

VALLEY OIL COMPANY

SINCE 1947

June 10, 2011

California Energy Commission
Dockets Office, MS14
Re: Docket No. 10-ALT-1
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET**10-ALT-01**DATE June 10 2011RECD. June 20 2011

RE: 10-ALT-1, 2011-2012 Investment Plan

Dear Sir or Madam:

Valley Oil thanks you for this opportunity to comment on the 2011-2012 Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program Committee Draft Report.

Valley Oil supports allocating \$7.5 million for production plants for diesel substitutes such as biodiesel in the draft investment plan. However, this letter is to strongly request that the \$4 million for infrastructure for these fuels, which was cut from the previous draft, be reinstated.

Relatively small investments can leverage large displacements of petroleum usage. There are significant distribution bottlenecks at the wholesale distribution level as well as the retail and end user level due to the lack of infrastructure.

Due to the recent increase in prices of petroleum that is also coupled with the recession, distributors have to draw down their credit lines to fund ongoing supply and inventory needs. Even modest investments are too much of a burden and risk for many distributors to assume.

The current lack of biodiesel infrastructure for rail offloading, terminal storage, rack blending, and UST storage is a major deterrent to the expansion of biodiesel fueling in our state. Biodiesel fueling has stopped in many places around the state because UST owners cannot afford the infrastructure needed to comply with State Water Board regulations. And, because none of California's approximately 50 terminals has biodiesel/renewable diesel storage or blending capabilities, biodiesel's costs are increased by 10 to 25 cents per blended gallon. Biodiesel's low carbon benefits can only be fully realized through federal and state programs of RFS2 and LCFS with adequate infrastructure funding.

Please reinstate the \$4 million for diesel substitute infrastructure into the funding plan. This infrastructure spending is a truly cost efficient way to support the biodiesel industry's unique ability to create good green jobs, greatly reduce greenhouse gas emissions, and decrease our state's dependence on foreign oil.

Thank you for your consideration of this issue of vital importance to our state's energy future.

Sincerely,



Bob Christiansen/President