

DOCKETED

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Comment Received From: Community Fuels/Lisa Mortenson
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ARFVTP 3103 Regulations

Additional submitted attachment is included below.



February 11, 2015

Commissioner Janea A. Scott
California Energy Commission
1516 Ninth Street, MS 32
Sacramento, CA 95814

via email to Janea.Scott@energy.ca.gov

RE: ARFVTP 3103 Regulation

Dear Commissioner Scott:

Community Fuels designed, built and operates an advanced biorefinery at the Port of Stockton. We have been honored to receive multiple grant awards under the ARFVTP program which have served as the catalyst to enable our business to expand our capabilities. The awards include grant numbers ARV-10-037, ARV-13-008 and ARV-14-024.

We understand that the 3103 Regulation requires discounting of credit values. The fuel market operates with extremely narrow margins; discounting at any level could cause us to move from a profitable margin to a negative margin. Any period of sustained negative margins would threaten the viability of our business. It also is important to recognize who benefits from credit discounting. Discounting of credit values would directly benefit obligated parties (major oil companies, petroleum refiners and importers); essentially this regulation results in putting dollars directly into the pockets of major oil companies at the expense of biofuel producers.

Community Fuels biodiesel is sold primarily to obligated parties who blend our fuel at low levels with petroleum diesel. Because we sell to obligated parties, our fuel is sold with all applicable credits attached. We do not separate or price credits as a line-item distinct from the fuel. In fact, the EPA Renewable Fuel Standard (RFS) has significant restrictions on when a producer can separate Renewable Identification Numbers (RINs) from the fuel. Except for very limited circumstances, a producer is prohibited from separating RINs from the physical gallons produced, sold and transferred. Separating RINs from our fuel would put us in violation of the EPA Renewable Fuel Standard and is not an option that we can consider.

The CA Low Carbon Fuel Standard (LCFS) credits can be separated from the fuel. However, our customers purchase our fuel because it provides them credits to meet multiple regulations. Our primary customers would not purchase our fuel without LCFS credits attached. We do not assign any value or line-item price to the LCFS credits transferred with the fuel.

The biofuels industry is extremely competitive. The 3103 Regulation would be detrimental to our business by pricing us out of the market and/or creating restrictions that prevent us from selling our clean, renewable fuel. This regulation will put us at a competitive disadvantage against out-of-state and international producers who import product into California in significant volumes.

In summary, this regulation results in a direct financial benefit to major oil companies at the expense of in-state biofuel producers. California biofuel producers will suffer immediate financial harm by having to apply discounts to credits and also will be at a competitive disadvantage relative to out-of-state and international producers. These outcomes are contrary to the objectives of the ARFVTP funding. We look forward to working with the Energy Commission in a constructive manner to discuss the implications of the 3103 Regulation. Please contact me at (760)942-9306 or lisa@communityfuels.com with questions or if I may be of assistance.

Thank you for your interest in this important matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Lisa Mortenson', is positioned above the typed name.

Lisa Mortenson
Co-Founder and Chief Executive Officer
American Biodiesel, Inc. dba Community Fuels

Cc: Tim Olson, California Energy Commission

/lm