

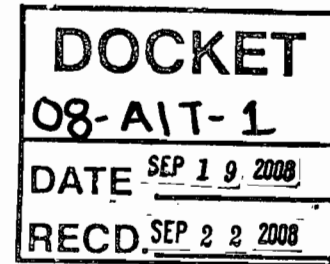
CALIFORNIA ENERGY COMMISSION

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September 12, 2008

Mr. Ralph Cordova Jr.
County Executive Officer
Imperial County
County Administration Center
940 W. Main Street, Suite 208
El Centro, CA 92243-2875



RE: Imperial County Comments on California Energy Commission Rulemaking for the AB 118 Sustainability Goals (Docket No. 08-ALT-1)

Dear Mr. Cordova:

Thank you for your letter of August 12, 2008, and your comments on the California Energy Commission's regulatory proceeding for the AB 118 Alternative and Renewable Fuel and Vehicle Technology Program. In your letter, Imperial County noted several concerns about the potential effect of our rulemaking for sustainability goals on aspects of Imperial County's agricultural economy. Your letter also expressed concerns about our rulemaking schedule.

Energy Commission staff has been tracking the experimental trials in sugarcane cultivation in Imperial County and have had many meetings with potential sugarcane ethanol producers. Staff has encouraged several of these energy product developers to participate in our workshops and hearings. At the August 15, 2008, Sustainability Working Group meeting, a representative from Imperial County attended, along with several developers of potential sugarcane ethanol projects.

In terms of schedule, you may not be aware that staff released the *Regulatory Concepts on Sustainability Goals* draft paper in July 2008. This draft staff paper contains the same concepts and proposals that were discussed on August 15, and that will be discussed again on September 9, 2008, at a Committee Workshop. Written comments on the proposed sustainability goals will be due September 19, 2008. The sustainability goals are brief and straightforward, and we hope that a one-month review period is sufficient time for all stakeholders to provide comments.

While the rulemaking schedule is on a fast track in order for the Energy Commission to be able to disseminate the AB 118 monies as expeditiously as possible, a large number of public workshops and hearings have been scheduled; our goal is to provide as many opportunities as possible for public input and participation in order to create as transparent and collaborative process as we can.

The regulatory concern expressed in your letter raises several substantive issues: "To the extent that any rules promulgated by the CEC would negatively affect the ability of local farmers to grow crops necessary for this effort, or developers to build facilities to produce

such fuels, we have concerns that this would be an unwise infringement on local decision-making prerogatives."

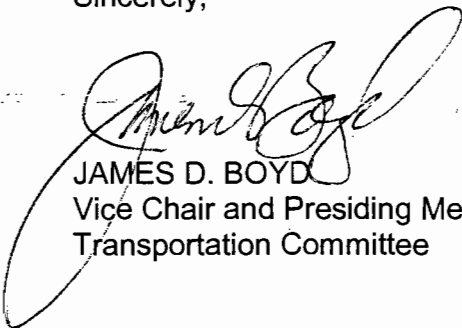
The nearly \$1 billion AB 118 funding pool is public money from increases in several pollution fees that is intended "to transform California's market into a diverse collection of alternative fuels and technologies and reduce California's dependence on petroleum." It is not a regulatory program, and the Energy Commission has no regulatory authority on transportation fuels that would infringe on local decision-making prerogatives. The Energy Commission is charged with developing implementing regulations to disseminate the public moneys to ensure that projects receiving the public moneys comply with the statutory guidelines. The sustainability goals and implementing regulations will form a set of standards and tests that AB 118 applicants must meet in order to be eligible to compete for the AB 118 program funds. The AB 118 incentive program is completely voluntary and implies no regulatory controls on local land use decision-making or agricultural operations.

That said, it is our agency's hope that more environmentally efficient and sustainable agricultural practices and alternative fuel processing technologies may be engendered through the AB 118 program; this is the heart of the legislative intent for the AB 118 program.

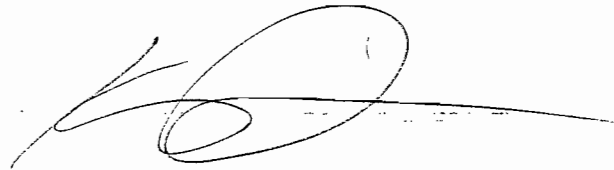
We look forward to continuing to work with representatives from Imperial County and the biofuels industry to identify and support sustainable, innovative technologies from the biofuels sector.

Please contact Jim McKinney at (916) 654-3999 if you have any questions or would like more information about the AB 118 program.

Sincerely,



JAMES D. BOYD
Vice Chair and Presiding Member
Transportation Committee



KAREN DOUGLAS
Commissioner and Associate Member
Transportation Committee

cc: California State Association of Counties
Regional Council of Rural Counties
California Farm Bureau Federation
California Ethanol and Power
California Renewable Energies, LLC
Imperial Bioresources, Inc.
California Air Resources Board