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CALIFORNIA ENERGY COMMISSION

In the matter of:

General Rulemaking Proceeding)
for Developing Regulations,) Docket No. 23-OIR-03
Guidelines, and Policies for)
Implementing SB X1-2 and)
SB 1322)

STAFF WORKSHOP ON SB X1-2 PRE-RULEMAKING

REMOTE VIA ZOOM

TUESDAY, NOVEMBER 12, 2024
10:00 A.M.

Reported by:

Martha Nelson

APPEARANCES

CEC STAFF

Jeremy Smith, Deputy Director, Energy Assessments Division
Aria Berliner, Special Advisor to Vice Chair Gunda

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PROCEDINGS

10:00 a.m.

TUESDAY, NOVEMBER 12, 2024

MR. SMITH: Good morning everyone. We're going to wait until a little bit after ten o'clock to give everyone time to join.

(Pause)

MR. SMITH: All right, let's go ahead and get started.

Once again, good morning everyone and thank you for joining this California Energy Commission workshop. My name is Jeremy Smith. I'm a Deputy Director in the Energy Assessments Division. In this webinar, I'll present draft data regulations and reporting requirements currently in development under the SB X1-2 Emergency Rulemaking. The topics included are the three-month projections for refiners and major marketers, as well as refinery maintenance reporting guidelines.

Before we get any further, I'll share some housekeeping items with everyone.

First, please be aware this meeting is being recorded.

Second, comments are welcome at the end of the presentation. At that time, if you do have a comment, please use the raised-hand feature in Zoom. Someone on our team will call on you. You'll unmute your microphone and

you can provide your comment. For phone participants, you can dial star nine to raise your hand and star six to mute and unmute your line. When you do speak, please start by spelling your name and providing your affiliation before beginning your comment. We'll present a slide with these instructions when it's time for public comment.

The purpose of today's workshop is to receive public input on draft data regulations and data collection forms, either through oral comments shared today or through written comments submitted to docket 23-OIR-03 before 5:00 p.m. on December 9th, 2024.

I'll provide an overview of draft language for emergency data regulations and draft data collection forms for refiner and major marketer three-month projections and refinery maintenance.

The goal of the three-month projection regulations is to provide the CEC as the state's primary energy policy and planning agency the forward visibility to identify potential supply constraints in the California transportation fuels market that could lead to price spikes like those observed in late summers 2022 and 2023, as well as spring 2024.

Our mission is to be objective, improve our understanding of how the industry and market operates under certain conditions, and follow the facts to protect

Californians from price spikes that might occur due to market illiquidity or other issues.

The goal of the updated Refinery Maintenance Guidebook, which includes instructions on how refiners notify the CEC of planned and unplanned maintenance events, is to improve tracking of events and clarify the reporting requirements based on feedback we have received from industry.

This is the agenda for today's webinar. I'll start by providing some background on and purpose for these data regulations, the rulemaking process, and the relevant data collection topics we're covering today.

I'll then go through each of the following three data collection topics, three-month projections for refiners, three-month projections for major marketers, and refinery maintenance reporting guidelines. For each topic, I'll begin by discussing the draft regulations and reporting requirements. Afterwards, I'll demonstrate the proposed forms.

Then, I'll share the next steps, and we'll close the presentation with a public comment period.

Let's start by going over some of the background on the rulemaking process and data collection efforts.

With the passage of Senate Bill X1-2 in 2023, the legislature provided the CEC with emergency rulemaking

authority to support the many implementation activities the law calls for. This includes the majority of data collected under the Petroleum Industry Information Reporting Act, or PIIRA for short, analysis and reporting requirements, confidentiality requirements, enforcement authority, and the timing of turnaround and maintenance rules. The draft regulations discussed today are all contained in California Code of Regulations, Title 20, Chapter 3, Article 3.

The one exception to this is that the refinery maintenance activity reporting is exempt from the Administrative Procedure Act, so the CEC may institute new rules through a guidebook. This draft guidebook is also part of the scope of today's workshop.

