HARRIS, SANFORD & HAMMAN

A PROFESSIONAL CORPORATION

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July 28, 2011

The Honorable Jerry A. Fichter, Mayor City of Gridley Gridley, California

Dear Mayor Fichter:

While Harris, Sanford & Hamman is not permitted to respond directly to the Grand Jury in regard to relevant portions of the recent Grand Jury report, we feel it is important to give our observations to you in written form as you guide the City Council through its response.

First, we are compelled to ask; what is the appropriate role, if any, of councilman Garner in the City's reply process? This firm (in a matter which Mr. Sanford had no involvement) represented Mr. Garner's mother-in-law when she sued him for elder abuse by a verified Complaint filed in the Butte County Superior Court (Butte County Superior Court Case # 141939). We can only conclude that Mr. Garner's rather unprofessional animus toward Mr. Sanford has its roots in that event. We are therefore forced to presume that the subject litigation serves as the source of Mr. Garner's animosity towards the firm and his irrational, as well as illogical, evaluation of how the City should create jobs and obtain affordable base-load renewable energy. Unfortunately, our client passed on before she could benefit from the settlement which would have recovered the funds from Mr. Garner.

Of even more significance, and considerably more troubling, given that both councilmen Garner and Stiles have repeatedly gone out of their way to allege incredible conflicts of interest against the remaining council members, it must be pointed out that since Mr. Garner is employed as a staff attorney with the Butte County District Attorney's Office, which advises the Grand Jury, he must recuse himself from any discussion of, or participation in, the City's analysis and reply to the Grand Jury's report. Without written permission from the Grand Jury, and the presiding judge, Mr. Garner, as a member of that staff, and as an attorney bound by the professional ethics of the State Bar of California, is prohibited from discussing the grand jury proceedings, or the interviews which assisted the Grand Jury in its report (see Penal Code § 929). Never mind that he has repeatedly done so (please see attached e-mail sent by Mr. Garner commenting on the Grand Jury proceedings as the subject of a rumor mill at the District Attorney's office, together with our complaint concerning same addressed to the John F. Rawlings, Chairperson of the City Government Committee). In view of his relationship to the Grand Jury as a staff person of the

The Honorable Jerry A. Fichter, Mayor July 28, 2011 Page 2

Jury's lawyer, and his personal participation in those proceedings (presumably also as one of the complaining parties), he must recuse himself.

[A] prosecutor's duty of neutrality is born of two fundamental aspects of his employment. First, he is a representative of the sovereign; he must act with the impartiality required of those who govern. Second, he has the vast power of the government available to him; he must refrain from abusing that power by failing to act evenhandedly. These duties are not limited to criminal prosecutors: "A government lawyer in a civil action or administrative proceeding has the responsibility to seek justice and to develop a full and fair record, and he should not use his positions or the economic power of the government to harass parties or to bring about unjust settlements or results." *People ex rel. Clancy v. Superior Court* (1985) 39 Cal.2d 740, 746 (citations omitted).

Mr. Garner may not, either as the Grand Jury's attorney, or as a Gridley City Council member, resolve his conflicted position except by recusing himself. This obvious conflict necessarily prevents him from participating objectively. Ironically, Mr. Garner finds himself in the same situation the he and Mr. Stiles charged you with relative to BID. You had the integrity to recuse yourself from the consideration of any matter involving the BID. Mr. Garner has not demonstrated the professional candor to even come forward and declare his conflict.

The potential implications of Mr. Garner's conflicted position are many. For example, although both Jack Slota and Brad Wilkie were available for interview, it may very well be that Mr. Garner chose to advise his client, the Grand Jury, to take the very suspect step of evaluating all aspects of the biomass program without interviewing them about the City reimbursement, annual budget review, or community benefits and federal audits. Please see attached correspondence from Mr. Wilkie to the Grand Jury as well as their reply which speaks volumes about the Grand Jury's indifference to a full evaluation of the project. It also may be, given Mr. Garner's proclivity to find conflicts wherever it suits him, that Mr. Garner decided to advise the Grand Jury that it should evaluate tenuous conflict claims relative to involvement with rice straw without considering that the rice industry had set up an independent Rice Straw Cooperative which was not tied to the City. It may also be that Mr. Garner advised the Grand Jury to evaluate the merits of the work done by the City under the federal contracts without evaluating the substantial competitive application grant that was awarded by the U.S. Department of Energy to REII (announced in December of 2009 by Secretary of Energy Chu as well as U.S. Department of Agriculture Secretary Vilsack). REII's, technology was being tested under the City's most recent federal research contracts. Please see attached DOE Award Notice, as well as articles in the Wall Street Journal and the San Francisco Examiner, which the Grand Jury also apparently chose to ignore. Might that also have been on the advise of their attorney?

