

The image shows a large, empty rectangular frame. The left and bottom edges of the frame have small tick marks, suggesting it is a coordinate system for a table or chart. The interior of the frame is completely blank.

Exemption 4

**b. Fringe Benefits**

	Budget Period 1	Budget Period 2	Budget Period 3	Total
Rate applied:	Exemption 4			
Total fringe requested:				

A federally approved fringe benefit rate agreement, or a proposed rate supported and agreed upon by DOE for estimating purposes is required if reimbursement for fringe benefits is requested. Please check (X) one of the options below and provide the requested information, if it has not already been provided to the Contracting Officer, OR if it has changed since it was. Calculate the fringe rate and enter the total amount in Section B, line 6.b. ("Fringe Benefits") of form SF-424A.

A fringe benefit rate has been negotiated with, or approved by, a federal government agency. A copy of the latest rate agreement is included with this application, and will be provided electronically to the Contracting Officer for this project.  
*(When this option is selected, a presentation of the budget that demonstrates the application of the approved rate, to arrive at the proposed fringes benefits dollars should also be provided.)*

**There is not a current, federally approved rate agreement negotiated and available.**  
*(When this option is checked, the entity preparing this form shall submit a rate proposal in the format provided at the following website, or a format that provides the same level of information and which will support the rates being proposed for use in performance of the proposed project. Go to <https://www.eere-pmc.energy.gov/forms.aspx> and select PMC 400.2 Sample Rate Proposal.)*

**Additional explanation/comments (as necessary)**

Fringe Benefits rate is based on current actual and adjusted in the future periods for projected hiring salary levels. Currently a larger portion of our employess are senior level and we expend they will represent a smaller portion of our staff. Since the majority of our fringe benefits is for healthcare insurance, the effect of this demographic change is that fringe benefits will be a higher percent of compensation. Please see the Indirect tab at the end of this file for the Fringe calculation. Fringe Benefits includes medical, dental, childcare reimbursement and payroll taxes.

**c. Travel**

**PLEASE READ!!!**

Provide travel detail as requested below, identifying total Foreign and Domestic Travel as separate items. Purpose of travel are items such as professional conference, DOE sponsored meeting, project management meeting, etc. The Basis for Estimating Costs are items such as past trips, current quotations, Federal Travel Regulations, etc.

All listed travel must be necessary for performance of the Statement of Project Objectives.

Add rows as needed. If rows are added, formulas/calculations may need to be adjusted by the preparer.

Purpose of travel	No. of Travelers	Depart From (not required for domestic travel)	Destination (not required for domestic travel)	No. of Days	Cost per Traveler	Cost per Trip	Basis for Estimating Costs
<b>Budget Period 1</b>							
Domestic Travel							
Exemption 4							Exemption 4
Domestic Travel subtotal							
International Travel							
International Travel subtotal							
<b>Budget Period 1 Total</b>							
<b>Budget Period 2</b>							
Domestic Travel							
Domestic Travel subtotal	0					\$0	
International Travel							
International Travel subtotal						\$0	
<b>Budget Period 2 Total</b>						<b>\$0</b>	
<b>Budget Period 3</b>							
Domestic Travel							
Domestic Travel subtotal	0					\$0	
International Travel							
International Travel subtotal							
<b>Budget Period 3 Total</b>							Exemption 4
<b>PROJECT TOTAL</b>							

Additional Explanations/Comments (as necessary)

**d. Equipment**

**PLEASE READ!!!**

Equipment is generally defined as an item with an acquisition cost greater than \$5,000 and a useful life expectancy of more than one year. Further definitions can be found at 10 CFR 600 found on the PMC Recipient Resources Forms page at <https://www.eere-pmc.energy.gov/Forms.aspx#regs> .

List all proposed equipment below, providing a basis of cost such as vendor quotes, catalog prices, prior invoices, etc., and briefly justifying its need as it applies to the Statement of Project Objectives. If it is existing equipment, and the value of its contribution to the project budget is being shown as cost share, provide logical support for the estimated value shown. If it is new equipment which will retain a useful life upon completion of the project, provide logical support for the estimated value shown.

For equipment over \$50,000 in price, also include a copy of the associated vendor quote or catalog price list.

Add rows as needed. If rows are added, formulas/calculations may need to be adjusted by the preparer.

Equipment Item	Qty	Unit Cost	Total Cost	Basis of Cost	Justification of need
<b>Budget Period 1</b>					
Exemption 4				Exemption 4	
<b>Budget Period 1 Total</b>					
<b>Budget Period 2</b>					
Exemption 4				Exemption 4	
<b>Budget Period 2 Total</b>					
<b>Budget Period 3</b>					
<b>Budget Period 3 Total</b>					
<b>PROJECT TOTAL</b>				Exemption 4	

**Additional Explanations/Comments (as necessary)**

**e. Supplies**

**PLEASE READ!!!**

Supplies are generally defined as an item with an acquisition cost of \$5,000 or less and a useful life expectancy of less than one year. Supplies are generally consumed during the project performance. Further definitions can be found at 10 CFR 600 found on the PMC Recipient Resources Forms page at <https://www.eere-pmc.energy.gov/Forms.aspx#regs>.

List all proposed supplies below, providing a bases of cost such as vendor quotes, catalog prices, prior invoices, etc., and briefly justifying the need for the Supplies as they apply to the Statement of Project Objectives. Note that Supply items must be direct costs to the project at this budget category, and not duplicative of supply costs included in the indirect pool that is the basis of the indirect rate applied for this project.

Add rows as needed. If rows are added, formulas/calculations may need to be adjusted by the preparer.

General Category of Supplies	Qty	Unit Cost	Total Cost	Basis of Cost	Justification of need
<b>Budget Period 1</b>					
<b>Budget Period 1 Total</b>			\$0		
<b>Budget Period 2</b>					
<b>Budget Period 2 Total</b>			\$0		
<b>Budget Period 3</b>					
	Exemption 4				
Analytical supplies					
Chemicals, solvents, polymers					
Disposable lab supplies (e.g. gloves)					
Safety supplies					
Minor engineering equipment					
<b>Budget Period 3 Total</b>					
<b>PROJECT TOTAL</b>					

**Additional Explanations/Comments (as necessary)**

For Phase I and II, lab supplies are part of the overhead allocation. In Phase III, the costs are only for those at the pilot scale biorefinery. Estimates are based on our experience.

**f. Contractual**

Sub-Recipient Name/Organization	Purpose/Tasks in SOPO	Budget Period 1 Costs	Budget Period 2 Costs	Budget Period 3 Costs	Project Total
Georgia Tech	Exemption 4				
MTR - Membrane Technology and Research, Inc.					
The Dow Chemical Company					

Vendor Name/Organization	Product or Service, Purpose/Need and Basis of Cost  (Provide additional support at bottom of page as needed)	Budget Period 1 Costs	Budget Period 2 Costs	Budget Period 3 Costs	Project Total
Exemption 4					

Sub-Recipient Name/Organization	Purpose/Tasks in SOPO	Budget Period 1 Costs	Budget Period 2 Costs	Budget Period 3 Costs	Project Total
Exemption 4					

FFRDC Name/Organization	Purpose	Budget Period 1 Costs	Budget Period 2 Costs	Budget Period 3 Costs	Project Total						
NREL- National Renewable Energy Laboratory	Exemption 4										
<table border="1" style="width: 100%;"> <tr> <td data-bbox="130 797 533 824">Total Contractual</td> <td colspan="5"></td> </tr> </table>						Total Contractual					
Total Contractual											



**g. Construction**

**PLEASE READ!!!**

Construction, for the purpose of budgeting, is defined as all types of work done on a particular building, including erecting, altering, or remodeling. Construction conducted by the award recipient is entered on this page. Any construction work that is performed by a vendor or subrecipient to the award recipient should be entered under f. Contractual.

List all proposed construction below, providing a basis of cost such as engineering estimates, prior construction, etc., and briefly justify its need as it applies to the Statement of Project Objectives.

Add rows as needed. If rows are added, formulas/calculations may need to be adjusted by the preparer.

**Overall description of construction activities:**

Example Only!!! - Build wind turbine platform

General Description	Cost	Basis of Cost	Justification of need
<b>Budget Period 1</b>			
Budget Period 1 Total	\$0		
<b>Budget Period 2</b>			
Budget Period 2 Total	\$0		
<b>Budget Period 3</b>			
Budget Period 3 Total	\$0		
PROJECT TOTAL	\$0		

**Additional Explanations/Comments (as necessary)**

Construction will be sub-contracted, one of our sub-recipient partners, The Dow Chemical Company, will provide ground clearing/ land prep work while the actual construction contractor is TBD. These amounts have been included on the Contractual tab. At the end of the this file there is a tab, Construct Recon, which summarizes the the capitalized costs.

### h. Other Direct Costs

PLEASE READ!!!

Other direct costs are direct cost items required for the project which do not fit clearly into other categories, and are not included in the indirect pool for which the indirect rate is being applied to this project. Examples are meeting costs, postage, couriers or express mail, telephone/fax costs, printing costs, etc.

Basis of cost are items such as vendor quotes, prior purchases of similar or like items, published price list, etc.

Add rows as needed. If rows are added, formulas/calculations may need to be adjusted by the preparer.

General description	Cost	Basis of Cost	Justification of need
<b>Budget Period 1</b>			
Exemption 4		Exemption 4	
Budget Period 1 Total			
<b>Budget Period 2</b>			
Exemption 4		Exemption 4	
Budget Period 2 Total			
<b>Budget Period 3</b>			
Exemption 4		Exemption 4	
Budget Period 3 Total			
PROJECT TOTAL			

**Additional Explanations/Comments (as necessary)**

**i. Indirect Costs**

	Budget Period 1	Budget Period 2	Budget Period 3	Total
Rate applied:	Exemption 4			
Total indirect costs requested:				

A federally approved indirect rate agreement, or rate proposed supported and agreed upon by DOE for estimating purposes is required if reimbursement of fringe benefits is requested. Please check (X) one of the options below and provide the requested information if it has not already been provided as requested, or has changed. Calculate the indirect rate dollars and enter the total in the Section B., line 6.j. (Indirect Charges) of form SF 424A.

