

DOCKETED

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**Kern Energy Comments on Proposed Energy Rulemaking SB X1-2
Reporting Requirements (Staff Presentation)**

Additional submitted attachment is included below.



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VIA ELECTRONIC POSTING

DOCKET No. 23-OIR-03

December 9, 2024

California Energy Commission
715 P Street
Sacramento CA, 95814

**RE: Comments on Proposed Energy Rulemaking SB X1-2 Reporting Requirements
(Staff Presentation)**

Dear Vice Chair Gunda & Commissioners:

Kern Energy (Kern) is providing comments on initial concepts presented in a November 12, 2024, public workshop hosted by California Energy Commission (Commission) staff. The material presented introduced proposed changes to reporting requirements intended for adoption in guidelines and regulatory text as part of an emergency rulemaking addressing regulations, guidelines, and policies for implementing SB X1-2 and SB 1322. Kern's comments focus on encouraging the Commission to provide more specificity and clarity and streamlining reporting for regulated parties.

Kern Energy is an independent, family-owned, and operated transportation fuel producer located in the Southern San Joaquin Valley that has proudly fueled California for 90 years. Kern is the only refiner between the major refining complexes in the Bay Area and Los Angeles producing both clean gasoline and diesel according to California's strict standards. At a capacity of 26,000 barrels per day, Kern Energy serves as a critical fuel supplier, reliably supplying the needs of the agricultural breadbasket and major transportation corridors of the state. While California's regulatory landscape has created one of the most challenging operating environments in the world for a small refiner, Kern has thrived while many others have failed. CEC's own data illustrates the demise of 80% of California's small refineries in the last 30 years. As a renewable fuel pioneer, Kern understands what is needed to address California's climate and environmental concerns. Kern embraced the challenge presented by California's LCFS and the federal Renewable Fuel Standard, becoming just the second refinery in the U.S. to produce renewable diesel by co-processing bio-feed and the first small refiner in California to blend biodiesel.

A “One-Size Fits All” Form Approach Cannot Be Taken

Given the heightened timeframe these new projection requirements are expected to take effect (Q1 2025), and the lack of clarity around the submission format, Kern encourages finalization on the Commission’s form preference sooner rather than later. While Kern is generally supportive of simplifying and streamlining reporting processes, we cannot provide meaningful comment absent seeing the actual modifications and new electronic systems the Commission proposes to put in place.

Kern understands the Commission’s desire to move to a standardized reporting format, and encourages the Commission to consider flexibility for reporting parties in lieu of a one-sized-fits all reporting form. As the Commission has undoubtedly seen in data reported to date, no two organizations maintain their data the same or utilize the same systems to do so. For a small refinery with limited personnel like Kern, the additional scope and data volume of the proposed requests represents a significant resource strain that is only compounded when these reporting efforts are duplicated across other agency requirements and data projections. Kern encourages Staff to consider how this effort can also streamline reporting for the regulated parties by avoiding duplication and extra reporting efforts where these additional subsets may not be in the most efficient format to the Commission’s intended initiatives.

Additional Clarity Surrounding Data Requirements

Providing stakeholders with a clear understanding of why specific data points are necessary – such as how they align with the Commission’s objectives and priorities – would enable Kern to focus on delivering the most relevant and actionable information. A more tailored and transparent approach could help expedite the production and submission of the data, as well as allowing stakeholders to ensure the Commission is receiving only the best-fit data for the purpose, ultimately supporting the Commission’s goals more effectively. This would allow Staff more time to focus on meaningful data components as opposed to culling through insignificant data that simply isn’t helpful to the end goal.

The Continued Discussion on “Small Refineries” and Definitions for Requirements

Kern continues to recommend a tailored set of reporting obligations for small refiners in consideration of their market share. Kern produces only 1% of gasoline in California’s transportation fuel market, so it is difficult to see how the benefit of such rigorous reporting aligns with the significant burden it places on small companies to comply. Numerous state and federal regulations recognize these structural differences, for example the existing statutory definition for “small refiner” from Cal. Code Regs. Tit. 13, § 2282(b)(19).

Kern appreciates Staff’s on-going commitment and willingness to work with stakeholders. Kern is eager to support these efforts in a manner that balances regulatory compliance needs with operational feasibility. Kern has been an active participant in the Commission’s

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efforts to carry out the various elements of SBx1-2 over the last 18 months, actively engaging in the policy-making process, participating in public workshops, and providing transparent feedback. Kern Energy appreciates the work that the Commission has put into analyzing the significant amount of data and comments collected to date and, trusts you will give appropriate consideration to our perspective and the background information supplied here.

Please do not hesitate to reach out to me at (661) 845-0761 should you need anything else or have questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Melinda Palmer". The signature is fluid and cursive, with the first name "Melinda" written in a larger, more prominent script than the last name "Palmer".

Melinda Palmer
VP – Regulatory & Public Affairs
Kern Energy