Mr. Garner's persistent misrepresentation of the fees that this firm billed pursuant to the federal subcontracts as including fees billed for work performed directly for the City's electric utility and insisting that the fees billed under the federal contracts were paid by the citizens of

The Honorable Jerry A. Fichter, Mayor July 28, 2011 Page 3

Gridley is disturbing. It is our understanding from both Mr. Slota and Mr. Wilkie that the City was fully reimbursed by the federal government for the work that we performed under the federal contracts (and there is nothing in the Grand Jury Report to contradict that) and that pursuant to the express terms of those contracts federal audits were conducted to analyze the propriety of all payments.

Mr. Garner has an additional conflict of interest given that his client, the Grand Jury, has challenged the City's right to construct 26 acres of solar panels that he has championed, saying that it constituted a County zoning violation. It is interesting to note that Mr. Garner has complained repeatedly that the acquisition of the 26 acres by a prior City Council was a waste of the taxpayer's money, but has voted at every turn not to sell the land and to instead lease the property, a significant part with no rent, for the construction of solar panels. If the land deal that a prior Council entered into was so bad why isn't Mr. Garner insisting that it be sold rather than given to a solar provider for twenty years to provide energy at a cost to the City well-above market?

Given that the City, at the urging of Mr. Garner and Mr. Stiles, has entered into long term contracts for part time solar power at \$.134 per kilowatt hour, which is only available when the sun shines, we have to question the motives of Mr. Garner and Mr. Stiles in objecting to the concept of exploring, at no cost to the City, power from biomass at the \$.07 to \$.08 per kilowatt range which would be available around the clock. Their conduct is totally devoid of logic and probably speaks volumes about the fact that neither one of them displays any real comprehension of the value of the electric utility to the community and how complex it is to control costs. Such behavior also exhibits a total lack of comprehension about creating jobs in the private sector; but then again, neither of them has apparently experienced the private sector.

Mr. Garner and Mr. Stiles have repeatedly argued that the community has gotten nothing from the biomass project. If they had spoken with Mr. Slota and Mr. Wilkie they would have learned that the City's contribution to building the Guardian Building at the High School and acquiring the Rotary Museum came from federal payments reimbursing the City for the time in the biomass project provided by Mr. Slota, Mr. Wilkie, and Mr. Sanford while he was on the City Council.

The Grand Jury reference to a "perception" of conflict of interest sounds like Mr. Garner wrote it. In essence they report no findings but want the City to hire an investigator to investigate on. The Grand Jury references the 1974 Political Reform Act which mandates periodic reporting by public officials. All of Mr. Sanford's disclosure forms were completed as the law required and the Grand Jury reports no deviations. The Grand Jury also references Government Code section 1090 relative to actual financial interest "in any contract made by them in their official capacity..." The DOE contracts were all research contracts. In turn, the DOE contracted with companies to develop the processes. Neither Mr. Sanford, nor anyone else in this firm had an interest in any of those companies or the processes being tested.

The Honorable Jerry A. Fichter, Mayor July 28, 2011 Page 4

The creation of the new position of Energy Commissioner was the idea of Mayor Cook following the departure of Mr. Sanford from the City Council at the expiration of his second term. Incidentally, this event occurred in the midst of the California electrical meltdown which took place in 2000 and 2001, resulting in the bankruptcy of PG&E and the California Power Exchange, both of which owed the City money. It also came along just as Mr. Sanford was in line to be Chairman of the Northern California Power Agency, giving him a strong voice on behalf of the City of Gridley. The Contract entered into between this firm and the City was drawn up by Brent Bordsen, the City Attorney. An important part of the contract was that the City could terminate the contract at any time, without notice and without cause. We did not have the same "no notice" termination rights under the contract. That contract was annually reviewed for eight years by four Councils and each Council presumably found that the City received value in protecting the City's most important revenue center, the electric department. Pursuant to the contract, the firm's duties expressly included activities with the Department of Energy and the National Renewable Energy Laboratory ("NREL"). The only other contracts that might be considered under Government Code section 1090 were the subcontracts under the City's research contracts with the Department of Energy and NREL in which the firm was required to join in performance of our contract with the City. Those government research sub-contracts were services mandated under the Energy Commissioner Services Contract between the City and the firm. These are the same sorts of services that the City Attorney and City Engineer provide under their contracts. They have no conflict of interest in honoring their contracts and neither did we.