- There is a federally approved indirect rate agreement. A copy is provided with this application and will be provided electronically to the Contracting Officer for this project.**  
*(When this option is selected, a presentation of the budget that demonstrates the application of the approved rate, to arrive at the proposed indirect charges proposed should also be provided.)*
- There is no current, federally-approved indirect rate agreement.**  
*(When this option is checked, the entity preparing this form shall submit an indirect cost rate proposal in the format provided at the following website, or in a format that provides the same level of information and which supports the rate(s) being proposed for use in estimating the project. Go to <https://www.eere-pmc.energy.gov/forms.aspx> and select PMC 400.2 Sample Rate Proposal.)*

**Additional Explanations/Comments (as necessary)**

### Cost Share

**PLEASE READ!!!**

A detailed presentation of the cash or cash value of all cost share proposed for the project must be provided in the table below. Identify the source & amount of each item of cost share proposed by the award recipient and each sub-recipient or vendor. Letters of commitment must be submitted for all third party cost share (other than award recipient).

Note that "cost-share" is not limited to cash investment. Other items that may be assigned value in a budget as incurred as part of the project budget and necessary to performance of the project, may be considered as cost share, such as: contribution of services or property; donated, purchased or existing equipment; buildings or land; donated, purchased or existing supplies; and/or unrecovered personnel, fringe benefits and indirect costs, etc. For each cost share contribution identified as other than cash, identify the item and describe how the value of the cost share contribution was calculated.

Funds from other Federal sources MAY NOT be counted as cost share. This prohibition includes FFRDC sub-recipients. Non-Federal sources include private, state or local Government, or any source not originally derived from Federal funds. Documentation of cost sharing commitments must be provided, if not already provided with the original application and they have not changed since its submission.

Fee or profit will not be paid to the award recipients or subrecipients of financial assistance awards. Additionally, foregone fee or profit by the applicant shall not be considered cost sharing under any resulting award. Reimbursement of actual costs will only include those costs that are allowable and allocable to the project as determined in accordance with the applicable cost principles prescribed in 10 CFR 600.127, 10 CFR 600.222 or 10 CFR 600.317. Also see 10 CFR 600.318 relative to profit or fee.

Add rows as needed. If rows are added, formulas/calculations may need to be adjusted by the preparer.

Organization/Source	Type (cash or other)	Cost Share Item	Budget Period 1 Cost Share	Budget Period 2 Cost Share	Budget Period 3 Cost Share	Total Project Cost Share
Algenol Biofuels Inc	Exemption 4					
The Dow Chemical Company						
Membrane Technology and Research, Inc.						
<b>Totals</b>			Exemption 4			

**Total Project Cost:** \$Exemption 4

**Cost Share Percent of Award:** Exemption 4 %

**Additional Explanations/Comments (as necessary)**

ALGENOL BIOFUELS, INC.  
28100 Bonita Grande Drive, Suite 200  
Bonita Springs, FL 34135

Vendor  
Exemption 4

Purchase Order  
Exemption 4

Date March 18, 2010

Delivery Address:  
Algenol Biofuels, Inc.  
1700 Union Ave, Suite A  
Baltimore, MD 21211  
Phone: 410-400-8665  
Ed Malkiel  
Email: Ed.Malkiel@algenolbiofuels.com

Billing Address:  
Algenol Biofuels, Inc.  
Attn.: Tammy Hammacher  
1700 Union Avenue, Suite A  
Baltimore, Maryland 21211  
Phone (410) 400-8677  
Email: tammy.hammacher@algenolbiofuels.com

<u>Line</u>	<u>Qty</u>	<u>Item#</u>	<u>Item</u>	<u>Price</u>
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Exemption 4

Development Cost

February 9/2010

To

Project:  
Ethanol

Submitted

A Item Number	B Description of Work	C WORK COMPLE	D		E Design schedule		G Total Completed and Stored	H %	Balance to finish	Retainage 0%
			Scheduled Value	Previous Invoice	This application					
					Equip & Mat	Labor				
								0.00%		
2000	Material		8000					0.00%		
2110										0.00
										0.00
3400										0.00
5120										0.00
										0.00
										0.00
										0.00
7300										0.00
7600										0.00
										0.00
										0.00
15570										0.00
										0.00
										0.00
15575										0.00
										0.00
										0.00
										0.00
17700	Assembly									0.00
							0.00		0.00	0.00
Grand Total										

REDACTED  
EXEMPTION 4

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
1		<b>Algenol DOE Project</b>	<b>1,380.00</b>	<b>12/4/09</b>	<b>3/19/15</b>
2	A	<b>Phase I: Development, Planning, &amp; Preparation of Integrated Biorefinery</b>	<b>431.00</b>	<b>12/4/09</b>	<b>7/29/11</b>
3	Exemption 4				
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
	<b>Algenol</b>				<b>100</b>
					<b>50</b>
					<b>0</b>

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
16	Exemption 4				
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31		Algenol			100
					50
					0



	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
32	Exemption 4				
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
	<b>Algenol</b>				100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
45	Exemption 4				
46					
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51					
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57					
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59					
60					
61					
62					
		Algenol			100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
63	Exemption 4				
64					
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78					
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81					
			Algenol		

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
82	Exemption 4				
83					
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97					
98					
99					
100					
	<b>Algenol</b>				100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
101	Exemption 4				
102					
103					
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117					
118					
119					
120					
	<b>Algenol</b>				100
					50
					0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
121	Exemption 4				
122					
123					
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125					
26					
127					
128					
129					
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131					
132					
133					
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135					
136					
137					
138					
	<b>Algenol</b>				100
					50
					0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
139	Exemption 4				
140					
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146					
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154					
155					
156					
157					
	<b>Algenol</b>				100
					50
					0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
158	Exemption 4				
159					
160					
161					
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72					
173					
174					
175					
	<b>Algenol</b>				<b>100</b>
					<b>50</b>
					<b>0</b>



	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
176	Exemption 4				
177					
178					
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195					
	<b>Algenol</b>				100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
196	Exemption 4				
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215					
		Algenol			100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
216	Exemption 4				
217					
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230					
231					
232					
233					
	<b>Algenol</b>				100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
234	Exemption 4				
235					
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249					
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252					
	<b>Algenol</b>				100
					50
					0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
253	Exemption 4				
254					
255					
256					
257					
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263					
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267					
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269					
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271					
272					
	<b>Algenol</b>				100
					50
					0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
273	Exemption 4				
274					
275	B	Phase II: Build pilot Scale Integrated Biorefinery	Exemption 4		
276	Exemption 4				
277					
278					
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286					
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288					
289					
	<b>Algenol</b>				100
					50
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	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
290	Exemption 4				
291					
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303					
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305					
306					
307					
308					
	<b>Algenol</b>				100
					50
					0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
309	Exemption 4				
310					
311					
312					
313					
14					
315					
316					
317					
318					
319					
320					
321					
322					
323					
324					
25					
326					
327					
328					
	<b>Algenol</b>				100
					50
					0



	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
329	Exemption 4				
330					
331					
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348					
	<b>Algenol</b>				100
					50
					0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
349	Exemption 4				
350					
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368					
		Algenol			100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
369	Exemption 4				
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384					
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387					
388					
		<b>Algenol</b>			100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
389	Exemption 4				
390					
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397					
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399					
400					
401					
402					

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
403	Exemption 4				
404					
405					
406					
407					
408					
409					
410					
411	c	Phase III Optimize	Exemption 4		
412	Exemption 4				
413					
414					
415					
416					
	<b>Algenol</b>				100
					50
					0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
417	Exemption 4				
418					
419					
420					
421					
		Algenol			100 50 0



## Department of Energy

Golden Field Office  
1617 Cole Boulevard  
Golden, Colorado 80401-3393

DOE/EA-1786

### FINDING OF NO SIGNIFICANT IMPACT

#### ALGENOL INTEGRATED BIOREFINERY FOR PRODUCING ETHANOL FROM HYBRID ALGAE FORT MEYERS, FLORIDA

**AGENCY:** U.S. Department of Energy, Golden Field Office

**ACTION:** Finding of No Significant Impact

**SUMMARY:** The U.S. Department of Energy (DOE) is proposing to authorize expenditure of federal funding by Algenol Biofuels, Inc. (Algenol) to design, construct and start-up a Direct to Ethanol pilot-scale integrated biorefinery (biorefinery or proposed project). Two potential sites were analyzed in the EA for the location of the biorefinery; the Dow Chemical Company's (Dow) plastics and chemical manufacturing facility in Freeport, Brazoria County, Texas and an industrial site in the Alico Road Business Park in Fort Myers, Florida. Algenol has since selected the site in Fort Myers, Florida, in part due to the time necessary to meet wetland requirements for the Texas site. The Florida property, which is approximately 40 acres owned by Alico Road Business Park, is fairly isolated from the general public and is already zoned for heavy industrial use. The biorefinery would produce approximately 100,000 gallons of ethanol per year, distill onsite the ethanol-water mixture to fuel-grade quality, and produce the ethanol from CO<sub>2</sub> and saline water using hybrid algae to actively carry out photosynthesis in sealed, clear-plastic photobioreactors (that is, closed-system translucent containers).

The purpose of the proposed project is to refine systems, equipment, and processes to maximize ethanol production with minimal costs to ensure the economic and technical viability of commercialization. The ultimate goal is to develop this technology for use in a commercial biorefinery. Funding of the proposed project would be consistent with DOE's goals under the objectives outlined in The Energy Policy Act of 2005, The Energy Independence and Security Act of 2007, and the American Recovery and Reinvestment Act of 2009, and would partially satisfy DOE's need to accelerate the construction and operation of pilot biorefinery facilities as well as validate refining technologies and help lay the foundation for full commercial-scale development of the biomass industry in the U.S. and reduce U.S. dependence on foreign oil.

