers to entry for each alternative are substantial when considering consumer acceptance, cost of infrastructure modifications, and maturity of vehicle technologies. Biodiesel appears to have a strategic competitive advantage over other alternative fuel technologies because it is compatible with existing supply infrastructure and the vehicle technology is mature and commercially available.

In addition the tightening Federal CAFÉ standards in the coming years will drive light duty vehicle manufacturers to promote diesel technology as an existing inherently more fuel efficient option. One can easily imagine a future where diesel, including a B10 or B20 biodiesel becomes the fuel of choice for increasing numbers of light duty vehicle owners. Promoting light duty diesel vehicles would also assist the biodiesel industry in California since individual vehicle owners are less price sensitive and more willing to consider purchasing a renewable fuel then the typical over the road freight or passenger transportation company who is under intense competitive pressures.

CEC staff should reconsider the current projection for biodiesel taking into consideration the above technical, commercial barriers and regulatory drivers.

I appreciate the opportunity to comment on the draft report and would be happy to answer any questions with respect to the comments contained in this letter or my views on the alternative fuels markets, manufacturing and distribution.

Sincerely,

Michael D. Redemer
President