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**California Energy Commission
Bioenergy Action Plan Development**

Hearing comments. Docket 06-BAP-1

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INTRODUCTION: Ruth Sherrill VP, Dick Hulme, director and Kathy Staples.

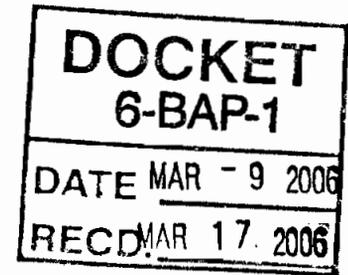
Thank you for the invitation to provide a few remarks regarding our view of ethanol/bio diesel production plants in California.

We believe that the stated goals of the California Energy Commission Bio Energy Action Plan are very achievable and fit well within the business plans of ethanol producers. In fact they may be a bit modest.

We formed American Ethanol Inc, to build a 50 million gallon destination plant, expandable to 100 MMGY, near Santa Maria, an agricultural location that can service both the Bay Area and the LA basin with good rail links. We also plan to build more plants in other good areas.

As with any renewable energy development, the economics, risks and rewards drive investment. To reduce the economic and technical risks we will initially rely on the low cost, high quality, Mid West corn and proven production processes until the California farms replace the imported corn. It does seem strange that trains loaded with corn from the Mid West headed for ethanol processing in California, pass California corn fields. We do look forward to the day when California corn and possibly a renewed sugar beet industry become the feedstock. Not long ago, California produced the best sugar beets in the world an acre of which can produce more than 700 gallons of ethanol.

We do believe that as oil prices stay high and probably continue to rise, and current R&D bears fruit that it will make sense to add renewable fuels capacity, using emerging processes to convert a wider range of other bio mass feed stocks into ethanol and bio diesel.



To support the industry, it is necessary for the state to help provide a solid and growing market. Some ways to that are to encourage the use of E-10 and higher blends, as was successfully done in Brazil which has replaced its imported oil with home grown fuel. Brazil is now exporting ethanol to other countries including the “country of California”.

We have provided a list of suggested legislation to our representatives (attached) that we believe will help strengthen the California market, attract investments, better balance the transportation fuels in the state, and result in fewer California dollars going to unstable and hostile, oil exporting countries.

Rather than expound on the many, well known benefits that will accrue to the economy, cleaner energy, and the state, I want to give a cautionary note about some California problems for energy plants.

- 1. Permits**
- 2. Permits**
- 3. Permits**

In some states, an ethanol plant can be permitted, built and producing renewable fuel, while the permit application for a California project is still moving through “in boxes”.

I am happy to report that our Santa Barbara County supervisors have been making progress on ways to make the permit process more transparent and predictable in our county.

We do think that the state has the ability and authority to foster both the short term and longer term decreased use of imported oil by increasing the minimum ethanol blend to 10%, as most other states are now doing.

We are ready, willing and able to help keep California energy dollars at home, where they can circulate, create jobs, pay taxes multiple times, and help pay for other needed programs. Most energy dollars sent to the Middle East do not return in a form good for us, if they return at all.

Thank you for your attention.

Dave Baskett