This FONSI supports DOE's funding of the design, permitting, and construction of the Direct to Ethanol pilot-scale integrated biorefinery. All discussion, analysis, and findings related to the potential impacts of construction and operation of the Algenol project at both locations, including the Algenol committed mitigation measures, are contained in the Final *Environmental Assessment for the Algenol Integrated Biorefinery for Producing Ethanol From Hybrid Algae Freeport, Texas or Fort Meyers, Florida* (EA). All information related to the analysis of the



Texas site remains in the final EA to maintain the integrity of the NEPA decision-making process and the EA record. The final EA is hereby incorporated by reference.

DOE prepared this Finding of No Significant Impact (FONSI) in accordance with the *National Environmental Policy Act of 1969* (NEPA), the Council on Environmental Quality regulations for implementing NEPA, as amended, 40 CFR 1500 to 1508, and DOE NEPA regulations: 10 CFR 1021.322. **Although the EA analyzes both sites, this FONSI applies only to the Florida location and therefore, only discusses the analysis of the Florida site.**

**ENVIRONMENTAL IMPACTS:** In compliance with NEPA and DOE NEPA implementing regulations (10 CFR Part 1021) and procedures, the Final EA examined the potential impacts of DOE's proposed decision to authorize Algenol to expend federal funds for the proposed project and also examined a No-Action Alternative. Under the No-Action Alternative, DOE would not authorize expenditure of Recovery Act funds for the proposed project and Algenol would not design, construct, or start-up the proposed biorefinery.

The Final EA describes and analyzes potential impacts on the environment that could result from construction and start-up of the proposed biorefinery on the following resources: land use; visual and aesthetic resources; cultural resources; air quality; noise; geology and soils; water resources; biological resources; waste management and hazardous materials; utilities and energy; transportation and traffic; public and occupational health and safety; socioeconomic; and environmental justice, as well as any cumulative impacts of the proposed project. DOE determined that for the Florida location, there would be no adverse impacts or that the impacts would be small, temporary, or both for all resources.

Resource areas with minor impacts or that require applicant-committed measures are briefly discussed below. The EPA would regulate the hybrid algae under the *Toxic Substances Control Act* (TSCA) as microbial products of biotechnology. EPA indicated that the project would fall under EPA's "contained structure" exemption; thus, there would be no need to submit a TSCA application for the project. Algenol's development, use, transportation, and disposal of hybrid algae would take place in contained facilities or vessels, consistent with EPA's TSCA regulations.

For the Florida site, the proposed biorefinery would be considered a minor source of air emissions and would qualify for a "permit-by-rule" under Florida regulations, which is reserved for minor sources. Lee County is in attainment for all National Ambient Air Quality Standards (NAAQS). Minor impacts to the local air quality are expected as minimal amounts of emissions would be generated by the proposed biorefinery and associated vehicles.

It is expected that no impacts to state- or federally-protected species would occur due to the generally poor quality of on-site vegetative habitat, overall low diversity of wildlife observed at the site, and the recently disturbed nature of the site. If endangered species are detected prior to or during construction, Algenol would implement the appropriate measures, in consultation with state agencies, to ensure that endangered species and habitats would not be adversely impacted.



Because 96.8 percent of the site is composed of farmland of unique importance, DOE collaborated with the local Natural Resource Conservation Service (NRCS) to complete the required Farmland Conversion Impact Rating form. The NRCS assigned the site a score of 69 out of 260 points. A score of less than 160 points need not be given further consideration for protection and requires no further evaluation. Because the soils at the site are best suited for cultivating pasture grasses and are located in the center of a developing urban area, the impact to the farmland soils is negligible.

In response to the consultation letter DOE sent to the Seminole Tribe of Florida, the tribe deferred further commenting until they could review a Phase I archaeological survey to be conducted by Algenol. Algenol is committed to completing a Phase I archaeological survey and continuing consultation if necessary prior to construction.

DOE evaluated the cumulative impacts of the proposed project and other past, present, and reasonably foreseeable projects in the area. DOE concluded that Algenol's proposed project, in conjunction with other activities considered, would have no or minimal cumulative impacts on the environmental resources considered.

**PUBLIC PARTICIPATION IN THE EA PROCESS:** In accordance with applicable regulations and policies, DOE sent a Notice of Scoping on June 10, 2010, to federal, state, and local agencies; tribal governments; elected officials; businesses; organizations and special interest groups; and members of the general public for comments regarding the EA's scope. DOE published the Notice of Scoping online at the DOE Golden Field Office Public Reading Room. One public comment letter was received in response to the Notice of Scoping. All areas of concern contained in the letter were addressed to the extent practicable in the Final EA. These documents are provided in Appendix A of the Final EA.

For the Florida site, DOE initiated consultation with the Florida Division of Historical Resources, applicable U.S. Fish and Wildlife Service offices, and the Fish and Wildlife Conservation Commission, the Seminole Nation of Oklahoma and the Seminole Indian Tribe of Florida. The consultation letters and responses are provided in Appendix B of the Final EA.

DOE published the Draft EA online at the DOE Golden Field Office Public Reading Room for a 15-day review period ending September 7, 2010. Copies of the Notice of Availability (NOA) were mailed to stakeholders and the NOA was published online at the Golden Field Office Public Reading Room. DOE received no comments during the Draft EA comment period.

**DETERMINATION:** Based on the information presented in the Final EA (DOE/EA 1786), DOE determines that authorizing expenditure of federal funds by Algenol to support final design, construction, and start-up of the proposed biorefinery at the Ft. Myers, Florida location would not constitute a major federal action significantly affecting the quality of the human or natural environment as defined by NEPA. Therefore, the preparation of an Environmental Impact Statement is not required, and DOE is issuing this FONSI for the Fort Meyers, Florida location.

Alengol's commitment to obtain and comply with all appropriate federal, state, and local permits required for construction and operation of the biorefinery, and to minimize potential impacts through the implementation of best management practices and various applicant-committed measures is detailed in the Final EA, shall be incorporated and enforceable through DOE's financial assistance agreement.

The final EA is available for review at: [http://www.eere.energy.gov/golden/Reading\\_Room.aspx](http://www.eere.energy.gov/golden/Reading_Room.aspx).

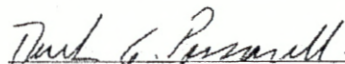
For questions about this FONSI, contact:

Lisa Jorgensen  
U.S. Department of Energy  
1617 Cole Boulevard  
Golden, Colorado 80401  
[lisa.jorgensen@go.doe.gov](mailto:lisa.jorgensen@go.doe.gov)

For further information about the DOE NEPA process, contact:

Office of NEPA Policy and Compliance  
U.S. Department of Energy  
1000 Independence Avenue, SW  
Washington, DC 20585  
202-685-4600 or 1-800-472-2756

Issued in Golden, Colorado this 28<sup>th</sup> day of December, 2010

  
\_\_\_\_\_  
Derek G. Passarelli  
Acting Golden Field Office Manager



PMC 120.1  
(2/08)

U.S. DEPARTMENT OF ENERGY  
GOLDEN FIELD OFFICE

FINANCIAL ASSISTANCE COMBINED COST/TECHNICAL EVALUATION  
AND NEGOTIATION MEMORANDUM

SECTION I - GENERAL INFORMATION

This technical evaluation/negotiation memorandum will be prepared jointly by the assigned DOE/Golden OCPM AND Oafa personnel, to document the specific action being evaluated and supported. Each office is responsible for certain sections of this document. The assigned OCPM and Oafa personnel responsible for the action will both sign this document upon its completion, demonstrating their agreement on its contents.

1. Recipient: Algenol Biofuels Inc.

2. Grant/Cooperative Agreement No.: DE-EE0002867 Modification No. 005  
Requisition No: 11EE003480  
Project Title: Recovery Act: Integrated Pilot-Scale Biorefinery for Producing Ethanol from Hybrid Algae

3. Type of Action:  New Award  Renewal  Continuation  Revision

Description of this Action: (NOTE: Indicate what is addressed by this Action only):

The purpose of this action is to revise the scope and budget for Budget Period 1 (BP1) for Algenol Biofuels' project entitled, "Recovery Act: Pilot-Scale Integrated Biorefinery for Producing Ethanol from Hybrid Algae" (DE-EE0002867). Additional tasks and funding from BP2 are being moved to BP1. The BP1 total budget is now \$<sup>Exemption 4</sup>; \$15,587,035 of which is the federal portion and <sup>Exemption 4</sup> in cost share. This task will also extend both the BP1 end date and the Total Project end date by six months, to 09/30/2011 and 06/30/2015 respectively.

4. Award type, as determined at Procurement Strategy Meeting (for new awards):  Grant  Cooperative Agreement  
If Cooperative Agreement, provide the specifics of the Substantial Involvement. (Note: This language will be used in the Substantial Involvement provision of the award.):

The Substantial Involvement Provision is not changing from what is currently in the award.

5. New/Revised Project Period for this Award: From: 01/29/2010 To: 06/30/2015  
New/Revised Budget Period 1 for this Award: From: 01/29/2010 To: 09/30/2011  
New/Revised Budget Period 2 for this Award: From: 10/01/2011 To: 06/30/2015

6. Compliance Assessment (skip if new award):

a. Deliverables

The Recipient is current in submitting required reports:  Yes  No

If no, identify the delinquent report(s), indicate what action(s) have been taken to remedy the situation, and identify what further action(s) are necessary, if any:

N/A

b. Financial

The Recipient is current in meeting the cost share requirement:  Yes  No

If no, indicate what action(s) have been taken to remedy the situation and validate why this new action should proceed:

N/A

7. Check the applicable box for Funding Appropriation:  Energy and Water  Other \_\_\_\_\_

8. Check the applicable box for Statutory Authority:

- 109-58, Energy Policy Act 2005
- 110-140, Energy Independence and Security Act 2007
- 111-5, Recovery Act (2009)
- Other: \_\_\_\_\_

9. Per 10 CFR 600, the preferred payment method for State/Local Governments, Institutions of Higher Education, Hospitals, or Other Non-Profit Organizations is **Advance**. The preferred Payment Method for For-Profit organizations is **Reimbursement**. If the preferred payment method is not planned for a new award, provide an explanation below. Also explain below if the payment method for the award is being changed by this action.

The recipient is receiving ARRA funds and will continue to be on the ACH payment method to monitor their funds to ensure costs outside of Budget Period 1 are not charged to the award.

