



BUSINESS CASE

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California Energy Commission

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VERSION HISTORY

Version Number	Implemented By	Revision Date	Approved By	Approval Date	Description of Change
1.0	Robert Caputo	9/17/12	n/a		Initial Draft

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1 EXECUTIVE SUMMARY

Neatfuel is a clean-tech/ e-commerce company structured to be the U.S. market leader in internet-based sales and distribution of biodiesel, alternative fuels and supporting biofueling equipment for the end consumer. The company is currently based in the San Francisco Bay Area and will focus initial distribution efforts within California, a 3.8-billion gallon per year diesel market.

Neatfuel has developed relationships with California biodiesel producers that are able to produce, package and ship ASTM-quality biodiesel directly to the consumer's home or place of business. Shipments will be delivered via UPS or FedEx to any location where delivery is permitted.

Given the unique approach to this biofuel distribution model, Neatfuel can offer the 100% Biodiesel Fuel (B100) at competitive rates in comparison to retail biodiesel and petroleum diesel prices at traditional gas stations. Neatfuel believes that with the soaring prices of petroleum diesel and the discounts offered by Neatfuel, this offering will be extremely attractive to consumers looking to save on their transportation costs and that there's a high potential to convert petroleum diesel users to biodiesel users.

1.1 Objectives

Neatfuel's objectives for the first three years are:

- To make Neatfuel an iconic brand that is associated with positive, community-level focus, with a high-level of customer-centric service
- To develop relationships with the majority of biodiesel producers within California
- To expand the social media-focused marketing campaign which will build the company brand and drive customers toward the company's website
- To create a robust, privately-held, biodiesel infrastructure that will help expand the biodiesel industry and help California to realize its aggressive clean air goals

1.2 Mission

Neatfuel's mission is to provide the highest quality biofuels in a simple and easy manner using e-commerce to help consumers realize maximum cost effectiveness and convenience for their fueling needs. We strive to attract and maintain customers to promote a more sustainable living environment. As we adhere to this principle, the ripple effect will not only benefit our local communities but also our friends and family throughout the state and across the U.S. Fuel is the starting point for a cleaner environment; from the air we breathe to the water and food we consume... everything is linked to cleaner energy.

1.3 Keys to Success

- Unique and untapped service niche to the consumer
- Fuel cost competitiveness
- Unique brand and identity
- Sustainable product and product growth
- Significant industry growth and consumer awareness

2 INTRODUCTION

2.1 PURPOSE OF BUSINESS CASE

The intended audience of the Neatfuel Business Case is the California Energy Commission's 2013-2014 Investment Plan Update Team.

3 GENERAL PROJECT INFORMATION

Submission Date	9/17/12
Requested By	Bill Kinney
Business Owner	Robert Caputo
Contact Info.	rcaputo@neatfuel.com (408) 887-3520
Project Name	Neatfuel
Desired Start Date	6/24/13

3.1 PROJECT DESCRIPTION

Business Need

There are approximately 530,100 registered diesel passenger vehicles, 132,000 diesel-powered construction vehicles, 23,700 diesel or diesel hybrid school buses, 8,000 diesel or diesel hybrid public transit buses, 3,700 diesel ambulances, 3,000 emergency vehicles (fire engines, bulldozers, trailers, etc.) and 20,000 emergency backup diesel generators across California. California also has *the* largest trucking industry in the U.S. which consumes over 3.8 billion gallons of diesel fuel and emits 38.3-million metric tons of CO₂ per year.

There are about 13,500 gas stations, throughout California, most of which carry diesel fuel. By stark contrast, there are about 33 gas stations throughout California that carry a blend of B20 or above of biodiesel (afdc.energy.gov). This comparison highlights the difficult infrastructure issues that California is faced with and is one of the main roadblocks preventing a significant number of consumers from using cleaner burning fuels.

