GREAT VALLEY
ENERGY

October 12, 2007

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 06-AFP-1
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET
06-AFP-1
DATE OCT 12 2007
RECD. OCT 12 2007

Re: Docket No. 06-AFP-1
Alternative Fuels Transportation Plan

Dear Sir/Madam:

Great Valley Energy appreciates the opportunity to provide comment on the Draft State Alternative Fuels Plan (the "Plan"). Solid support for alternative fuels is crucial for achieving California's goals to displace consumption of foreign oil, use low carbon fuels, and promote in-state production of biofuels where the economic benefits can best be realized.

Cost of ethanol and gasoline

The Plan states (first on Page ES-7) that ethanol costs more than gasoline on a cents per mile basis. Currently, the cost of ethanol to an LA blender after the federal excise tax credit is approximately $1.15 per gallon compared to spot CARBOB at $2.25 per gallon. At a 10 percent blend of ethanol in gasoline, there is no loss of miles per gallon because the added oxygen in the ethanol promotes more complete combustion of the gasoline.

Influence of alternative fuels on gasoline prices

Gasoline prices could fall substantially as the use of alternative fuels is expanded in California. History has shown that a fall in gasoline prices may encourage a short-term view whereby alternative fuels are abandoned. California's long-term view should emphasize the need to continue the mandates for alternative fuel use or otherwise incentivize use of alternative fuels to enhance the ability of debt and equity markets to justify the large capital expenditures needed.

Other incentives and mandates

We suggest a mandate on the number of flex fuel fleet vehicles at each milestone. Flexible fuel capability is becoming standard on many new vehicles reflecting essentially no cost difference between a gasoline vehicle and a flex fuel vehicle. We suggest a mandate on the number of E85 filling stations, with an incentive to retailers for the installation (see E85 growth plan for the State of Colorado). We suggest incentives for in-state production of ethanol, such as tax abatement for new and existing biofuels production.

Ethanol mandate
Changes to the predictive model will allow for blending ethanol up to 10 percent with gasoline. However, this is not viewed by the investment community as a mandate. We recommend a direct mandate of 10 percent ethanol in gasoline, beginning January 2010, to ensure that near term goals for biofuels production and greenhouse gas reductions are met.

Biomass feedstocks
The Plan refers to facilitating the growth of California biomass feedstocks for ethanol production. We note that most corn ethanol plants can also use milo (grain sorghum) which is more drought tolerant, is more accepting of poorer soil conditions, requires less water to grow per bushel, and may be better suited to California's agricultural practices than corn.

Cannibalizing alternative fuels
We encourage consideration of the undesired effects of promoting too many fuel choices. Specifically, the use and production of fuel ethanol in California has been growing but remains in a tender stage of infancy. As we raise capital to construct our ethanol manufacturing and distribution facilities, it is important for our investors and our communities to understand that our fuel will not be suddenly displaced and our facilities will not become obsolete in the near and intermediate term due to a lack of targeted emphasis on a few excellent choices such as ethanol. If a new biofuel is developed, such as biobutanol, we would anticipate integration of the new fuel will take more than a couple of years and that such fuel production will also occur in California, collocated at existing ethanol production facilities as currently envisioned.

Midwest corn E85 greenhouse gas emissions
In the Plan, we ask for open recognition of the superior GHG reduction when using ethanol produced in California compared with ethanol produced in the Corn Belt as studied and published by the University of California in August 2007.

Zoning and entitlements
To attract in-state production, we suggest the package of incentives include grant money for communities to cover costs of zoning and permitting suitable sites for biofuels production.

Great Valley Energy is working to help meet our increasing demand for cleaner-burning, renewable and domestically-produced alternative transportation fuels. Thank you again for this opportunity to provide comment on the State Alternative Fuels Plan. If you have any questions or would like additional information, please contact me at 877.GR8.FUEL.

Kindest regards,
Great Valley Energy, LLC

D. Edward Settle
President/CEO