10. Is the proposed Recipient on the debarred or suspended list? Yes  No   
 Are any of the proposed subrecipients/subcontractors on the debarred or suspended list? Yes  No   
 Is the Project Director on the debarred or suspended list? Yes  No   
 If yes for either response above, award cannot be made without obtaining a waiver. See attached waiver.  
 The review was conducted on the Internet on 04/28/2011 (Include Printout in permanent STRIPES file)  
 (Date)

11. A risk determination has been completed on the PMC Form 460.2 Yes  N/A

12. Negotiation:

Government Negotiator(s)		Recipient Negotiator(s)	
Name	Organization	Name	Position
1. Molly Hames	G&A Specialist	Dr. Craig Smith	COO
2. Christy Sterner	Project Officer	Pat Ahlm	Assistant Project Manager
3. Christine English	CN-JV Project Engineer	Dax Denman	Assistant Project Manager

**SECTION II – NEGOTIATION SUMMARY**

1. Please record any significant application or budget submissions that resulted in a revised budget in the Negotiation History Table below (including SF424A, budget justifications, e-mails, etc.):

Application/Budget Submission	Reference Document(s)	Date of Submission	Summary of Change
	123.1, SOPO, 424A	3/7/2011	BP2 costs are being moved into BP1 to cover additional BP1 activities.
Revision #1	123.1	3/28/2011	Personnel, equipment and other direct cost sections were updated.
Final	123.1	3/31/2011	The travel section was updated.

2. Complete Budget Table below (only include the original budget and final negotiated costs – the Percent of Total Negotiated Budget will calculate automatically)

**Note: List proposed amounts by category even if there are no differences in the dollar amount.**

Element of Cost	Original BP1 Approved Costs (002 Mod)	Final BP1 Approved Costs (005)	Percent of Total Negotiated Budget	Fringe Benefits and Indirects	
				Proposed Rate	Negotiated Rate
Personnel	Exemption 4				
Fringe Benefits					
Travel					
Equipment					
Supplies					
Contractual					
Construction					
Other					
Total Direct Charges					
Indirect Charges					
<b>TOTAL</b>					
Program Income	\$0	\$0	0%		
DOE Share (non-FFRDC)	\$9,896,607	\$15,162,555	Exemption 4		
DOE Share (FFRDC)	\$424,480	\$424,480			
Total DOE Share	\$10,321,087	\$15,587,035			
Non-Federal Cost Share	Exemption 4				

\*SEE ATTACHED SF 424A FOR BUDGET PERIOD BREAKDOWN\*

3. Total Allowable Adjustment without Concurrence from the Selection Official per the Selection Statement: 10%  
Actual Total Adjustment based on Budget Table Above: 0%

Total Project Costs have not changed from Selection Statement – these are BP1 costs only.

Is the original budget the same as the negotiated budget:  Yes  No

**If No, please check all boxes that apply:**

- Change in the Project Scope  
 Changes due to Time Delays  
 Math Errors in Budget  
 Changes in Indirect/Fringe Costs Caused Changes in Direct Costs or Total Project Costs  
 Indirect/Fringe Rates incorrectly applied  
 Other (explain) \_\_\_\_\_

4. Briefly describe and explain any substantial change(s) to the original Statement of Project Objectives submitted by the recipient:

Project Officer Commentary: The purpose of this action is to add tasks to BP1 that were previously slated for BP2. The addition of the six tasks is associated with corresponding changes in the budget that are detailed in the technical evaluation below. The revised scope is consistent with acceptable and previously approved BP1 activities.

Additional Task Element	Existing Related Task	Rationale for Scope Change
A.18.1, Continued Growth in Salt Water	A.12.1: On-going demo of organism performance at 4500L scale in saltwater, outdoors	The primary purpose of this element is to continue on-going demonstration of organism performance at 4500L scale in saltwater outdoors. Moving additional funding into BP1 to continue activities associated with this task will allow Algenol to demonstrate that the selected organism meets required performance metrics with respect to culture longevity and ethanol production
A.18.2, Ongoing Flexible Film Development	A.3: Flexible Film Photobioreactor Development; A.16: Continued flexible film photobioreactor evaluation	The primary purpose of this element is to continue development of commercial scale flexible film photobioreactor systems. Moving additional funding into BP1 to cover activities associated with this task will allow Algenol to continue field testing the fully integrated photobioreactor bags.
A.18.3, Biologic Process Improvement		The primary purpose of this task is to continue evaluation and implementation of improvements in the biological and engineering systems. Moving funds into BP1 to cover these activities will allow Algenol to develop proper SOPs to implement and integrate necessary Biorefinery operations.
A.18.4, On-going Program Management	A.9 Program Management of Extended DOE Phase 1 Activities; A.17: Program Management BP1	Funding for program management activities is necessary for continuing all project efforts.
A.18.5, Final Design Deliverables	A.13 Initiate architect/EPC firm associated fees	The primary purpose of this element is to further vet and utilize final design specification for the various aspects of the project in order to establish better construction plans and deliverables. Moving additional funding into BP1 to cover activities associated with this task will allow Algenol to solicit a greater number of bids from a more diverse list of vendors and service providers for several elements of the project thereby ensuring an appropriate balance of quality and value.

**SECTION III – TECHNICAL EVALUATION SUMMARY**

A. For each cost category, the Project Officer and the Specialist will complete his/her Technical Evaluation of the Negotiated Costs to confirm that they are all reasonable, allowable, and allocable. Additional comments should be added as necessary and as indicated below.

I. Personnel:

Total Negotiated Personnel Costs: \$<sup>Exemption 4</sup> Not Applicable, the recipient did not propose personnel costs:

Project Officer:

**Original budget:** Exemption 4

**Revised budget:** \$

The labor hours proposed in the negotiated budget are reasonable for the scope of work:

The types of labor and labor mix proposed in the negotiated budget is reasonable:

The proposed labor rates are reasonable:

The personnel budget has been substantially increased for BP1 under this modification to the award. Specifically, the personnel costs have increased from \$<sup>Exemption 4</sup> (approved in the 002 modification) to \$<sup>Exemption 4</sup>. The increased funding is a result of the additional tasks being incorporated into BP1 for Task A.18 as well as changes to the originally approved tasks (A.1-A.11) and changes to the tasks that were approved to be brought into BP1 that did not require additional funds (A.12-A.17).

**A summary of the changes to the budget that were made to the originally approved tasks is provided here (A.1-A.11):** Based on the fact that BP1 is nearing completion, the changes associated with the personnel for these tasks are most likely due to actual costs being reflected in the current budget as opposed to the projected costs that were included in the previously approved budget. Some of these rates have changed slightly from the original budget; however, the rates for each personnel type have been included and are reasonable for the scope of work being performed.

- Task A.1 (Appoint Algenol/Dow Chemical Join Project Team) was originally budgeted to require \$<sup>Exemption 4</sup> in personnel costs and is now projected to require only <sup>Exemption 4</sup>. The only personnel required to complete this task include regulatory/legal personnel, the Principle Investigator, and an Engineering/Construction Manager.
- Task A.2 (Organism Development) was originally budgeted to required \$<sup>Exemption 4</sup> in personnel costs and is now projected to require only \$<sup>Exemption 4</sup>. The reduced funding for this task is due to a decrease in the costs associated with the scientists working on the task.
- Task A.3 (Flexible Film Photobioreactor Material) was originally budgeted to required \$<sup>Exemption 4</sup> in personnel costs and is now projected to require <sup>Exemption 4</sup>. The increased funding for this task is due to the addition of a lab technician as well an increase in the number of hours that the senior engineer will spend on this task.
- Task A.4 (Process Engineering) was originally budgeted to require \$<sup>Exemption 4</sup> in personnel costs and is now projected to require only \$<sup>Exemption 4</sup>. The decreased funding for this task is due to a significant decrease in the number of hours that the senior engineers will spend working on this task.
- Task A.5 (Architect Search and Site Selection, Design and Construction Planning) was originally budgeted to require \$<sup>Exemption 4</sup> in personnel costs and is now projected to require only \$<sup>Exemption 4</sup>. The decreased funding for this task is due to a significant decrease in the number of hours that the lab technician and the principle scientist will spend on this task.
- Task A.6 (NEPA) was originally budgeted to require <sup>Exemption 4</sup> in personnel costs and is now projected to require <sup>Exemption 4</sup>. The increased funding is due to additional hours required by regulatory and legal personnel to complete the task.
- Task A.7 (Regulatory Submission and Approval) was originally budgeted to require <sup>Exemption 4</sup> in personnel costs and is now projected to require <sup>Exemption 4</sup>. The decreased funding is due to a reduction in the number of hours that both the regulatory/legal personnel and the project managers will be required to work to complete the task.
- Task A.8 (Life Cycle Analysis) was not included in the original budget but has been projected to require <sup>Exemption 4</sup> in personnel costs in the revised budget. One principle scientist will be working on this task.
- Task A.9 (Program Management) was originally budgeted to require <sup>Exemption 4</sup> in personnel costs and is now projected to require <sup>Exemption 4</sup>. The increased funding is due to an increase in the number of hours that the project managers, principle investigator, senior program manager, engineering construction manager, and project accountant will spend on this task.
- Task A.10 (Phase I Gate Review) was originally budgeted to require <sup>Exemption 4</sup> in personnel costs and this is now expected to cost <sup>Exemption 4</sup>. The increased funding allocated for this task is due to the incorporation of an R&D liaison into this task.
- Task A.11 (Pre-Award Look-back 12/4-1/18) was originally budgeted at <sup>Exemption 4</sup> in personnel costs. The

revised budget now reflects that there is \$0 in personnel costs associated with the pre-award look-back. However, these costs still remain at the original <sup>Exemption 4</sup> but the recipient, in this revised budget, has broken these costs down into the various tasks that they are relevant to. For example, one of the senior project manager's times was originally captured in the <sup>Exemption 4</sup> total lookback costs. This time is now captured under the program management task instead.