Goals/Scope

Our goal is to provide all consumers with the option of using cleaner burning fuel by enabling them to receive biodiesel deliveries and fuel their vehicles at their convenience. It is expected that within the first 6-months of operation we will be able to ship, on average, 20,000 gallons of biodiesel, per month. This will reduce CO₂ emissions by 157 metric tons per month and create 1.5 jobs for every facility that supports this distribution model.

Long-term, our goal is to capture a significant portion of California's diesel market and convert end users to biodiesel or biodiesel blends. For every gallon of biodiesel used (B100) we are able to reduce CO₂ emissions by ~78%. Within the next 5 years, we expect to grow biodiesel usage and be able to distribute across California over 600,000 gallons per month, reducing CO₂ emissions by 4,712 metric tons per month (the equivalent of taking ~5,600 cars off the road per year). This consumption would create 3-5 jobs for every facility that supports this distribution model - eight producers are currently targeted. A full Life Cycle Analysis will be submitted as a separate document which will outline the above figures in greater detail.

In parallel, as renewable gasoline and other alternative fuels becomes more widely available, we expect to have good infrastructure and customer relations in order to quickly

adopt and support those fuel types as well. These efforts will also dramatically impact the reduction of CO2 emissions and create jobs within California.

Risks/Issues

There are two main risks to consider with this distribution model.

1. Capacity
2. Price Competiveness

Currently, there are approximately 12 main biodiesel producers in California with the combined capacity to produce ~48-million gallons of biodiesel. Most of these producers are under-utilized and currently at only 80% of capacity. As national awareness and popularity grows for biodiesel there's a risk that out-of-state demand may reduce future biodiesel availability within California or that limited biodiesel production/ expansion may become the bottleneck to consumer availability. Limited availability could potentially hinder the growing demand for biodiesel in California. However, we feel that this issue can be mitigated by utilizing traditional supply agreements, with the biodiesel producers, which are common in this industry.

The other risk is keeping biodiesel prices competitive with petroleum diesel which will be harder to control, even with supply agreements in place. Petroleum diesel prices fluctuate considerably and are globally driven. Biodiesel prices, which tend to be more locally driven by demand and type of feedstock, have more of a fixed cost associated. If there is a lengthy trend to where petroleum diesel becomes significantly less expensive than biodiesel then there's a risk that consumption of biodiesel may be reduced in favor of a cheaper fuel-type. Although we recognize this possibility, surveys have shown that the California people are well educated on the environmental impacts of petroleum diesel and would be willing to pay a premium for a cleaner burning fuel, if it remained readily available.

4 HIGH-LEVEL BUSINESS IMPACT

As Operational Activity increases there will be a need to hire additional human resources to support the activity and respond to customers, as needed. It is estimated that one person should be able to handle 15,000 gallons of account activity and logistics per month. Additional overhead, hardware and training is minimal since the majority of work is internet-based.

Financial funding is expected to be a combination of company sales, private funding and grant awards in order for significant expansion to be realized within the first three years. The majority of expansion will be due to increasing sales which will support and stabilize future growth. Private funding will be needed only for short-term debt incurred as operations expand. It is planned that for any loans or private funding needed, those debts are only for short-term use (less than 24 months). Grants will be used primarily for operational set-up and consumer awareness efforts in order to support customer growth.

5 PREFERRED SOLUTION

5.1 FINANCIAL CONSIDERATIONS

Initial funding sources to support web-presence, product development, computer hardware/ software, supplier support and general R&D will come from owner cash investment. This investment portion is estimated to be ~\$25k.

Additional funding will be leveraged by customer sales and supplier credit terms which will support operational supplies, i.e. packaging, biodiesel and transportation as well as initial human resources to support customer activity and logistics.

