

DOCKETED

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WSPA Comments on Transportation Energy Demand Forecasts Workshop

Additional submitted attachment is included below.



Western States Petroleum Association
Credible Solutions • Responsive Service • Since 1907

Catherine H. Reheis-Boyd
President

July 8, 2015

California Energy Commission
Dockets Office, MS-4

Re: Docket No. 15-IEPR-10

1516 Ninth Street

Sacramento, CA 95814-5512

Via electronic commenting system-http://www.energy.ca.gov/2015_energypolicy/

Dear Dockets Office:

Re: IEPR Commissioner Workshop on Preliminary Transportation Energy Demand Forecasts

The Western States Petroleum Association (WSPA) appreciates the opportunity to comment on the preliminary transportation energy demand workshop held on June 24th, 2015. WSPA is a non-profit trade association representing twenty-five companies that explore for, produce, refine, transport and market petroleum, petroleum products, natural gas and other energy supplies in California and 4 other western states.

In particular, WSPA would like to highlight a critical discussion that took place amongst the Commissioners present at the Workshop in response to light-duty electric vehicle projections.

One projection, albeit preliminary, suggested that the EV population would not grow to levels consistent with ZEV mandates and policy goals. Concerns were expressed by Commissioners that the projections in the IEPR should reflect compliance with existing policies and goals. At the same time, Commissioners discussed the need to know when projections suggest falling short of state policy goals so that the programs, regulatory or incentive, might be adjusted accordingly. Both of these points of view are valid and should be accommodated in various scenarios within the document. For example, one scenario should assume that the Governor's ZEV goals are met so that the CEC can understand what electricity demand and infrastructure would be needed to support the level of service required.

On the other hand, if ZEV purchases fall short of these projections, the ramifications of the lower projection should be discussed in terms of impacts to existing policies and goals. For example, if ZEV uptake is lower than expected, this will increase conventional fuel demand which needs to be assessed

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in the IEPR. Moreover, the impact on a program like the LCFS needs to be modeled in the IEPR. Higher conventional fuel demand will increase deficits concurrently with the decreased credits from electricity, which will make LCFS compliance more difficult and put pressure on other alternative fuels within the program to meet the standard. It is important for CEC to analyze the increased demand on these alternative fuels needed for compliance in such a scenario and analyze if there are barriers to the volumes necessary. CEC staff is very well equipped to provide this kind of independent analysis which is needed for both key governmental decision-makers overseeing these policies, as well as the stakeholders endeavoring to comply.

To emphasize the latter point even more, the state's climate, air quality, energy, and transportation goals including the LCFS and the ZEV goals are the most aggressive in the world and are often advertised as technology-forcing. This means they are inherently challenging to meet, and even more significantly – they aim to influence customer choice (demand) by regulating supply. Setting aside WSPA's longstanding concerns about such programs (striving to influence demand by regulating supply), it is important for the state agencies to be able to assess, with intellectual honesty, whether there are obstacles to meeting these goals and what might be done to overcome these obstacles. It undermines the state's understanding and efforts if the IEPR merely assumes that all these programs will be a success, and these programs, in turn, demonstrate success, in part, because of the projections in the IEPR. Such insular circular logic (echo chamber effect) helps no one gain the needed understanding.

While the example used above focused on electric vehicle demand, the same could be argued for any of the alternative fuels that are part of the state's regulatory and incentive programs (i.e., E85, biofuels, CNG, etc.). Each fuel has a unique set of opportunities and obstacles that necessitate thorough evaluation. It is vital that the IEPR evaluate the range of possibilities – even if some scenarios based on valid projections indicate the potential for non-compliance or non-conformance with these established state programs and goals. It would be better to know of this possibility sooner rather than later.

WSPA would like to close by paraphrasing something the CEC staff said in the meeting that helps reinforce WSPA's point – there can be a difference between what consumers buy and what regulated entities are required to produce. WSPA believes the IEPR needs to examine the range of possibilities within this context.

If you have any questions or wish to discuss our comments, please contact my staff, Gina Grey at 480-595-7121 or gina@wspa.org.

Sincerely,