**A summary of the changes to the budget that resulted from additional tasks being incorporated into BP1 (Mod 004) is provided here (A.12-A.17):** The additional tasks that were brought into BP1(A.12-A.17) that are described below occurred in modification 004 and did not require additional funding from what had been originally approved in modification 002. However, to ensure that these costs are reasonable, a thorough evaluation has been provided:

- Task A.12 (Demonstrate Growth in Salt Water) is projected to require <sup>Exemption 4</sup> in personnel costs. These costs include a principle scientist, several scientists, several research associates, a lab technician, and a senior scientist that will be working on the task. Based on the basic research nature of this task, these costs and the associated rates for each personnel type are reasonable.
- Task A.13 (Architect/Engineering) is projected to require <sup>Exemption 4</sup> in personnel costs. These costs include one senior engineer that will spend less than half of a week on this task. As this is an extension of an original task (A.5), these low costs are reasonable.
- Task A.14 (Final Design Specs) is projected to require <sup>Exemption 4</sup> in personnel costs. These costs will include one engineer and one senior engineer that will be working on the task. The rates and number of hours these people will spend on this task is reasonable considering this task is also an extension of an original task (A.5).
- Task A.15 (Plant Personnel Search) does not have any projected personnel costs.
- Task A.16 (On-Going Flex Film Development) is projected to require <sup>Exemption 4</sup> in personnel costs. These costs will include one principle scientist, one engineer, one scientist, several research associates and lab technicians, one senior engineer, and one senior scientist. The rates and number of hours these people will spend on this task is reasonable considering this task is also an extension of an original task (A.3).
- Task A.17 (Program Management) is projected to require <sup>Exemption 4</sup> in personnel costs. These costs include one regulatory/legal staffer, one engineer, several project managers, one principle investigator, one senior program manager, one engineering/construction manager, and one vice president of engineering. The rates and number of hours these people will spend on this task is reasonable considering this task is also an extension of an original task (A.9).

**A summary of the changes to the budget that resulted from additional tasks being incorporated into BP1 (Mod 005) is provided here (A.18):**

- Task A.18 (Extension 2): As described in the table above where the changes to the SOPO have been outlined, there are several subtasks that have been added as part of Task A.18. These include tasks relating to A.18.1 Continued Growth in Salt Water, A.18.2 Ongoing Flexible Film Development, A.18.3 Biologic Process Improvement, A.18.4 Ongoing Program Management, and A.18.5 Final Design Deliverables. A total of <sup>Exemption 4</sup> has been budgeted for personnel that will be necessary to work on these subtasks. These tasks will require regulatory/legal personnel, several principle scientists, engineers, project managers, scientists, and research associates. These tasks will also require a lab technician, the principle investigator, a senior program manager, an engineering/construction manager, several senior engineers and scientists, and one vice president of engineering. The rates that are associated with these personnel are reasonable for the tasks that they will be working on.

The recipient has calculated their personnel costs by an average per labor category, i.e. Lab Technicians, Project Managers, etc. The difference of <sup>Exemption 4</sup> accounted for in the recipient's budget is an adjustment to the BP1 personnel costs based upon the actual personnel costs incurred in BP1 to date. The recipient wanted to reflect this in their budget justification. The budget justification is an estimate of costs incurred during that timeframe; therefore, it is reasonable that those costs would differ from the actual costs incurred.



Specialist:  
Please fill out the following table with the negotiated costs:

Task	Task Title	Budget Period 1	
		Hours	Budget
Exemption 4		Exemption 4	
Rounding due to actual by employee vs. average by category			
<b>Total:</b>			

Negotiated labor rates are reasonable:

The personnel rates were previously deemed reasonable, due to the nature of the activities, the stature of many of the positions within the company, and also the locality. The specialist feels that the additional personnel costs are reasonable to meet the objectives of the revised SOPO for Budget Period 1. The difference of \$1 is attributable to rounding error and is immaterial. For a more detailed personnel cost breakdown, please reference the Budget Justification (AWD-007) for this modification. The Exemption 4 is an adjustment the recipient would like reflected in their budget and is due to the difference between the estimated budget in the recipient's budget justification and the actual costs they've incurred; this is reasonable and acceptable.

2. Fringe Benefits:

Total Negotiated Fringe Benefit Costs: Exemption 4 Not Applicable, the recipient did not propose fringe benefit costs:

Specialist:

**Original budget:** Exemption 4

**Revised budget:** \$

Does the Recipient have an approved rate agreement:  Yes  No

If Yes, List the Date of Rate Agreement: April 19, 2010 Cite Federal Cognizant Agency: Department of Energy

Please fill out the following table with the negotiated costs:

Personnel	Total Cost	Fringe Rate	Cost
Total Personnel	Exemption 4		

The fringe benefit costs in the negotiated budget were appropriately applied and are reasonable:

The recipient calculated their fringe benefit costs correctly, according to their provisional rate agreement issued by DOE on April 19, 2010. The provisional rate agreement is included in the Mod 002 supporting documents.

3. Travel:

Total Negotiated Travel Costs: \$ Exemption 4 Not Applicable, the recipient did not propose travel costs:

Project Officer:

**Original budget:** Exemption 4

**Revised budget:** \$

The number and type of trips proposed in the negotiated budget are reasonable for the scope of work:

The costs per trip proposed in the negotiated budget are reasonable:

Is foreign travel included in the negotiated budget:  Yes  No

Travel has been included in the budget for trips that have occurred during BP1. No additional travel costs are expected due to the location site change from TX to FL. Thus, the travel that has been budgeted is for actual expenses incurred. The travel includes multiple trips to multiple destinations for multiple personnel. For example, the travel includes trips between Algenol's facilities in Florida; trips to Freeport, TX to meet with the Dow Chemical Team; trips to Golden, CO, and Washington, D.C. to meet with DOE; trips to GA Tech, a project subcontractor; various intra-Florida trips to meet with regulatory agencies and to perform interviews for potential staff; and various trips between Florida and Maryland research labs. Based on the work between sites, vendors, and subcontractors and staffing and regulatory requirements within the project, the number of trips and the number of personnel participating in each trip are reasonable and appropriate for the scope performed. As the basis for the expenditures is 'actual costs', the costs are comparable to the original estimates, current internet prices, and actual invoices received to date.

Specialist concurs.

4. Equipment:

Total Negotiated Equipment Costs: Exemption 4 Not Applicable, the recipient did not propose equipment costs:

Project Officer:

**Original budget:** Exemption 4

**Revised budget:** \$

The type(s) of equipment proposed in the negotiated budget is/are reasonable for the scope of work:

The cost of equipment proposed in the negotiated budget are reasonable:

Is there any proposed equipment with a total cost exceeding \$50,000:  Yes  No (If yes, please fill out the following table with the negotiated costs and basis of cost, i.e. historical price or vendor quote)

Equipment	Total Cost	Purpose of Equipment	Basis of Cost
Exemption 4			

Equipment that has been budgeted for BP1 includes a Exemption 4

Exemption 4

Specialist concurs.

5. Supplies:

Total Negotiated Supplies Costs: \$0 Not Applicable, the recipient did not propose supplies costs:

Project Officer:

No supply costs are proposed.

Specialist concurs.

6. Contractual:

Total Negotiated Contractual Costs: Exemption 4 Not Applicable, the recipient did not propose contractual costs:

Project Officer:

**Original budget:** Exemption 4

**Revised budget:** \$

The subrecipients proposed in the negotiated budget are appropriate for the scope of work:

The contractual costs proposed in the negotiated budget are reasonable:  Yes

The total BP1 contractual costs have been reduced to Exemption 4 from the original approved budget of Exemption 4 in Mod 002. The BP1 costs associated with the subrecipients Georgia Tech, Membrane Technology and Research, and the Dow Chemical Company were previously evaluated and approved in Mod 002. The overall BP1 budgets for both Georgia Tech and the Dow Chemical Company have been reduced compared to what was previously approved in Mod 002. Because the originally approved amount in Mod 002 is greater than the amount that is currently budgeted for these subrecipients, another evaluation of these costs has not been provided.

Within the total contractual costs, the vendor costs for BP1 have been reduced from Exemption 4 in Mod 002 to \$<sup>Exemption 4</sup> because the actual budgets needed for these vendors in BP1 proved to be less than the originally estimated amount. The recipient has revised their budget to account for this difference in the estimated costs. These changes resulted from a number of revisions to the budgets for the various vendors that have been or will be utilized in BP1. For example, the costs associated with the architectural firm and survey have been removed from the BP1 budget. A summary of these changes is presented in the table below.

Vendor Name	Purpose	Originally Approved BP1 Budget (002)	Final Approved BP1 Budget (005)
Exemption 4			
		<b>Total:</b>	Exemption 4

\* GA Tech costs are included in both the subrecipient and vendor section. The recipient has provided the following explanation regarding the classification of these costs:

Algenol has contracted with GA Tech to provide support on the following items related to the DOE contract:

- a.) Advanced separation systems for ethanol production from algae.
- b.) Life cycle assessment of ethanol production from algae.

Prior to having a "Sub-award" in place, GA Tech began working on the assigned tasks and incurred expenses. Due to the internal reporting segregation at Georgia Tech, (i.e. Business grants vs. Government grants) these grants are handled by 2 different departments. Thus, the expenses incurred during this period were in the Business not Government Grant department. Due to this internal issue at Georgia Tech, Algenol recorded the expenses as "vendor" expenses vs. "sub-recipient" expenses during that time to avoid a disconnect between the reporting required under ARRA from Algenol and GA Tech.

The NEPA consultant and regulatory attorney costs were combined and the increased costs are due to the change in site as well as moving some BP2 NEPA and regulatory work into BP1. The increase is reasonable for the additional activities underway in these areas.

The new 'various – construction costs' represent the following:

The costs moved from BP2 to A.18.5 only include expenses to be incurred for the final design specifications related to the construction. The three separate designations were presented this way for Algenol's recordkeeping purposes. The estimates are based on historical experience and quotes. The costs include the completion of blueprint drawings, permitting, architectural fees, engineering fees and design costs. These items are related to tasks begun within the original

BP1 scope. Based on the previous work performed and the additional work to be completed under this extended BP1 timeframe, the estimates are reasonable and appropriate.  
Entrix will be working on the final specifications and permitting for the well. The cost estimate for this work is comparable to well work on similar projects and is reasonable.