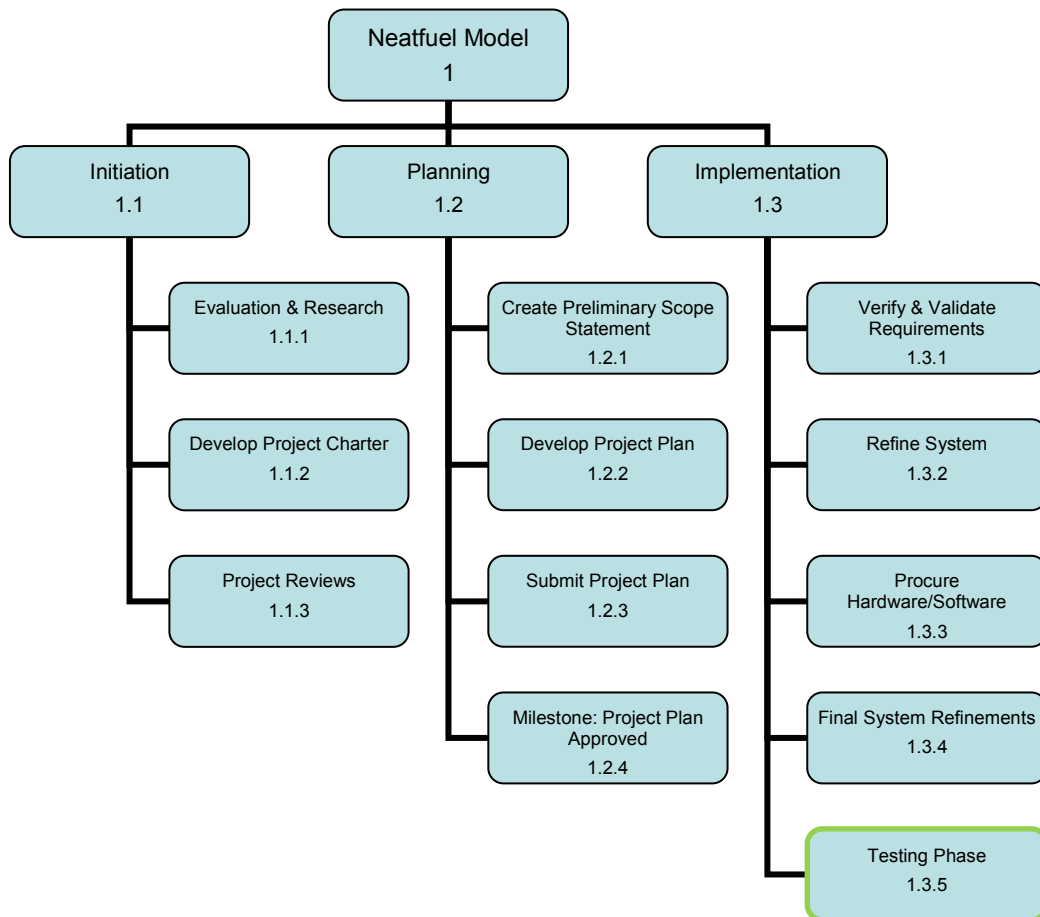
Grant awards will be needed and used primarily for operational stabilization and expansion of consumer awareness which will focus on the promotion and use of biodiesel and biodiesel fueling equipment. This investment portion is estimated to be ~\$500k from grant awards and ~\$500k of private loans.

5.2 PRELIMINARY ACQUISITION STRATEGY/PLAN

Initial acquisition of supplies, services and commercial items will be leveraged by supplier credit terms (typically Net-30 days) and customer credit card sales which are due at the point of shipment. This allows a 30-day window to finance supplies and gain interest on sales before supplier invoices are due.

A short-term loan within the first three months of operation will help stabilize operational activities and grow surpluses for future sales activity. Operational activity is expected to reach 15,000 gallons per month within the first 60-days. Growth opportunities beyond the 15,000 gallons per month will be determined by any grant award allotment.