In conclusion, any report prepared with the involvement of councilman Garner would be tainted with his conflict of interest, and he should recuse himself from the discussion. Having said that, we ask that the council take the time, prior to completing its reply to the Grand Jury, to consider the points made in this letter, as well as to take the opportunity to obtain input from Mr. Slota and Mr. Wilkie as to the actual facts regarding the contract, and the advice from the City Attorney in regard to the legal issues that have been raised.

Very truly yours,

HARRIS SANFORD & HAMMAN

John T. Hayris

JTH:sm Enclosures

cc: Rob Hickey, City Administrator
Brant Bordsen, City Attorney
Lisa Van De Hey, Publisher

From: Dave Garner [mailto:dgarner@pacbell.net]
Sent: Thursday, January 13, 2011 3:53 PM

To: gregt@reii.us; Dana Griffith Subject: Biomass Project Questions

Greq,

I am sorry I am going to miss the meeting on Friday, as I would like to wade into these discussions to a greater degree. Rumor has it that there is a Butte County Grand Jury investigation into the massive expenditures (some \$2M+ - slides attached)) by Gridley to date pursuing this initiative, and I think it would be helpful to open both this project and Gridley's relationship with the NCPA to a less limited and possibly biased set of participants from Gridley.

In particular for me from this briefing, I would like to see Gridley's attendees return prepared to address the following questions:

- 1. For years we have been told this project costs Gridley nothing and that the city would realize lots of cheap electricity, cheap diesel, steam, money, etc. from it. Page 14, bullet 2 of your presentation mentions municipal bond financing. Please clarify for me that the outputs of this proposed project are going to go to the plants owners and the only way Gridley is going to see a share of the outputs "at cost" is to be a pro-rata share owner of the plant, correct? Put another way, absent an owenrship stake, Gridley will see no share of the low cost electricity, biodiesel or outher outputs.
- 2. The only possible way you are contemplating Gridley financing such a project would be through a municipal bond that would have to be repaid by the Gridley taxpayers. In other words, Gridley would have to raise taxes on its residents, whether through electric rates or property taxes because you would not be expecting Gridley's only contribution to be an inexpensive lease on land on which to build the plant, correct?
- 3. Were Gridley to contribute substantially to the project, the per-capita costs to the residents of Gridley would likely greatly exceed any per-capita benefit they received, correct? If you disagree, please provide your estimate of how each individual resident or property owner would benefit.
- 4. As of this date, how many "investors" do have confirmed that are ready to invest if and when a plant is built in Gridley?
- 5. Why is it important that the plant, should it be built, be built within the city of Gridley whereby agrecultural feedstocks would need to be trucked into town, as opposed to in the greater county, nearer those feedstocks

with less conjested roadways?

- 6. Do you anticipate this would be a Proposition 218 project that would have to go out to the voters?
- 7. In reference to slide 9, bullet 3, are you suggesting that this plant would generate an electrical rate reduction for the residents of Gridley? By how much? Is this true if Gridley only provides a low cost lease on land for the plant?
- 8. On slide 9, isn't it a fact that bullets 1 & 2 really only benefits farmers (rice farmers in particular) and bullets 3-5 are largely illusory? Put another way, the average Gridley resident would see no benefit from this plant in any discernable way, correct?

The reality is that over the last 15 years Gridley's "no cost" participation in this project has cost in excess of \$2M and yet the residents of the city, with the exception of one or two, have derived NO benefit.

I would like to see an open, honest and frank discussion of this proposal. I suspect that the information we have been provided to date has been less than complete. I doubt very seriously if the real proposal is to give all of these benefits to Gridley for a free lease on 26 acres, and I think its time for everyone to come clean.