No changes were made to the budget or the work performed by NREL (<sup>Exemption 4</sup>).

The contractual costs are recommended acceptable as proposed.

Specialist concurs.

7. Construction:

Total Negotiated Construction Costs: \$0 Not Applicable, the recipient did not propose construction costs:

Project Officer:

No Contractual costs are proposed.

Specialist concurs.

8. Other Direct Costs:

Total Negotiated Other Direct Costs: <sup>Exemption 4</sup> Not Applicable, the recipient did not propose other direct costs:

Project Officer:

**Original budget:** \$<sup>Exemption 4</sup>

**Revised budget:** \$

The types of other direct costs proposed in the negotiated budget are reasonable for the scope of work:

The costs proposed in the negotiated budget for other direct costs are reasonable for the scope of work:

Exemption 4

Specialist concurs.

9. Indirect Charges:

Total Negotiated Indirect Costs: <sup>Exemption 4</sup> Not Applicable, the recipient did not propose indirect costs:

Specialist:

**Original budget:** \$<sup>Exemption 4</sup>

**Revised budget:** \$

Does the Recipient have an approved rate agreement:  Yes  No

If Yes, List the Date of Rate Agreement: April 19, 2010 Cite Federal Cognizant Agency: Department of Energy

Please fill out the following tables with the negotiated costs:

Base Item	Base Cost	Rate	Indirect Cost
Modified Total Direct Costs	Exemption 4		
<b>Total Indirect:</b>			

The indirect costs proposed in the original budget are reasonable:

The recipient calculated their indirect costs correctly, according to their provisional rate agreement issued by DOE on April 19, 2010. The difference of \$2 is due to rounding and is considered immaterial. MDTC includes all direct and vendor costs, and excludes subrecipient costs. The provisional rate agreement is included in the Mod 002 supporting documents.

10. Cost Share:

Project Officer: Project is a: <input checked="" type="checkbox"/> Research <input checked="" type="checkbox"/> Development <input type="checkbox"/> Demonstration <input type="checkbox"/> Other: (Explain) The minimum recipient's cost share required for this award is: The recipient proposed cost share for this award is: Does the proposed cost share meet the minimum requirement: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Specialist: Is the proposed cost share: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> In-kind All proposed cost share for BP1 is proposed as cash contributions from Algenol (Exemption 4), DOW (Exemption 4), and Membrane Technology and Research, Inc. (Exemption 4). Third Party cost share commitment letters were obtained previously for the entire project.

B. The following Project Officer and Specialist evaluation and negotiation commentary and recommendations address their agreement on all additional considerations for this award.

1. Please list any other special provisions agreed upon for inclusion in this award and describe the rationale for their inclusion below.

The revised SOPO will replace the existing SOPO. The recipient had one finding in their audit; the recipient responded and addressed the finding (summary and audit correspondence included in AWD-014).
--

2. If a negotiation strategy, or strategies, is/are specified in the selection statement, provide a discussion below of how this was addressed and resolved.

of Total Project Costs must be kept aside from the project budget as contingency for the project. This contingency is applicable to total project costs (BP2 forward) and will be verified by the Project Officer as requested and discussed in the Contingency Appendix previously incorporated and attached to the award (Mod 001). Contingency will be reported and tracked as well to address the requirement per the Selection Statement.
--

3. Any other comments or concerns of the Project Officer and/or Specialist for this award, and the recommended approach to mitigating them, will be explained and addressed below.

N/A
-----

4. Is this a Recovery Act award?  Yes  No

- If Yes, does the Buy American Act apply (see applicability below)?  Yes  No
- If Yes, does Davis Bacon Act apply (see applicability below)?  Yes  No

If the answer to either the Buy American Act or Davis Bacon Act questions is Yes, provide a short discussion below on: 1) the type of entity; 2) what applies; Davis Bacon, Buy American, or both; 3) whether it applies to the prime, subrecipient, or both; and 4) work to be performed that requires applicability of Buy American and/or Davis Bacon.

Algenol Biofuels Inc. includes construction activities, and therefore is subject to the Davis Bacon Act (DBA). DBA will apply to both the Recipient and their subrecipients, throughout the entirety of the project (Budget Periods 1 & 2).
---

**SECTION IV – RECOMMENDATIONS/APPROVAL**

Signatures of the Project Officer and Specialist, indicating their recommendations, as indicated below, will occur after their mutual agreement on the contents of this document, and before the review and approval process for the action. The signatures below indicate that the costs in the negotiated budget are reasonable, allowable, and allocable.

**1. Technical Recommendation**

The project costs are acceptable and should be considered for a financial assistance award. The resources have been reviewed relative to the Statement of Project Objectives and are found to be reasonable, except as previously noted herein.

Christy Sterner                      5/26/11  
Signature                                  Date

Christy Sterner  
Project Officer

**2. Specialist Recommendation**

In view of the above analysis, the technical evaluation, and considering all known factors, this Award is recommended.

Molly Hames                      05/26/2011  
Signature                                  Date

Molly Hames  
Grants and Agreements Specialist

**3. Contracting Officer Approval**

I concur with the above recommendation and have determined that the Recipient is responsible. I consider this Award to be in the best interest of the Government, and approve the award documents.

In view of the analysis, the technical evaluation, and considering all known factors, I have determined that the Recipient is responsible. This Award is considered to be in the best interest of the Government and approved.

Jon S. Olsen                      5/26/2011  
Signature                                  Date

Jon Olsen  
Contracting Officer

# ALGENOL BIOFUELS INC.

HARNESSING THE SUN TO FUEL THE WORLD

---

February 17, 2011

Department of Energy  
ATTN: Molly Hames, Grants & Agreements Specialist  
Golden Field Office  
1617 Cole Boulevard  
Golden, Colorado 80401-3393

RE: AWARDED NO. DE-EE0002867 "RECOVERY ACT: INTEGRATED PILOT-SCALE BIOREFINERY FOR PRODUCING ETHANOL FROM HYBRID ALGAE", POST-AWARD ACCOUNTING SYSTEM AUDIT

Dear Ms. Hames:

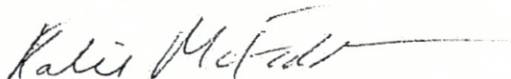
On August 6, 2010, KPMG conducted a post-award accounting system audit of Algenol Biofuels Inc. The resulting Audit Report, dated September 3, 2010, identified the following finding that was considered substantially non-compliant with 10 CFR 600: Supervisors are not documenting their review of timesheets.

As a result of the recommendation from the auditors, effective September 30, 2010, Algenol Biofuels Inc. implemented a procedural change. Instead of an e-mail indicating approval of their department's timesheets, supervisors are required to sign each individual time sheet for any staff member in their department who charge time to the above referenced Department of Energy Award.

Please consider the corrective action and the immediate attention taken by Algenol Biofuels Inc. to rectify this situation.

If you should have any questions or need further assistance, please contact me.

Best Regards,



Katie McFadden, CFO

---

28100 BONITA GRANDE DRIVE  
STE 200  
BONITA SPRINGS, FL 34135  
239-498-2000  
239-948-4996



## Department of Energy

Golden Field Office  
1617 Cole Boulevard  
Golden, Colorado 80401-3393

February 15, 2011

Mr. Craig Smith  
Algenol Biofuels, Inc.  
28100 Bonita Grande Drive, Suite 200  
Bonita Springs, FL 34135-3220

Dear Mr. Smith:

**SUBJECT:** Award No. DE-EE0002867; "Recovery Act: Integrated Pilot-Scale Biorefinery for Producing Ethanol from Hybrid Algae", Post-Award Accounting System Audit

On August 6, 2010, the Department of Energy (DOE) requested that KPMG conduct a post-award accounting system audit of your company in order to assist DOE in determining that Algenol Biofuels, Inc.'s accounting system is in compliance with 10 CFR 600 and other applicable Regulations, and ensure capability to perform on Government awards.

The resulting Audit Report, dated September 3, 2010, identified the following finding that is not considered substantially compliant with 10 CFR 600:

- Supervisors are not documenting their review of timesheets.

The purpose of this letter is to request that Algenol Biofuels, Inc. submit a corrective action plan to DOE no later than March 9, 2011. The corrective action plan should address all listed findings and appropriate corrective actions that will be taken to move toward compliance with 10 CFR 600.311. Please submit this information to the attention of Molly Hames, Grants and Agreements Specialist, Department of Energy, 1617 Cole Blvd., Golden, CO 80401. Should you have any questions regarding this matter, please contact Molly Hames, the DOE Award Administrator, at 303-275-4864 or [molly.hames@go.doe.gov](mailto:molly.hames@go.doe.gov), or the undersigned, at 303-275-4825 or via e-mail at [jon.olsen@go.doe.gov](mailto:jon.olsen@go.doe.gov).

Sincerely,

A handwritten signature in black ink that reads "Jon F. Olsen".

Jon F. Olsen  
Contracting Officer





*Performance Audit*

*Post-Award Accounting System Audit*

*For the U.S. Department of Energy*

Auditee: Algenol Biofuels, Inc.

As of Date: September 3, 2010

KPMG LLP  
111 North Orange Ave, Suite 1600  
Orlando, FL 32801

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KPMG LLP  
Suite 1600  
111 North Orange Avenue  
PO Box 3031  
Orlando, FL 32802-3031

Telephone +1 407 423 3426  
Fax +1 407 386 6159  
Internet www.us.kpmg.com

## EXECUTIVE SUMMARY

September 3, 2010

Ms. Lisa Artz, Senior Cost Price Analyst  
U.S. Department of Energy, Golden Field Office  
1617 Cole Boulevard  
Golden, CO 80401

Dear Ms. Artz:

This report presents the results of our Post Award Accounting System Audit conducted to address the performance audit objectives relative to Algenol Biofuels, Inc. (hereinafter referred to as Auditee). Our work was performed during the period August 31, 2010 to September 3, 2010, and our results, reported herein, are as of September 3, 2010.