5.3 PRELIMINARY WORK BREAKDOWN STRUCTURE

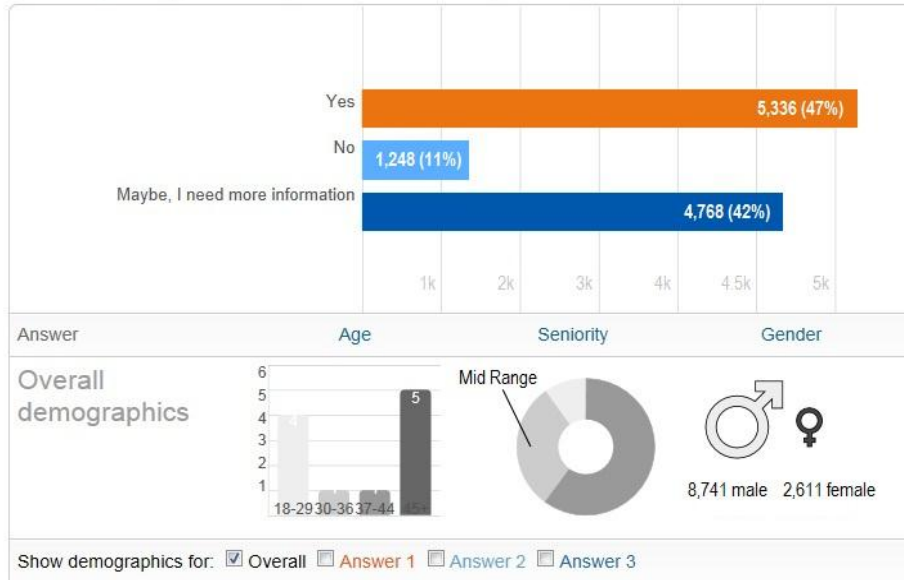


5.4 ASSUMPTIONS AND CONSTRAINTS

All aspects described within this business case are defined with the assumption that consumer participation will show acceptance and growth in the targeted market area. Preliminary research shows that there is a broad demand for this service as illustrated by the graphic below.

Would you be interested in a service in which offers B100 Biodiesel Fuel for \$0.25 per gallon cheaper than the current petroleum prices and delivers to your home or office via UPS or FedEx?

By Robert Caputo GM @ NeatFuel • 11,352 votes • 672 comments • Completed March 8, 2012



Appendix A: Business Case Approval

The undersigned acknowledge that they have reviewed the **Neatfuel Business Case** and agree with the information presented within this document. Changes to this **Business Case** will be coordinated with, and approved by, the undersigned, or their designated representatives.

Signature: _____ Date: _____

Print Name: Robert Caputo

Title: General Manager

Role: Business Development

Signature: _____ Date: _____

Print Name: Chelsea Thompson

Title: V.P. Marketing

Role: Marketing and Customer Support

Signature: _____ Date: _____

Print Name: _____

Title: _____

Role: _____

APPENDIX B: KEY TERMS

The following table provides definitions and explanations for terms and acronyms relevant to the content presented within this document.

Term	Definition
Biodiesel	A vegetable oil or animal fat-based diesel fuel consisting of long-chain alkyl (methyl, propyl or ethyl) esters. Biodiesel is a domestically produced, clean-burning, renewable substitute for petroleum diesel. Biodiesel is nontoxic. It causes far less damage than petroleum diesel if spilled or released into the environment. It is safer than petroleum diesel because it is less combustible. The flashpoint for biodiesel is higher than 150°C, compared with about 52°C for petroleum diesel. Biodiesel is safe to handle, store, and transport.
Biofuel	A type of fuel whose energy is derived from biological carbon fixation. Biofuels are hydrocarbon fuels substantially similar to gasoline, diesel, or jet fuels. These fuels can be made from a variety of biomass feedstocks including crop residues, woody biomass, dedicated energy crops, and algae. The goal for drop-in fuels is to meet existing diesel, gasoline, and jet fuel quality specifications and be ready to "drop-in" to existing infrastructure. This minimizes infrastructure compatibility issues, which are a barrier to fast commercialization of biofuels like ethanol and biodiesel.
ASTM	ASTM International (ASTM), originally known as the American Society for Testing and Materials, is an international standards organization.
CO ₂	Carbon dioxide (chemical formula CO ₂) In the earth's atmosphere, it acts as a greenhouse gas which plays a major role in global warming and anthropogenic climate change.