



Western States Petroleum Association
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Joe Sparano
President

June 10, 2008

California Energy Commission
Dockets Office, MS-4
Re.: Docket No. 08-IEP-1
1516 Ninth St
Sacramento, CA 95814-5512

Re. Docket 08-IEP-1 2009 Integrated Energy Policy Report Scope

Dear Commissioners:

The Western States Petroleum Association (WSPA) is providing written comments regarding the scope of the 2009 Integrated Energy Policy Report (IEPR). WSPA attended and shared our views at the April 28th workshop and at the June 3rd hearing on the scope of the 2009 IEPR.

We have also provided extensive testimony and comments in the development of previous IEPR's, and hope that the 2009 IEPR schedule will once again permit a meaningful exchange of information and ideas.

WSPA represents twenty-six companies that provide or transport energy supplies to businesses and consumers in California and neighboring states. Our members currently produce a majority of the transportation fuels in the state, as well as operate much of the cogeneration capacity.

To quote from current CEC documentation, "SB1389 requires the Commission to conduct assessments and forecasts.... The Energy Commission shall use these assessments and forecasts to develop energy policies that conserve resources, protect the environment, ensure energy reliability, enhance the state's economy, and protect public health and safety."

CEC's major responsibilities, therefore, include ensuring that California's portfolio of energy supply options can provide adequate, reliable and affordable energy supplies to households, businesses and other consumers. These responsibilities should not be given lower priority as other objectives – such as greenhouse gas reduction – are elevated in their importance in the state.

WSPA believes having a sound energy policy is of critical importance to the health of the state's economy and that it will be a key factor in driving the state's future economic viability. A sound energy policy should include the principle that the State should not pick winners and losers.

Using that approach to formulate public policy initiatives has never been a winning strategy. In fact, it almost always results in unintended consequences.

We note that rather than promoting the protection of petroleum resources as alternative and renewable fuels penetrate markets, the Commission has chosen to focus on a petroleum reduction/alternative fuel promotion policy. One of the challenges we should all be embracing instead, is how we are going to deal with conserving and developing energy resources in California.

We need to be preserving our existing petroleum production and manufacturing capacity and infrastructure at the same time we are promoting the coordinated development of additional petroleum feedstocks and cleaner burning refined products. In concert with dealing with the petroleum-based resources in the state, we agree we need to be dealing with new reliable, affordable alternative and renewable fuels that will need to be made available in commercial quantities.

The risk of public policy decisions creating transportation fuels supply problems in the state appears to us to be a realistic possibility. It does not seem like the Commission is actively and urgently working to chart an appropriate course that will deal with the very tight demand/supply outlook embedded in the Commission's forecasts.

We are not confident that the Commission is fully engaged in helping to remove the key challenges and barriers fuels providers encounter in sustaining their efforts to provide and distribute adequate supplies of transportation fuels. These include complicated and difficult permitting processes, regulatory uncertainties, infrastructure capacity limitations, individual port policy initiatives that target elimination of existing assets and frustrate capacity expansion efforts, and system constraints – to name a few.

WSPA appreciates that there is a “normal” cycle of IEPR updates whereby the 2009 IEPR is meant to include a significant focus on transportation fuels, and the interim year update of 2008 is meant to focus on electricity issues. However, we believe the CEC needs to include transportation issues in the 2008 update – not just in the 2009 IEPR.

Some of the issues we believe need to be addressed right now are:

- What are the possible impacts of developing issues such as the LCFS on energy supply sufficiency?
- Due to all of the federal and state regulations that have recently been adopted dealing with criteria pollutants and greenhouse gases, there is a paradigm shift in the making in terms of future fuels and vehicles. The types of fuels that will be produced may not be useable by the types of vehicles that the auto manufacturers produce. How is the state going to assure that these future fuels and vehicles will be compatible?
- What does the data say about fuels supplies produced in California lagging demand such that the state is a net importer of at least gasoline since 2005, and probably jet fuel as well?
- How will California policies allow meeting increased future transportation fuels requirements in both California and neighboring states that are supplied by California's petroleum refineries?
- What is the potential for a drop in transportation fuel demand due to recent higher prices for crude oil, natural gas, refined petroleum products, and renewable fuel feedstocks?

- What needs to be done to preserve the existing fuels infrastructure in the state and can that infrastructure be utilized by the alternative/renewable fuels? If not, how is the additional infrastructure going to be developed and funded?
- How realistic are the prior assessments of the penetration of alternative/renewable fuels in quantities that will be sufficient to replace the petroleum-based fuels that CEC is working to reduce or eliminate?

Whatever approach the CEC takes to develop the 2008 Update and 2009 IEPR, your recommended actions must ensure the state continues to have a viable transportation fuels system and adequate fuel supplies that are compatible with the vehicle population.

We believe the CEC's responsibilities should continue to include advising the Governor, state agencies and the Legislature about the potential energy supply impacts of all relevant state policy initiatives, and the possible consequences of those impacts on California consumers and the economy.

WSPA is concerned that the state's actions relative to transportation fuels have the potential to seriously harm consumers. This can occur if current petroleum resources aren't protected, and if energy reliability and the state's economy aren't equally factored into policy decisions, along with protecting the environment and protecting public health and safety.

All of these factors must be given equivalent weight and careful study to avoid unintended and possibly negative consequences.

Thank you for allowing WSPA to comment on these important matters. We look forward to further dialogue with you as the 2009 IEPR process moves forward.

Sincerely,



cc: Commissioner Jackalyne Pfannenstiel
Commissioner Jeffrey Byron
Susan Korosec, California Energy Commission
Mary Nichols, CARB
Dan Dunmoyer, Deputy Chief of Staff
Darren Bouton, Deputy Cabinet Secretary