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The U.S. Department of Energy (DOE) awarded a financial assistance grant under the American Recovery and Reinvestment Act of 2009 to Algenol Biofuels, Inc. on December 4, 2009 (hereinafter referred to as the Award). The audit objectives of our work related to the Auditee were to:

- (1) determine whether the Auditee's accounting systems and practices, which support the Auditee's accumulating and billing of costs under the Award, are in substantial compliance with 10 Code of Federal Regulations (CFR) 600, *Federal Financial Assistance Requirements* and the Federal Acquisition Regulations relating to accounting for, billing, and reporting costs under financial assistance awards from the Government, and
- (2) perform a high level review of the Auditee's actual costs incurred to date under the Award, to assess the Auditee's ability to submit billings that are allowable, allocable, and reasonable (including direct and indirect costs).

As our audit report further describes, we identified the following finding as a result of the work performed to meet the above-stated audit objectives:

- Supervisors are not documenting their review of timesheets.

Based upon the performance audit procedures performed and the results obtained, we have met our audit objectives. We conclude that, except as indicated above and noted in detail in this report, Algenol



Biofuels, Inc.'s accounting system and practices, which support accumulation and billing (reimbursement requests) of costs under the Award, are in substantial compliance with 10 CFR 600 or FAR, as they relate to maintaining accounting systems and practices that support accounting for, billing, and reporting costs under financial assistance awards from the Government and that Algenol Biofuels, Inc. is able to submit billings (reimbursement requests) that are allowable, allocable, and reasonable (including direct and indirect costs).

We have also issued a performance audit report entitled *Financial Capability Audit*, related to Algenol Biofuels, Inc. dated September 3, 2010. That report provides additional information on our assessment of the Auditee's existing financial conditions and financial capability to adequately perform on Government financial assistance awards currently and in the near-term (up to one year) and the Auditee's ability to meet Award cost share requirements.

This performance audit did not constitute an audit of financial statements in accordance with *Government Auditing Standards* or *U.S. generally accepted auditing standards*. KPMG was not engaged to, and did not render an opinion on the Auditee's internal controls over financial reporting or over financial management systems. KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

This report is intended solely for the information and use of the U.S. Department of Energy and management of the Auditee, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPMG LLP

## BACKGROUND

### *Program Overview*

The U.S. Department of Energy (DOE), Office of Energy Efficiency has awarded financial assistance grants to various entities for specific approved projects. Pursuant to DOE's Work Order No. 2010-6-EE-RA, dated August 6, 2010, KPMG was engaged to conduct a post-award accounting system audit of Algenol Biofuels, Inc., for purposes of assisting the DOE in determining whether the Auditee's accounting system is acceptable to perform under the Award in accordance with the Federal Acquisition Regulation.

### *Auditee Overview*

Algenol Biofuels, Inc. (Auditee) is a wholly owned subsidiary of Algenol LLC. Algenol LLC also owns directly or indirectly Algenol Biofuels Switzerland GmbH (Algenol Switzerland). Algenol Switzerland was set up to permit the Auditee to conduct research and development that it could not perform in the United States.

On December 4, 2009, DOE awarded a financial assistance grant to the Algenol Biofuels, Inc., a for-profit corporation based in Bonita Springs, Florida, for the period December 4, 2009 to January 15, 2015. The Award was for the completion of a "Pilot-Scale Integrated Biorefinery for Producing Ethanol from Hybrid Algae" project. The total Federal Award amount was \$24,331,431. In addition to the Federal Award amount, DOE is paying budgeted Federally Funded Research and Development Center (FFRDC) costs of \$668,569 under an existing DOE contract (Federal Award plus FFRDC costs total \$25,000,000).

The Auditee is required to contribute a cost share from other sources, to complete the project. The original DOE assistance agreement shows a cost share amount of \$ . A modified DOE assistance agreement, signed August 17, 2010, shows a revised cost share amount of \$ . The table below reflects the allocation of project funding, per the August 17, 2010 agreement:

Government Share (line 12)	\$24,331,431
Cost Share (line 12)	\$ REDACTED
Total (line 12)	\$ EXEMPTION 4
Funds Obligated (line 13)	\$24,331,431

Phase I of the award was for the period from December 4, 2009 to September 30, 2010, and totaled \$ with the Auditee being required to contribute a % cost share (or \$ ) from other sources. The cost share requirements for Phase II are "To Be Determined", based on the terms and conditions of the August 17, 2010 agreement.

## OBJECTIVES, SCOPE, AND METHODOLOGY

### *Objectives*

The audit objectives of our work related to the Auditee were to:

- (1) determine whether the Auditee's accounting systems and practices, which support the Auditee's accumulating and billing of costs under the Award, are in substantial compliance with *10 Code of Federal Regulations (CFR) 600, Federal Financial Assistance Requirements*, and the Federal Acquisition Regulations relating to accounting for, billing, and reporting costs under financial assistance awards from the Government, and
- (2) perform a high level review the Auditee's actual costs incurred to date under the Award, to assess the Auditee's ability to submit billings that are allowable, allocable, and reasonable (including direct and indirect costs).

### *Scope*

The scope of this performance audit was to review the Auditee's accounting systems and practices that support the Auditee's accumulating and billing of costs under the Award, to determine if they are in substantial compliance with Federal Acquisition Regulations. We did not perform a comprehensive audit of the Auditee's overall accounting system. In performing our procedures, we considered internal controls related to our audit objectives, but we did not perform an audit of internal controls.

We conducted our performance audit in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditee is responsible for establishing and maintaining an acceptable accounting system for accumulating costs under Government financial assistance grants. Our responsibility is to provide findings and conclusions based on the results of our audit.

This report is focused on aspects of the Auditee's accounting system. We have also issued a performance audit report entitled *Financial Capability Audit*, related to Algenol Biofuels, Inc. dated September 3, 2010. That report provides additional information on our assessment of the Auditee's existing financial conditions and financial capability to adequately perform on Government financial assistance awards currently and in the near-term (up to one year) and the Auditee's financial ability to meet Award cost share requirements.

### *Methodology*

As part of the performance audit of the Auditee's post-award accounting system, we:

- reviewed past audit results;
- gained an understanding of Award terms and conditions;
- determined if indirect cost rates were pre-approved;
- obtained an understanding of the overall system environment;

- obtained an understanding of the general ledger system;
- obtained an understanding of the controls associated with the timekeeping and payroll systems;
- obtained an understanding of the procurement, disbursing, expense, and cost accounting systems;
- evaluated the Auditee's policies and procedures for excluding unallowable costs to determine compliance with Award requirements;
- obtained an understanding of the billing system; and
- performed a review of billings to DOE related to the Award.

## RESULTS

### *Overview of the Auditee's Accounting System*

As a start-up company, Algenol Biofuels, Inc. used commercial off-the-shelf accounting software from Quickbooks to process most of its limited accounting functions. In 2008, Algenol Biofuels, Inc. procured Epicor's accounting software and hosting server capabilities for most of its accounting services needs. This includes A/P, general ledger, billing, and financial reporting. Accounting and bookkeeping functions are recorded in the Epicor software system and are performed by Algenol Biofuels, Inc. staff who report to the CFO. Algenol Biofuels, Inc. utilizes a third-party service organization, ADP, to process payroll.

The Auditee uses Work Breakdown Structures (WBS) account codes in Epicor to separately track the DOE Award. Time sheets are utilized by employees to track work effort by DOE WBS/account code and non-DOE project work. Direct costs supporting DOE WBS are identified and charged to appropriate DOE account codes. Indirect expenses are calculated by applying the DOE approved indirect rate of 73.9% to calculated DOE direct costs. Algenol Biofuels, Inc. tracks actual indirect costs incurred on a quarterly basis, which appear to be higher than the DOE approved indirect rate of 73.9%, as of July 31, 2010.

### *Project Costs to Date*

REDACTED  
EXEMPTION 4

The amounts agree to the cumulative July 31, 2010 billing.

### *Finding, Recommendation, and Auditee Response*

Our performance audit resulted in one finding, presented below. We discussed the results of the audit with Algenol Biofuels, Inc. in an exit conference held on September 3, 2010.

**Finding No. 2010-06-EE-ASALGN-01**

**Criteria:** Auditee supervisors should review and document review of employee time sheets.

**Condition:** There is no documentation or evidence of Auditee supervisory timesheet review.

**Cause:** Auditee supervisors do not document review of employee time sheets.

**Effect:** The absence of documented supervisory review and approval of Auditee effort reporting on timesheets could result in questioned costs in an audit.

**Recommendation:** The Auditee should document supervisory review of each timesheet.

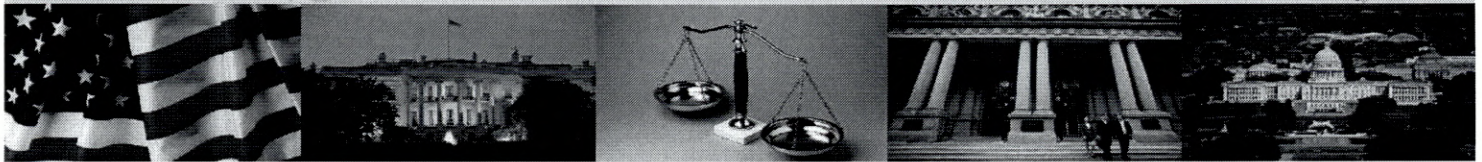
**Auditee Response:** *"The Supervisors do review the timesheets and after review, have the sole responsibility for submitting them to finance i.e. finance only accepts timesheets from the supervisors, employees do not directly submit their timesheets to finance. In addition, at the end of each month supervisors receive budget vs. actual reports for their respective areas of responsibility.*

*However, based on the above finding, effective with the September 15<sup>th</sup> timesheets, supervisors will sign each timesheet as evidence of approval prior to submitting them to finance."*

***Conclusion***

Based upon the performance audit procedures performed and the results obtained, we conclude that, except as indicated above and noted in detail in this report, Algenol Biofuels, Inc.'s accounting system and practices, which support accumulation and billing (reimbursement requests) of costs under the Award, are in substantial compliance with 10 CFR 600 or FAR, as they relate to maintaining accounting systems and practices that support accounting for, billing, and reporting costs under financial assistance awards from the Government and that Algenol Biofuels, Inc. is able to submit billings (reimbursement requests) that are allowable, allocable, and reasonable (including direct and indirect costs).