The CEC has numerous forms to collect data from the petroleum industry. These generally fall into the following four categories: refinery costs and profits, which informs the California Oil Refinery Cost Disclosure Act Monthly Report, and whether a maximum refiner margin should be set; market analysis, which informs whether there is market manipulation or market failures; refinery maintenance, which provides insights into the timing and impact of planned and unplanned outages; and finally, other miscellaneous data.

There are four forms we're discussing today.

Under Refinery Maintenance are the planned and unplanned

maintenance and turnaround reports. Under Other Data, we have the two newly proposed forms, the Refinery Three-Month Projection and Major Marketer Three-Month Projection Reports.

All relevant files discussed today were posted to the docket last week. Please note all the regulations and forms presented during this workshop are drafts, so even if I say things like new or updated, please know none of these changes have been adopted, nor are final.

Before we discuss the draft rules and associated forms, I just briefly wanted to share some of the things we're doing to improve data collection, to reduce burden on industry, improve accuracy of the data collected, and expedite data processing and analysis.

Our current data submission portal, which launched in June 2023, is a secure drop box where industry can upload reports. While this was an improvement in both security and tracking of submitted reports, the process to validate, aggregate, and analyze the data is time intensive and requires a lot of manual intervention.

Many of the existing PIIRA data collection forms were not designed to be machine readable, meaning reporting entities need to either design systems to export data in a specific format or enter data into the forms manually, which increases the likelihood of errors.

To address this, staff are designing new forms to be filled in and submitted as flat files, meaning the data is stored in a two-dimensional database structure where columns represent different values, the first row has the column headers, and all subsequent rows represent separate records. Forms designed in this way will be easier for industry to export information from a database and will make for much easier data storage once received by CEC.

Further, staff have begun developing prevalidation worksheets in which industry can paste their data to ensure it meets the reporting requirements. One such example is the D354 spot market report tool, which has been demonstrated and shared with numerous reporting entities.

We'll continue to improve instructions to ensure reporting requirements are clear and hope to establish strong relationships with all reporting entities so any issues with data collection can be easily addressed.

Let's now discuss the draft regulatory language and forms for the three-month refinery and major marketer projections.

Under California Code of Regulations Title 20,
Section 1363.2, this is the Specific Definitions for
Purposes of Reporting Requirements, we've proposed a minor
clarification to the definition of a Major Petroleum

Products Marketer or Major Marketer for short. The intent is to clarify that individual service stations and truck stops that sell less than 20,000 barrels of petroleum products are excluded from this reporting requirement, but chains of service stations or truck stops that exceed that threshold are required to report.

We want to make it clear it is not our intent to collect forms from small individual service stations. We are open, however, to feedback on whether the 20,000 barrel threshold is appropriate or needs to be adjusted.

California Public Resources Code 25354, subdivision (c) provides the CEC with the authority to collect monthly projections of the same information detailed under subdivision(a). For refiners, this includes volume, price, type, and source information for receipts, inputs, exports, and inventories of crude oil, feedstocks, petroleum products, blend stocks, and ethanol. This information is currently collected for past months in the CEC M810, California Refinery Monthly Report.

For major marketers, this includes volume, price, type, and source information for receipts, inventories, and distributions of finished petroleum products, blend stocks, and ethanol. This information is currently collected for past months in the M700, California Imports, Exports, and Intrastate Movements Monthly Report.

Under California Code of Regulations, Title 20, Section 1366, which is the Requirement to File section, we have drafted the following language to implement provisions of Public Resources Code 25354 to require the filing of the three-month projections for refiners and major petroleum product marketers.

In short, the proposed language states that refiners and major marketers shall submit monthly reports containing projections of the specified information for each of the following three months. The specific information to report is included on the next two slides.

