

July 29, 2008

Garry White
Sitka Economic Development Association
329 Harbor Drive
Sitka, AK

Cc: Sawmill Cove Board

RE: Tongass Biofuels short-term lease consideration

Dear Mr. White:

Based on your request this letter is intended to serve as a brief write-up for the Sawmill Cove Board's packet for the meeting to be held on August 4th. Thank you for the opportunity to submit this for consideration.

As we have discussed, I have partnered with Bruce Pauley to form Tongass Biofuels. We are a for-profit venture with the primary mission of manufacturing and distributing affordable and efficient wood fiber-based heating fuel. Initially, we are attempting to utilize local cardboard waste to manufacture briquettes for use as heating fuel in local wood stoves, boilers, and appliances for both residential and commercial use. Ultimately we intend to phase into the production of wood-based solid fuel.

Why manufacture cardboard briquettes? As many know Sitka has an abundance of waste cardboard currently being sent back down south at a substantial cost, a prohibitive cost of heating fuel (more so than the national average), and an immediate shortage of accessible seasoned cordwood as an alternative to oil or electric. We believe it is possible to manufacture a cardboard-based briquette which has similar efficiencies to that of a wood-based briquette which already has a track record of benefits in both efficiency and emissions over cordwood containing high moisture contents. It is also our belief that piloting this initiative with cardboard will develop core competencies in manufacturing and distribution specific to our area which could cross-over to wood based production on a much larger scale.

While seemingly a simple enough concept, to the best of our knowledge and research, the briquetting of cardboard for use as a heating fuel hasn't been done on a commercial scale locally, regionally, or even nationally. This lack of established process and competencies to rely on means there are many unknowns in terms of production variables, distribution,

and ultimate production and cost efficiencies. It is because of these variables that we are moving forward on this first phase enthusiastically, but cautiously. It is imperative we maintain flexibility in-terms of where we ultimately allocate our capital, how we develop our feedstock supply chain, distribution chain, and market, and the space we utilize for our operations (where we operate, square footage, and configuration of that space, etc). This is where our request to the board comes in:

We are requesting the board allocate 1000 square feet of space in the Stores building, and approve a short-term lease for that space at a nominal rate. What we need is a small dry space, with immediate access to three-phase power, and ideally accessible through a loading dock. Approving this request would allow us to begin experimenting with the briquette machine we have just purchased and begin small scale production. If this request were to be granted, at such point we begin ramping-up production and nailing down some of these variables, we may approach the board again for other consideration.

We invite the board to look past the exploratory stage we are in, and share our vision of a local enterprise using renewable, carbon neutral resources to manufacture and distribute an affordable energy option to our community and potentially others in the region. It is our sincere belief that our concept has potential to develop into an enterprise capable of providing employment, contributions to the city's tax base, and further benefits to the local economy consistent with that of a thriving Sitka based business.

Thank you for your consideration.

Sincerely,

Pete DeRensis
Partner, Tongass Biofuels