Dave Garner

Vice-Mayor, Gridley

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January 20, 2011

John F. Rawlings, Chairperson City Government Committee Butte County Grand Jury P.O. Box 110 Oroville, CA 95965

RE: CITY OF GRIDLEY OPERATIONS REVIEW

Dear. Mr. Rawlings:

When I appeared before the Grant Jury last year, I think that I made it pretty clear that I felt that Gridley City Councilmen Owen Stiles and David Garner were behind the smear campaign directed at Mr. Boeger, myself and my law firm (which had been in contract with the City of Gridley). I have no idea why Mr. Stiles would be out to impugn me (although he has attempted to impugn the other three sitting council members as well). As to Mr. Garner, I can only assume that Mr. Garner's problem with me stems from the fact that other members of my firm represented his now-deceased mother-in-law when she sued him for elder abuse in a verified complaint filed in Butte County (Superior Court Number 141939).

Late last week, Mr. Garner, a new member of the California Bar who was recently hired as staff attorney with the Butte County District Attorney's Office, finally stepped so far over the line that I am compelled to bring it to your attention. I am attaching a copy of an e-mail that Mr. Garner, acting as the Vice Mayor of the City of Gridley, sent to a staff member of the Renewable Energy Institute International as well as to an employee of the Northern California Power Agency ("NCPA"), a California Joint Powers Agency of which the City is a member. There are two things in the correspondence which I find both appalling and unacceptable:

1. In the second line, Mr. Garner, a staff attorney at the Butte County District Attorney's Office, states, "Rumor has it that there is a Butte County Grand Jury investigation into the massive expenditures ..." From this statement, it is evident that your investigation is anything but confidential and that there is a lot of talk about your investigation either by the Grand Jury or by the District Attorney's Office that provides you legal counsel. If either of these assumptions is true, then it is a clear case of improper conduct on the part of Mr. Garner. Clearly, Mr. Garner is an interested party

in your proceedings, both as an opponent of the City's biofuels project, and as an attorney in the District Attorney's office, and one must question the legal ethics of his public utterances to outside parties, including public agencies. I am shocked that Mr. Garner would have the temerity to spread "rumors" about confidential proceedings being overseen by his own office. Surely, his responsibility to the County of Butte and the canons of ethics of the State Bar demand more.

While Mr. Garner is clearly entitled to have a dissenting point of view on a matter of public policy undertaken by several successive city councils, one would hope that he would refrain from making less than fully truthful statements, especially considering his position is an attorney with the District Attorney's office. The exhibit enclosed by Mr. Garner may be charitably characterized as less than forthright, if not absolutely false. For example, Mr. Garner represents in his attachment that the City spent \$964,949 for the Energy Commissioner for the bio-fuels project. Such an assertion suggests 1) that the City was not reimbursed for the Federal contract time; and 2) that none of the billings included were for any other services my firm provided to the City. Neither of those suggestions are true as Mr. Garner knows full well. As you will recall, he had previously prepared a schedule like the one you showed me in which my fees were broken out between the service provided for the biomass project (reimbursed) and the electrical utility services involving directing the City's relations with NCPA, the Bureau of Reclamation, Western Area Power Administration, Department of the Interior, the Independent System Operator as well as both the State and Federal legislatures. In addition, the references to the Industrial Park Purchase and the Rio Pluma Land Purchase are nothing short of incredible considering the fact that just last month Mr. Garner voted to place a solar project on 12 of the 26 acres of the Rio Pluma property, rent free. The "Rice Straw Debacle" is also a partial truth because the City was fully reimbursed for its expenditures in that regard. I assume that you already are aware of that fact, as any full evaluation of the Federal contracts would require that your committee communicate with Mr. Slota, the former City Administrator (by e-mail to him in Iraq), and Brad Wilkie, the City's former Finance Director, who is easily reachable at the City of Lompoc.

Frankly, I don't know what can be done about Mr. Garner's unprofessional actions, but it is a shame that he is able to use his position as a City Council member and an employee of the County of Butte to spread rumor and innuendo about another citizen and confidential Grand Jury proceedings. I simply feel that the Grand Jury should be fully aware of what is being communicated outside of the Grand Jury Chambers, and who is communicating it.