For refiners, we have proposed adding Appendix B, Section 9, detailing the information required to file in the monthly projections. This includes, for each of the following three months, projected stocks of crude oil, gasoline, aviation fuels, distillate, and residual fuel oil at the beginning of each month, projected receipts of foreign and domestic crude oil, and the previously listed products, projected refinery inputs, meaning the amount of each product used by the refinery, projected refinery production of gasoline, aviation fuels, distillates, and residual fuel oil, projected shipments or outflows of each product, and the projected stocks of products at the end of each month.

For major petroleum product marketers, we have

proposed adding Appendix B, Section 10, detailing the information required to file in the monthly projections. This includes, for each of the following three months, projected stocks of gasoline, aviation fuels, distillate, and residual fuel oil at the beginning of each month, projected acquisitions of each product from California refineries, other California sources, and other domestic or foreign sources, projected distributions of each product to California purchasers, non-California purchasers, and for the reporting entity's own consumption.

Next, I'd like to walk through the proposed forms for the M05 Refinery Projection Report and the M07 Marketer Projected Acquisitions and Distributions Report. Both forms are intended to be submitted monthly, as noted by the M at the beginning of the form name.

These draft forms, along with the draft regulations, are available for further review on docket 23-OAR-03.

I'll now switch to the first form. This is our M05 Refinery Projections Report.

The first tab you can see is the company information. Similar to a lot of our other data collection forms, this is where the submitter would fill in their information, including the period for which they're submitting the report, their company name, ID, address,

email, and phone number, as well as the contact name, phone number, email for the person that's submitting the report, and the date that the report is being filed.

On the next tab, which is the refinery projection, you can see we have several columns here, starting with column A, which is the product name. These are pre-filled, so this is just a list of all of the applicable products. The product code is already filled in as well, so this is just the appropriate product code for each of these products.

And then next, which is intended to be filled in, and I just filled this in for demonstration purposes, but you would fill in the year and the month for whichever month is being projected. So for all of these different products, you would just list that same month over and over again for each product.

Then you have each of the following five columns to fill in the appropriate information, the volumes for each product, so the projected receipts for that month, the projected refinery inputs, the projected production, the projected shipments or outflows from the refinery, and finally the projected closing inventories.

If you scroll down, you can see this list repeats again for the second month to be included in the projection report. Again, this is filled in for demonstration

purposes, but it should be filled in as whatever the second month is in the projection. And again, the same information for that month. And then finally, sectioned off at the bottom would be the third month that the estimates are included for.

Okay, let's now look at the M07. This is the Major Marketer Projected Acquisitions and Distributions Report.

Once again, we have a company information tab with the same information that I just talked about, the reporting period for which the report is being submitted, company information, contact name and information for the person submitting the report, and the date that the report is filed.

We have two tabs. The first is the acquisitions. This, again, you can see several columns here starting with product type. This is now a drop-down knowing that the number of products that are to be included in each report may differ month to month. So rather than spelling them all out, what we've done is just given the option to include whichever product types will be expected to be acquired that month.

So you can choose from this drop-down menu. Let's say you pick gasoline. If you know the product name, which may be known if it's projected for, say, the next month,

but when you're projecting for information, say, you know, two or three months in advance, the product name more specifically may not be known. So fill this in if it is known at the time. Let's say for gasoline, we wanted to say CARBOB, so you can choose that from the drop-down. The product code will fill in. If a product name is selected, it will automatically fill in.

And then similar to the other report, we fill in the year and the month, so let's say this is for 2025 and month one. The formatting looks like it should be a little different. It should just be the year and then the month number, so say 2025 and then 01.

The mode of transportation. So let's say this is a marine vessel. The source. Did it come from a foreign or domestic import, say foreign imports? The source, the region location where it's coming from. The receiving location, if it's known, if that's going to Northern or Southern California. If it's known at the time, the port or load location, and the total volume in thousands of barrels.

Once all of the product types are listed for that month, then you can just continue on further down the list and repeat for the second and third months. This is very similar to, like I said before, the M700 for past information, just intended to be projections for future

months. So this report could be 10 rows long one month, or it could be 50 rows long another month, just depending on the activity in the upcoming three months.

