



GREAT AMERICAN PELLETS

September 18, 2012

Matthew Hilliard
Majority Policy Committee
Pennsylvania House of Representatives
717-260-6363

Reference: September 18, 2012, House Majority Policy Committee Hearing

Dear Mathew,

Great American Pellets (GAP) began operations in Palmerton, PA, in February 2011 and was founded by my wife Lisa and myself. GAP currently sells roughly 3 - 4 million dollars of Wood Pellets into the local economy and directly employs 10 full time people and probably 30 to 40 indirect jobs such as foresters, loggers, trucking firms, etc. We also depend on other products and services from local business' supporting our operation.

GAP is on target to produce 20,000 tons of wood pellets (mostly from PA certified timber stand improvement tracts) this year and hope to increase that level to 30,000 tons in 2013. Thus displacing 3.6 million gallons of heating oil currently purchased in the USA. One ton of wood pellets displaces 122 gallons of heating oil. For a typical household using 6 tons of wood pellets per season at \$200 per ton would cost \$1,200 versus 732 gallons of heating oil at \$4.00 per gallon would cost \$2,928. This yields about \$1,728 savings to the average household. With cooperation from Mother Nature we hope to double plant production by 2015. This requires substantial capital equipment and doubling our current raw material requirement.

There was a tax credit¹ from February 17, 2009 through the end of 2010 for the purchase of biomass burning stoves to help consumers fight rising home heating costs. This 30% tax credit of up to \$1,500 total was for the purchase of a 75% efficient biomass burning appliance. Our family took advantage of this tax credit which would have been better served if consumers could immediately deduct it from the total cost. Most households just don't have the money to put into an energy conscious purchase without an immediate monetary incentive. Similar state and local incentives are offered around the country.

Raw material is a key component in manufacturing of Wood Pellets. Tax incentives for Pennsylvania owned DCNR timber stands and/or DCNR approved timber stands; cleared for

¹ H.R. 1 of the American Recovery and Investment Act





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Alternative Energy purposes would go a long way towards growing business. The PA DCNR does a good job in recognizing and endorsing land tracts in need of management.

The Plastics Industry consumes about 331 million barrels of liquid petroleum gases each year for manufacturing products and resins². For every ton of pellets we sell, 40 plastic bags are thrown into the garbage and end up as landfill. Simple consumer awareness could redirect this to recycling for other by-products. Bulk delivery of wood pellets could completely eliminate this waste.

By the year 2020, Europe estimates it will import more than 40 million metric tons of wood pellets³ mostly for co-firing with coal fueled power plants. About half of this pellet fuel is expected to be exported from the US. That's roughly 2.68 billion gallons of oil worth over \$10 billion dollars (at \$4.00 per gallon) that could be displaced by finding commercial and industrial uses for pellets in the US; such as commercial boilers, furnaces, and co-firing with coal for electrical power.

Simple conservation can save more than 20 times the amount that can be displaced by wood pellets. Carpooling, driving habits, mass transit, etc., are a few examples. Government offices, High Schools, and Universities in-line for appliance replacements should provide best ROI regardless of fuel used. Taxpayer funded replacements without a good return should be penalized.

Convert vehicles to Compressed Natural Gas (CNG). In order for this to happen we must make CNG more available to the public. This cannot be done on a small scale, as we tried this at GAP for our forklifts and other equipment. We have CNG in our building but can't efficiently get the fuel into our vehicles. Gas companies should be able to provide this very efficiently. Once the public sees the savings it will catch on quickly and people will invest into these types of vehicles. Retrofits are available across the nation.

My understanding is US oil companies are now fined for not investing in renewable energy and fines increase each year⁴. But fines are so low they simply pay them and go on with business. Couldn't they invest in CNG?

We plan to work with some of the coal companies to make a coal/wood pellet for industrial fuel. This would reduce emissions and carbon footprints for power plants. Though I have to believe most coal companies are working to clean up coal and understand it's already available. Not long ago there was a proposed plan to build a "Coal to Oil" plant in this area. The R&D has already

² US Energy Information Administration

³ US Biomass: Where do all the Wood Pellets Go? 6/14/2012

⁴ New York Times – January 9th, 2012





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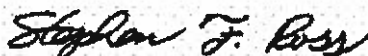
been done but arguments persist whether it is clean enough to mass produce. With this technology we have enough coal here in the US to completely eliminate our dependence on foreign oil.

Skilled labor is really tough to find. Our pay scale lags behind industry average and cannot compete with large local industries which dictate hiring of local workers. We would like to see unemployment tied to mandatory training. UC should have a maximum lifetime limit with drug testing mandatory subject to immediate termination of benefits. Limitations (no fast food, liquor, gambling, tourism, etc.) should be placed on where money can be spent. This can easily be done by providing a specialized credit card which blocks frivolous purchases.

Industrial Parks that have property "Shovel Ready" are extremely hard to find with sizable acreage. We are dealing with a company that has technology to covert wood pellets into "Drop-In Fuel". Their process converts one ton of wood pellets into 90 gallons of fuel. This project would require us converting our plant, or building adjacent to their refinery a new larger 200K tpy plant. This would produce approximately 18 million gallons of gasoline (drop-in fuel) and would create hundreds of jobs. Their USDA loan application was rejected but they are seeking additional channels for funding to be in operation in 2014.

In summary we ask that our government promote energy projects with solid investment returns to taxpayers. This includes projects to diminish our foreign oil dependency by promoting alternative sustainable fuels for the future of our country. We need to start changing the thinking of American companies and consumers and make them more accountable towards energy choices. This will help all Americans as well as US manufacturers to grow and sustain good jobs through good business.

Best regards,



Stephen F. Ross

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Attachments: None

