

# THE RECORD

## Ethanol plant greeted at port

*Costing \$140 million, facility already at planned capacity*



Craig Sanders/The Record  
Pacific Ethanol started production two weeks ago. The plant converts corn to ethanol, which is added to gasoline. Next year, the state will require more ethanol as a percentage of gas.

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STOCKTON - Cold, blustery winds blowing Friday through the Port of Stockton, or figuratively through the steel canyons of Wall Street, were not enough to chill the crowd of 200 to 300 who applauded the formal opening of Pacific Ethanol Inc.'s new plant.

The \$140 million facility began operation about a month ago, taking in truckloads of California-grown corn, and is running at its planned capacity of 60 million gallons of ethanol a year, officials said.

"What a great day for Stockton, for the Port of Stockton and for the people of San Joaquin County," said Rep. Jerry McNerney, D-Pleasanton, taking time out from campaigning to help inaugurate the new plant. He faces Republican challenger Dean Andal on Nov. 4.

Fred Keeley, Santa Cruz County's treasurer and a former state assemblyman, spoke of the need to prevent climate change by switching away from fossil fuels.

"Projects just like this are exactly what we need," he said. "We can make an enormous change in both the environment and the economy."

Stockton City Councilman Clem Lee said the city was proud to play host to the new plant.

"We're going to be the green capitol of the Central Valley," he said.

And Ronald Coale, the Stockton Port Commission's chairman, said the new facility is "the largest private-sector development in the 75-year history of the Port of Stockton."

While recent steep declines in petroleum prices have undercut the price of ethanol, Pacific Ethanol President Neil Koehler noted corn prices also have declined. That means producing ethanol remains cheaper than gasoline.

"It's still at a price point that works for us," he said.

While most U.S. ethanol plants are in the Midwest, where grain is produced, Pacific Ethanol pursued a "destination strategy," Koehler said, putting its plants near markets for the ethanol as well as a byproduct of fermentation, wet distiller's grain, used as animal feed.

Feed accounts for 25 percent to 30 percent of the plant's revenues.

From Stockton, the plant serves transportation fuel markets in Sacramento, the San Joaquin Valley and the Bay Area, and provides feed to the Central Valley, which houses California's dairy industry, the biggest in the nation.

"It is an intersection of the largest fuel and feed markets," Koehler said.

During the current fall harvest, Pacific Ethanol is using California-grown corn trucked into the plant, but from winter through summer will rely on corn stores from the Midwest. Thus the city's connections to two major railroads, as well as the seaport itself, provide vital transportation.

Koehler anticipates continued strong demand, with California switching next year to a gasoline mix with 10 percent ethanol from 6 percent.

And the Port of Stockton's petroleum fuel terminal, next door to Pacific Ethanol, is tied into pipelines that run to Bay Area oil refineries and ship-receiving facilities, and is already a major hub for ethanol distribution.

By next year, 170 million gallons of ethanol are expected to move through that hub, nearly three times Pacific Ethanol's capacity. And the company plans shortly to build a pipeline to connect its plant directly to the fuel terminal.

With financial credit markets in turmoil and plans to build an ethanol plant in Brawley already in suspension, Koehler said the company plans no immediate expansion beyond its current five plants and 220 million gallons a year capacity.

"We'll be taking a timeout, operating these plants as efficiently as possible," he said.

Bill Jones, Pacific Ethanol's chairman and a former California secretary of state, said the company may well move to a new generation of ethanol production by the time it considers its next expansion.

Technology for converting cellulose, or simple plant fibers, to fuel would have to improve greatly, or perhaps some other methods would arise, he said.

"It always depends on the market and the vision we lay out in our next five-year plan," Jones said.

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