



August 27, 2009

Judi Sheiffele, Executive Director  
New Haven Port Authority  
P.O. Box 8716  
New Haven, CT 06531

Dear Ms. Sheiffele:

Thank you for the opportunity to outline the importance of tri-modal access to the biodiesel industry in the North East. Innovation Fuels has made a commitment to New Haven because the deep port has a potential rail infrastructure to handle heated bulk liquids in a standard petroleum terminal, a rare logistics combination north of New York Harbor.

Demand for American made petroleum diesel substitutes will sharply rise in our area in the next 12 months because of a combination of; 1) state biodiesel mandates in Massachusetts and Pennsylvania, 2) national increases in biodiesel volume requirements in the second Federal Renewable Fuels Standard, and 3) the replacement of the biodiesel blender's credit with a U.S. biodiesel producer's credit. The change to a production credit will sharply lower demand for imported biodiesel, which currently can take advantage of the \$1 per gallon blenders credit. The North Eastern biodiesel demand will no longer be supplied by imported biodiesel coming in on vessels. Instead, demand will be met by US biodiesel producers located primarily in land-locked areas. The only effective way to move US biodiesel production is by rail, and rail into terminals in the North East is rare.

Most of the grades of biodiesel products require heated lines and storage for winter handling in neat form to avoid gelling. Innovation Fuels produces and markets a variety of biodiesel grades but specializes in fuels from non-food and advanced feedstocks as required by the Massachusetts biodiesel mandate and encouraged by the Federal Renewable Fuels Standard. In order to handle these advanced fuels, we have heated infrastructure in all of our facilities. The Port of New Haven is one of a few in New England with heated capacity integrated in a standard petroleum terminal for ready distribution.

Innovation's biodiesel production capacity in at our primary biodiesel plant is well over 3 million gallons per month. In addition, in New Haven we plan to aggregate from other inland American biodiesel producers by rail as we do at both of our current facilities in Newark and Milwaukee. As importation of biodiesel ends we conservatively estimate that the facility can move upwards of 4 million gallons per month to meet existing regional demand. We also have a strong export business for biodiesel and we would like to shift that work through the deep-water capabilities at the terminal. Unfortunately, the current temporary infrastructure limits rail throughput to less than 1 million gallons per month, which could be lowered with potential conflicts over shared siding use.

Innovation Fuels will make capital improvements on the site over the next year to make it biodiesel compatible including; tank lining removal, installation of nitrogen blanketing equipment, pump upgrades, filtration systems, and tank and line heat improvements. These projects will cost over \$400,000 and involve contractors that will employ over 55 people to complete the work over the next year. Innovation will directly hire 4-8 people for operations related to ongoing business at the facility. Innovation's biodiesel terminal is budgeted to spend over \$300,000 annually on local services to directly support the operation of the biodiesel terminal in New Haven. The





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amount of new local business generated annually is a minimum of \$26 million, but could be more than 4 times that amount with rail improvements that will increase throughput rates.

Innovation Fuels has chosen New Haven Terminals because of the unique opportunity to meet the rapid changes in the biodiesel demand in the North East. New Haven Terminals combines petroleum port activity with needed heated infrastructure and rail access. Improvements in the rail infrastructure will provide key access the mid-west production that will become the primary source of biodiesel for our area as regulations change.

Thank you for the opportunity to explain our interest in the Port of New Haven improvement plans. Please feel free to contact me at any time to provide additional information.

Sincerely,

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