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# PETROLEUM MARKET ADVISORY COUNCIL

# CALIFORNIA ENERGY COMMISSION


Johnny Thomasson

Kinder Morgan, Inc.


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# Price pressure relief valve concept

***California would allow gasoline to be sold that meets only Federal RFG or conventional gasoline so long as the seller paid a surcharge to the state. The surcharge would be set high enough – perhaps $0.25/gallon -- so that during normal supply/demand balances in the market for CARB gasoline, there would be no incentive for a seller to utilize the non-CARB option. The surcharge could be different for Federal RFG than for conventional gasoline. The revenue from the surcharge could be used to offset any increased pollution from the use of non-CARB gasoline, such as by buying back older high-polluting cars.***

- **Waiver required for non-CARB gasoline**
  - **EPA normally grants waiver only for an emergency condition, would they grant a waiver as price control measure?**
  - **Potential other regulatory waivers**
  - **Regulatory relief in hand ahead of the need**
- **Infrastructure limitations**
  - **No surplus tanks to handle additional grades of gasoline**
  - **Typical seasonal gasoline transition can take up to six weeks**
  - **Existing tanks contain “heels” that would be downgraded**
  - **Loading rack configurations**
  - **Additives and product recipe changes**
  - **Transitioning back to CARB gasoline**

# Inventory requirements for each fuel seller

- ***California would require every seller of CARB gasoline to hold inventory – either physically themselves or through legal control of inventory held by another entity – equal to X% of the seller's monthly average CARB sales volume, during normal supply times.  If the regulatory entity (i.e. the CEC) were to determine CARB gasoline prices are abnormally high, it could then temporarily reduce the inventory requirement, allowing additional supplies to be released into the market.***

- Infrastructure limitations
  - Dormant inventory
  - Reduced operating space
  - Volatility requirements change with seasons
  - Seasonal transitions impacted by larger tank heel inventory

# California forward purchase of gasoline to reduce import risk

***The state buys 1-2% of all CARB gasoline used in California. The state would contract with one or more sellers to deliver the gasoline needed by the state on a forward basis, with contracts signed 1-2 months ahead of delivery. Such forward contracting could reduce the price risk that a fuel importer faces when arranging for delivery of CARB gasoline, which generally takes 1-2 months from the time of the order. During times of abnormally high gasoline prices, the state might want to focus such contracting on sellers who would fulfill the contract by importing gasoline from out of state.***

- **Not a pipeline issue, no comments for this topic.**