



December 13, 2006

Gainesville Regional Utilities
Power Supply RFI
c/o GRU Purchasing Department
Attn: Ralph Wisco, Senior Buyer
P.O. Box 147117, Station A-130
Gainesville, Florida 32614-7117

Dear Mr. Wisco,

Celunol is pleased to provide this letter in response to Gainesville Regional Utilities' Energy Supply Development (GRU) Request for Letters of Interest. The purpose of this letter is to provide a suggested manner in which to modify the conceptual plan so as to provide GRU's constituents with a more environmentally friendly manner in which to add power supply assets.

Celunol is a cellulosic ethanol production company that is seeking to build one or more 25 million gallon per year cellulosic ethanol facilities in the State of Florida. The feedstock for these facilities will be Florida biomass. Our process will require the use of approximately 100,000 pounds per hour of steam, which could be co-generated by a power plant. **Celunol would in turn, provide sufficient fuel from its process to generate approximately 100,000 pounds of steam per hour.**

We propose that, to the extent GRU issues a formal solicitation for a power generation facility, that any ensuing proposals incorporate a variant which includes steam supply of volumes necessary for a 25 million gallon per year (mg/y) cellulosic ethanol plant that would be located adjacent to the power plant.

A Celunol plant could help meet the City's requirements for inexpensive power while potentially enhancing the value of previously considered alternatives. GRU and its consultants had previously considered development of a 220MW, circulating fluidized bed generating station using coal as the primary fuel, and potentially using biomass for 30MW to 50MW of the total generation. The primary fuel used by the utility generating station is somewhat irrelevant to the development of a Celunol facility. The Celunol facility proposed would consume about 312,500 dry tons of biomass per year from local and regional sources. This is the biomass equivalent to provide nearly 50 MW of electrical power generation capacity.

If GRU elected to proceed with its original plans, the addition of a Celunol facility could actually lessen the environmental impact, reduce costs and help to mitigate risk associated with biomass supply. Celunol would be a partner in establishing, managing and operating a biomass delivery system for both GRU and the ethanol facility. Celunol would be responsible for the risk associated with the delivery of the first 50MW equivalent in biomass volume to its own facility. If biomass excess to the needs of Celunol was unavailable, GRU could merely increase the quantity of coal being consumed. Celunol would continue to optimize the biomass supply and reduce the cost of biomass production for its own purposes. As the biomass shed is developed, GRU could effectively

use the increased excess volume of biomass, especially from those sources more accommodating for use as fuel such as urban tree debris.

Eventually, if the biomass supply is sufficient, Celunol would consider installing another 25 mgy ethanol facility at the site. Using this approach, GRU could potentially develop a biomass use of over 130 MW while meeting its requirements for reliable energy, reducing risk of fuel supply, and minimizing the use of fossil fuel.

Benefits of an Ethanol Project:

Myriad advantages will accrue to the State of Florida and to Gainesville from the construction and operation of this cellulosic ethanol facility coupled with a power generation facility.

Economic: An additional hundred million dollars or more of direct investment will be pumped into the area during the development of the Celunol project, which will stimulate economic activity in the transportation, construction, agriculture, engineering and other industries. This will stimulate job growth and provide economic opportunities throughout the State.

Environmental: This project will promote the efficient use of the region's abundant supply of biomass, particularly forestry biomass currently being produced in a sound, sustainable manner and not being utilized. The use of this material will help promote sound forest management, reduce the State's and Gainesville's greenhouse gas emissions, and improve its air quality as ethanol is a cleaner burning fuel than gasoline. Additionally, Celunol will provide to the generator, as a by product of its process, a "green" fuel stream (composed largely of lignin), which would be combined with the generator's primary fuel source. This in combination with the higher thermal efficiencies associated with cogeneration facilities, will mean that the power plant would have extraordinarily low carbon and greenhouse gas emissions per unit of electricity produced. Finally, this facility, if conditions warrant, would be able to effectively use some portion of the local community's municipal green waste, wood waste or agricultural residue, eliminating the cost of disposal to the City.

National stage for biomass: The first commercial scale cellulosic ethanol facility will certainly attract national attention. This will allow Gainesville to showcase its local biomass resources and demonstrate Gainesville's commitment to sustainability. Cellulosic ethanol projects will be an enormous financial windfall for the State, prompting the establishment of numerous support services and agribusiness activities, not to mention increased tax dollars prompted by even greater economic activity.

Energy Security: Biomass represents perhaps the only large scale energy source produced within Florida. In-State ethanol production, utilizing Florida biomass, will help to provide the State with some degree of energy security from supply disruptions.

Project Background

Florida leads the nation in annual production of cellulosic biomass with an annual production of over 140,000,000 tons (~10% of the US total). If even a small amount were converted to ethanol, Florida could easily produce hundreds of millions, if not billions of gallons of ethanol per year. Pioneering research at the University of Florida has developed and demonstrated commercially scalable technology for the conversion of cellulosic biomass to ethanol.

Currently, billions of gallons of ethanol are produced in the Midwest from grain feedstocks, which are well suited to the regional growing climate. Grains such as the ones grown in the Midwest are not well suited to areas like Florida. However, Florida does have an ample supply of biomass, but

until recently a scalable technology did not exist to allow for the cost effective conversion of this biomass to ethanol.

Pioneering and patented research at the University of Florida has allowed Celunol to develop an integrated, enzyme-based process for conversion of biomass to fuel grade ethanol on a commercial scale. Celunol currently has two operational pilot plants, and is in the process of constructing a million and a half gallon per year demonstration plant in Louisiana.

Celunol, as one of the first large scale movers in cellulosic ethanol, believes that it will be able to showcase all of the efforts that Florida and the Nation have invested in research and development for cellulosic ethanol and renewable energy over the course of the last several decades and set the stage for the explosion of cellulosic ethanol production in the State of Florida. Celunol believes that the development, construction and operation of a large scale cellulosic ethanol facility, coupled with sound forestry and agricultural practices and the planting of a dedicated biomass crop is the true culmination of a great deal of this prior research and development. This project is an excellent marriage of a large economic investment that will stimulate the economy, will take full advantage of Florida's incredibly abundant biomass resources to displace oil imports, will help to clean the environment, and will ultimately show the way for a massive amount of follow up investment.

Follow-on activities

We would be pleased to discuss our concept with you at your earliest convenience. In the meantime, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "C Davis", with a stylized flourish at the end.

Chuck Davis
Vice President, Business Development
cdavis@celunol.com