

DOCKETED

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**CEC Docket No 23-OIIP-01 Response to Request for Information-
Maximum Gross Refining Margin & Penalty**

Additional submitted attachment is included below.



May 2, 2024

By Email

California Energy Commission
Docket Unit
Docket No. 23-OIR-03
715 P Street, MS-4
Sacramento, CA 95814
docket@energy.ca.gov

Re: CEC Docket No. 23-OIIP-01: Response to Request for Information – Maximum Gross Refining Margin and Penalty

The Kern County Taxpayers Association, a member-supported, 501(c) 4 non-profit corporation, has been steadfastly committed since its inception in 1939 to its mission of creating a more accountable, effective, efficient, and reliable government. Our actions are guided by our adopted values, common sense, innovation, and a long-term view, all aimed at protecting the interests of Kern County taxpayers.

KernTax, as a non-partisan entity, perceives any government collection of funds through any financial conduit as taxation: an identified tax, a fee for government service, or a regulated rate structure. If it is excessive or inappropriate, KernTax is duty-bound to act by charter to educate and facilitate a resolution, ensuring fair representation and treatment. KernTax's stance is clear: it does not seek subsidies; it seeks reasonable returns for our local taxpayers from all regulatory bodies and their agents for levied taxes, fees, or regulated services.

KernTax, as a representative of Kern County taxpayers, respectfully submits these comments in response to the California Energy Commission's March 27, 2024, Request for Information. We strongly urge CEC not to implement a maximum gross refining margin. Instead, we believe the focus should be on addressing the source of price gouging: California's already heavy tax burden on gasoline.

For more than eight decades, Kern Taxpayers has been a steadfast and influential advocate for taxpayers in Kern County and the Central Valley. Our enduring mission is to foster a more accountable, effective, efficient, and reliable government that safeguards the interests of taxpayers, small businesses, families, and communities in our region and the state.

The share of California gasoline prices attributed to state and local taxes and fees is significantly higher than that attributed to refiner margins. This stark disparity underscores the misplacement of CEC's efforts to reduce gas prices by regulating refining margins. Instead, CEC should prioritize transparency in assessing the impact of state and local taxes and fees and explore avenues to lower consumer costs by reducing these taxes and fees.

Californians pay state and local sales taxes, excise taxes, and environmental fees on their gasoline. California currently charges **57.9 cents per gallon** for its state excise tax, the highest state tax on gas in the nation. Additionally, Californians pay environmental fees, including fees for California's cap and trade

program and a fee for the state's low carbon fuel program. Altogether, these taxes and fees amount to California pumping out the highest state gas tax rate in the nation, **77.9 cents per gallon** (as of July 2023).

According to the latest data on CEC's website, "Estimated Gasoline Price Breakdown and Margins," Californians paid **\$1.27 per gallon** in state storage fees, state and local taxes, environmental fees, and state excise taxes combined.

This number *understates* the actual cost of state and local taxes—buried in the fine print on CEC's website is a note that the "State and Local Sales Tax" it advertises is limited to an average state sales tax rate of 2.25%. However, cities and counties set district tax rates that are paid on top of the 2.25% state sales tax, adding another 5–8.75%. This makes local California governments—not refiners or distributors—the primary beneficiaries of gasoline price spikes.

In comparison, Californians only paid \$0.94 per gallon to refineries, which represents *both* refinery costs and profits. Therefore, only the price of crude itself represents a more significant share of the total cost of gasoline than state and local taxes and fees.

All told California's gasoline taxes and fees contribute more than 80 percent of the price difference in a gallon of gas compared to the national average.

KernTax supports initiatives to curb retail gasoline price spikes and unnecessary costs. However, before CEC considers implementing a refining margin, it must take substantial steps to reduce these excessive state and local taxes and fees.

KernTax is grateful for your thoughtful consideration of this matter.

Respectfully,

Michael Turnipseed

Executive Director