Very truly yours,

HARRIS, SANFORD & HAMM

THOMAS G. SANFORD

Encl.

cc: Mr. Michael Ramsey, District Attorney



BUTTE COUNTY GRAND JURY CONFIDENTIAL

Your full name:	Brad Wilkie				
Address:	617 Colbert Dr. Lompoc, CA 93436				
Telephone:	(805) 291-9600				
Agency involved in your concern.					
Agency:	City of Gridley				
Address:	685 Kentucky St, Gridley, CA 95948				
Telephone:	530-846-5695				
Individual dealt with: N/A					
Brief summary of concern. Include dates of event, names of officials or individuals involved (attach additional sheets if necessary).					
	mplaint but a follow up on a contact by the Grand Jury to me to participate in the				
review the Grar	nd Jury is conducting on the City of Gridley's grant with the Department of Energy				
regarding the fe	easibility to convert organic matter into usable fuel and electricity				
My last contact with your agency was to inform you that I would be able to participate in an					
interview by phone from my location in Santa Barbara county. I was assured that this arrangement					
was acceptable to the committee working on this portion of the activities of the Grand Jury for					
this year. I app	reciate the accommodation given to me to avoid the 7+ hour one way drive to				
Butte County to participate in person. I was told that the Grand Jury's office would have to get the					
technology work	ed out so that the phone interview could be accomplished. I am still willing to				
participate in thi	s interview if the Grand Jury desires it. I would just like to make it it clear that I				
have not been c	ontacted since that last "set up" and would like to assure you that if contacted, I				
will be able to fu	Ifill the request of me to speak to the Grand Jury or a sub-committee of the Grand				
Jury. If it was de	stermined that my participation is not needed, can you please contact me?				
	last contact between the Grand Jury and myself but I believe it was probably about				
three or four mor	nths ago.				
Thank you for your time and consideration.					

BUTTE COUNTY GRAND JURY CONFIDENTIAL

What action s	hould the Grand J	ury take?			
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Please attach a	my correspondence ding all legal docur	e or supporting doments. Document	s submitted	a you may have cannot be returne	rd d
concern, inclu					
concern, inclu					
l affirm I have	read and understar				
l affirm I have					
l affirm I have	read and understar				
l affirm I have					



P.O. Box 110 Oroville, CA 95965 June 14, 2011

Brad Wilke 617 Colbert Drive Lompoc, CA 93436

Dear Mr. Wilkie.

Thank you for your correspondence and cooperation with the Grand Jury.

State law prohibits the Grand Jury from publicly disclosing any aspect of our deliberations. Accordingly, you may not receive any further communication from us directly. When warranted, however, our specific findings and subsequent recommendations appear in the public Grand Jury Report at the close of our term.

Sincerely,

Laurie Mathers
Corresponding Secretary

2010-2011 Butte County Grand Jury

Demonstration of a Pilot, Fully-Integrated Biorefinery for the Efficient Production of Clean, Synthetic Diesel Fuel from Biomass

The Renewable Energy Institute International (REII), in collaboration with Red Lion Bio-Energy (RLB) and Pacific Renewable Fuels (PRF), will demonstrate a pilot, pre-commercial integrated biorefinery (IBR) for the production of high-quality, synthetic diesel fuels from agriculture & forest residues using advanced thermo-chemical and catalytic conversion technologies.

REII will upgrade current, proven unit processes, developed under the DOE Gridley Biofuels Project, into a pilot, fully integrated biorefinery (IBR) plant in Toledo, Ohio to demonstrate the efficient conversion of 25 dry tons per day (dtpd) of agriculture & forest biomass residues into a high-quality, synthetic diesel fuel.

Information generated from this pilot facility will be used for the design and deployment of commercial scale plants.

Project Description

The key project objectives are to:

 Upgrade the current, individual unit processes into a fully integrated, 25 dtpd IBR plant for



This Project will convert Agriculture and Forest Residues to Synthetic Diesel Fuel

the effective production of synthetic diesel fuel.

- Operate the IBR plant for extended periods to collect sufficient technical, operational, and economic data for the design of commercial plants.
- Demonstrate that the synthetic diesel fuel will be suitable as an environmentally friendly, energy efficient fuel for diesel engines.