### Search - Current Exclusions

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- > Browse All Records

### View Cause and Treatment Code Descriptions

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- > Procurement Codes
- > Nonprocurement Codes

### Agency & Acronym Information

- > Agency Contacts
- > Agency Descriptions
- > State/Country Code Descriptions

### OFFICIAL GOVERNMENT USE ONLY

- > Debar Maintenance
- > Administration
- > Upload Login

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#### Search Results for Parties Excluded by

Firm, Entity, or Vessel : Algenol Biofuels, Inc.  
Firm, Entity, or Vessel : The Dow Chemical Company  
Firm, Entity, or Vessel : Georgia Institute of Technology  
Firm, Entity, or Vessel : Membrane Technology and Research, Inc.

Individual : Craig R. Smith  
Individual : Katie McFadden

As of 28-Apr-2011 11:52 AM EDT

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- > Dashboard

### Archive Search - Past Exclusions

- > Advanced Archive Search
- > Multiple Names
- > Recent Updates
- > Browse All Records

### Contact Information

- > For Help: Federal Service Desk

Hames, Molly

---

From: Olsen, Jon  
Sent: Thursday, May 26, 2011 2:35 PM  
To: Sterner, Christy  
Cc: Hames, Molly  
Subject: RE: Algenol CO Review Comments/Questions

REDACTED  
EXEMPTION 5

- deliberative process

Jon F. Olsen  
Grants & Agreements Specialist  
U.S. Department of Energy  
Golden Field Office  
(303)275-4825  
Fax: (303) 275-4754

[jon.olsen@go.doe.gov](mailto:jon.olsen@go.doe.gov)

-----Original Message-----

From: Sterner, Christy  
Sent: Thursday, May 26, 2011 2:32 PM  
To: Olsen, Jon  
Subject: RE: Algenol CO Review Comments/Questions

Hi Jon,

REDACTED  
EXEMPTION 5

- deliberative process

Thanks and best regards,

Christy

-----Original Message-----

From: Olsen, Jon  
Sent: Thursday, May 26, 2011 2:28 PM  
To: Sterner, Christy; Hames, Molly  
Subject: RE: Algenol CO Review Comments/Questions

REDACTED  
EXEMPTION 5

- deliberative  
process

Jon F. Olsen  
Grants & Agreements Specialist  
U.S. Department of Energy  
Golden Field Office  
(303)275-4825  
Fax: (303) 275-4754

[jon.olsen@go.doe.gov](mailto:jon.olsen@go.doe.gov)

-----Original Message-----

From: Sterner, Christy  
Sent: Thursday, May 26, 2011 11:12 AM  
To: Hames, Molly  
Cc: Olsen, Jon  
Subject: RE: Algenol CO Review Comments/Questions  
Importance: High

Hi Molly,

REDACTED  
EXEMPTION 5 -

*deliberative process*

Best regards,

Christy

-----Original Message-----

From: Hames, Molly  
Sent: Thursday, May 26, 2011 10:38 AM  
To: Sterner, Christy  
Cc: Olsen, Jon  
Subject: Algenol CO Review Comments/Questions

Hello Christy,

REDACTED  
EXEMPTION 5

*- deliberative  
process*

REDACTED  
EXEMPTION 5

- deliberative process

Please let me know if you have questions or concerns.  
Thanks,

Molly Hames  
Grants & Agreements Specialist  
U.S. Department of Energy  
Golden Field Office  
1617 Cole Blvd. Golden, CO 80401  
Phone: 303-275-4864  
Fax: 303-275-4754

Hames, Molly

---

From: Olsen, Jon  
Sent: Thursday, May 26, 2011 2:34 PM  
To: Hames, Molly; Sterner, Christy  
Subject: RE: Algenol CO Review Comments/Questions

REDACTED  
EXEMPTION 5

- deliberative  
process

Jon F. Olsen  
Grants & Agreements Specialist  
U.S. Department of Energy  
Golden Field Office  
(303)275-4825  
Fax: (303) 275-4754

jon.olsen@go.doe.gov

-----Original Message-----

From: Hames, Molly  
Sent: Thursday, May 26, 2011 2:28 PM  
To: Sterner, Christy; Olsen, Jon  
Subject: RE: Algenol CO Review Comments/Questions

Hello,

REDACTED  
EXEMPTION 5

- deliberative  
process

Thanks,

Molly

**REDACTED  
EXEMPTION 5**

*- deliberative  
process*

-----Original Message-----

From: Sterner, Christy  
Sent: Thursday, May 26, 2011 11:34 AM  
To: Olsen, Jon  
Cc: Hames, Molly  
Subject: RE: Algenol CO Review Comments/Questions

**REDACTED  
EXEMPTION 5**

*- deliberative process*

-----Original Message-----

From: Olsen, Jon  
Sent: Thursday, May 26, 2011 11:17 AM  
To: Sterner, Christy; Hames, Molly  
Subject: RE: Algenol CO Review Comments/Questions

**REDACTED  
EXEMPTION 5**

*- deliberative process*

Jon F. Olsen  
Grants & Agreements Specialist  
U.S. Department of Energy

Golden Field Office  
(303)275-4825  
Fax: (303) 275-4754

jon.olsen@go.doe.gov

-----Original Message-----

From: Sterner, Christy  
Sent: Thursday, May 26, 2011 11:12 AM  
To: Hames, Molly  
Cc: Olsen, Jon  
Subject: RE: Algenol CO Review Comments/Questions  
Importance: High

Hi Molly,

**REDACTED  
EXEMPTION 5**

*- deliberative  
process*

Best regards,

Christy

-----Original Message-----

From: Hames, Molly  
Sent: Thursday, May 26, 2011 10:38 AM

To: Sterner, Christy  
Cc: Olsen, Jon  
Subject: Algenol CO Review Comments/Questions

**REDACTED  
EXEMPTION 5**

*- deliberative process*

Molly Hames  
Grants & Agreements Specialist  
U.S. Department of Energy  
Golden Field Office  
1617 Cole Blvd. Golden, CO 80401  
Phone: 303-275-4864  
Fax: 303-275-4754



# ALGENOL BIOFUELS INC.

HARNESSING THE SUN TO FUEL THE WORLD

---

March 2, 2011

Ms. Christy Sterner  
Project Officer  
US Department of Energy

Re: Phase I Extension of Algenol's Integrated Biorefinery Direct to Ethanol®  
Pilot Project

Dear Christy:

Further to our recent conversation, please accept this letter as Algenol Biofuels' official request for an extension of Phase I for our project. This request for a Phase I extension is necessitated by the fact that Algenol cannot currently meet the financial contingency requirements of the DOE for the remaining phases of the project.

We are requesting that DOE allow us to move certain Phase II WBS elements into Phase I and allow us to continue to work on certain existing Phase I elements. If our proposal is approved, we will need additional funds authorized for Phase I. We have included with our proposal a new budget that, if approved, would provide the necessary funding for the project.

As you know, Algenol is continuing its efforts to meet the DOE's financial contingency requirements for Phase II. We remain optimistic about our ability to successfully complete the required financing but the timing of completion is beyond our control. Since we have continued to make excellent operational progress, we will need the requested Phase I extension in order to avoid interrupting the project.

As detailed comprehensively in the attached budget, SOPO, and project management plan, in addition to establishing compliance with the project's contingency requirement, the extension will also be utilized to solicit additional bids for goods and services, develop better cost estimates, optimize certain technical elements of the project and further vet final design specifications and construction plans. As a result of these expanded front end loading (FEL) activities, we believe the Phase I extension will significantly reduce risk and increase the likelihood we will be able to successfully complete the project on budget.

We will not be able to begin construction of the pilot plant until we complete our financing and move into Phase II. We currently project all Phase II requirements will

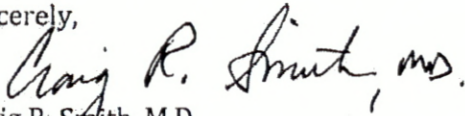
---

28100 BONITA GRANDE DRIVE  
STE 200  
BONITA SPRINGS, FL 34135  
239-498-2000  
239-948-4996

be met by July 2011. Thus, we are shifting all of the subsequent project elements forward by four months. For example, we now propose inoculating our pilot plant photobioreactors in February of 2012. Such a shift in timing will either necessitate truncating Phase III by four months or extending Phase III by the same time. We look for guidance from DOE as to which alternative is preferable. Algenol is prepared to support either plan but prefers to extend Phase III by four months. Although this plan will delay the start of construction by four months, the value added by the aforementioned action items will augment an already well developed project plan and contribute to the project's ongoing success.

I look forward to continuing to collaborate with the Department of Energy to advance this exciting project. Please do not hesitate to contact me with any questions at either (239) 498-2000 or [craig.smith@algenol.com](mailto:craig.smith@algenol.com)

Sincerely,

A handwritten signature in black ink that reads "Craig R. Smith, M.D." The signature is written in a cursive style with a large initial 'C' and 'S'.

Craig R. Smith, M.D.  
Principal Investigator &  
Chief Operating Officer  
Algenol Biofuels Inc.

Hames, Molly

---

From: Sterner, Christy  
Sent: Tuesday, May 10, 2011 10:17 AM  
To: Hames, Molly  
Subject: Re: Algenol

Hi Molly,

REDACTED  
EXEMPTION 5

- deliberative process

Best regards,

Christy

This message was sent from  
a Blackberry Handheld Device  
\*\*\*\*\*  
Golden Field Office

----- Original Message -----  
From: Hames, Molly  
Sent: Tuesday, May 10, 2011 10:03 AM  
To: Sterner, Christy  
Subject: RE: Algenol

REDACTED  
EXEMPTION 5

- deliberative process

-----Original Message-----  
From: Sterner, Christy  
Sent: Tuesday, May 10, 2011 10:02 AM  
To: Hames, Molly  
Subject: Re: Algenol