Potential Impact

The successful deployment of this IBR technology has the potential of dramatically reducing U.S. dependence on foreign oil, greenhouse gases, and other pollutants, and will create a new, domestic bio-industry that will

potentially create hundreds of thousands of high-value jobs. This IBR technology has the potential of displacing 74% of petroleum derived diesel fuel in the United States with clean, efficient diesel fuels by 2025, while reducing greenhouse gas emissions by 89%.

Other Participants

In addition to RLB and PRF, the project team includes experts in biomass sourcing and handling, fuel production, syngas and fuel testing, plant construction and operation, project finance, and other engineering disciplines to make the project a success.

Prime	Renewable Energy Institute International (REII)			
IBR Location	Toledo, Ohio			
Feedstocks	25 dtpd of Agriculture and Forest Residues			
Primary Products	'Drop in' Synthetic Diesel Fuel			
Award Date	2 nd Quarter 2010			
GHG Reduction	89% compared to petroleum derived fuels			
Anticipated U.S. Job Creation	312 new jobs created per 300 dtpd plant deployed			
Contact Information	Dr. Dennis Schuetzle, Principal Investigator,			

THE BALLSTREET POURALL



Energy Dept. teaming with private investors to create renewable fuel plants in 15 states

JOHN SEEWER
Associated Press Writer
2:48 PM CST, December 4, 2009

TOLEDO, Ohio (AP) — The federal government is speeding up plans to produce more renewable fuels, announcing Friday it will spend nearly \$600 million to help build plants that turn wood chips, cornstalks and algae into fuel.

The government will team up with private companies to create 19 biorefinery projects in 15 states. The government's \$564 million share will come from stimulus funds and will be combined with \$700 million in private investments.

The ideas range from scooping up algae from ponds in New Mexico and converting it to jet fuel to using wood waste from a wall panel company in Michigan to make ethanol.

In announcing the undertaking, Agriculture Secretary Tom Vilsack said President Barack Obama told his administration to speed up the timetable for creating renewable fuel projects and jobs.

Vilsack said he sees a time when these types of plants are found all over rural America. Most would be small operations unlike large oil refineries.

"It is really about bringing a sense of new prosperity to rural communities," Vilsack said. "This is going to make a big difference for America."

Most of the plants will use new technology and operate as demonstration or test factories. One goal is to show private investors that renewable energy projects can turn a profit.

The projects have the potential to create an entire new industry and thousands of jobs,

especially in rural America where agriculture and forest waste is cheap and plentiful, said U.S. Energy Secretary Steven Chu, who attended the same news conference in Toledo, where a pilot plant will turn agriculture waste into diesel fuel.

"We tried to pick the most promising projects," Chu said.

Anything from poultry fat to tree branches and even grass clippings could be turned into fuel.

"Those are the ingredients," Chu said. "You're taking waste material and creating a high value fuel."

The 15 states involved are California, Colorado, Florida, Hawaii, Illinois, Iowa, Louisiana, Michigan, Mississippi, Missouri, New Mexico, Ohio, Oregon, Pennsylvania, and Texas.

How long it will take for privately owned plants to begin operating isn't clear. Administration officials hope to see it happen within the next few years.

Dr. Dennis Schuetzle, President of Renewable Energy Institute International of Sacramento, CA, is managing the Toledo project. He said his organization hopes the first commercial plant could be operational within the next 3-4 years.

Ohio is making a push to reshape itself into a renewable energy leader after being battered by auto and manufacturing job losses. There's a proposal for wind mills on Lake Erie off Cleveland, while Toledo is becoming a national hub for solar energy research and manufacturing.

U.S. Rep. Marcy Kaptur, a Democrat from Toledo, said the new biodiesel plant, fits nicely with the area's solar industry. "The project being rolled out here, we hope, can be rolled out to the rest of the world," she said.

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U.S. Rep. Marcy Kaptur, a Democrat from Toledo, said the new biodiesel plant, fits nicely with the area's solar industry. "The project being rolled out here, we hope, can be rolled out to the rest of the world," she said.



Dec. 4th, 2009 Press Event at the Toledo Pilot Biorefinery (Left to Right: Alex Johnson, President, Port of Toledo; Dr. Steven Chu, Secretary of Energy; Dr. Dennis Schuetzle, President, REII; Congresswoman Marcey Kaptur; Tom Vilsack, Secretary of Agriculture.

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