Distribution tab is very similar to the acquisitions. Once again, we have, in column A, we have the product type, which is a drop-down. So similar to the last time, you can just choose the product type, and if it's known, the product name more specifically. If the product name is known, the product code will automatically fill in. And then you'll fill in the year and month for the projection.

The mode of transportation, again, if it's pipeline, marine vessel, or rail. This is, again, for distribution, so this is sales mode of transportation. The purchaser, if it's a California purchaser, non-California, foreign, or domestic, or it's for your own company's own consumption. The destination. The region, if known, either northern or southern California. The port or distribution location, if it's known, for California purchases only. And finally, the volume in thousands of barrels.

Those are both the M05 and M07 proposed forms to collect the three-month refinery and major marketer projections.

Now I will present the draft revisions to the Refinery Maintenance Guidebook and associated data

collection forms.

The draft language for the refinery maintenance reporting requirements is captured in the California Refinery Maintenance Reporting Guidebook. I won't go through the entire guidebook itself, but will highlight some of the proposed changes here.

The substantive changes are contained in Chapter 3, Maintenance Reports. In this chapter, we have proposed adding to the informational requirements a process unit ID for each processing unit involved in a planned or unplanned maintenance event.

Next, for in-state purchases, out-of-state purchases, and foreign imports, we are proposing to change the reporting units from barrels per day to barrels.

Finally, we have proposed language that the values for each of these three categories are intended to be the expected purchase amount, knowing the exact volume may not be known at the time of the report.

Next, I'd like to walk through the proposed forms for the EBR-1P, which is the planned maintenance report, and EBR-1U, unplanned maintenance report. Both forms are intended to be submitted based on a qualifying event occurring, noted by the EBR at the beginning of the form name, which stands for Event-Based Report.

These draft forms, along with the draft Refinery

Maintenance Guidebook, are available for further review on Docket 23-OIR-03.

Great, so now let's now look at both of the refinery maintenance reports. Again, these are drafts.

The first is the EBR-1P, the California Refinery Planned Refinery Maintenance and Turnaround Report. This report is to be submitted at least 120 days before the planned maintenance or turnaround.

At the top, you can see the company information section, which, similar to the other forms, includes things like the report period for which the month, day, and year that the report is being submitted, company information including name, ID number, the refinery name, the refinery ID number, address, email, and phone number, as well as contact name, email, phone number for the person submitting the report, the date filed, the date of the previous submission, if applicable, so if this is a revision to a Planned Maintenance Report, the ID from the previous submission should be included here — or the date, sorry, of the previous submission. This is a planned event, so that's just static. The type of submission, whether this is initial, a revision, or final version, and then if it is a revision or a final, to include the initial submission ID.

You can see we've also added in several of these little pop-ups that will help explain, provide notes for

what information should be filled in.

Scrolling down, you can see that there's this one last column that says, if this is a revised report, to please specify the reason for the revision.

Underneath that, in the section called event description, we have a field for a brief description of the planned work. No changes here. This is in the current version of the form.

Scrolling down, we have a process units section, which includes several fields for the impacted units in this planned maintenance, including the name, the newly suggested process unit ID, halt service date, the return to service date, operational capacity in barrels per calendar day, the daily decrease in output of gasoline, diesel, jet fuel, and other products in barrels per day, a field to capture whether or not this is a revision, a yes or no for that individual row, and then whether it's final, yes or no. So once the plan maintenance event final report is submitted, this last column would be marked yes.

Once again, one of the things we're doing to try and make this easier is including instructions. A lot of the notes that help support if you click on different cells of what information needs to go there, you know, will pop up, but a lot of that detail is also here. So if there are any questions on what information needs to be provided,

we've included instructions in the form.

I'll now move to the EBR-1U. This is the California Refinery Unplanned Maintenance and Turnaround Report. This form is to be submitted within two business days of the initial outage or rate reduction, and then a final report within two business days of the completion of repairs or when process units return to planned production rates.

This is going to be very similar to the planned report, with some slight changes or just slight differences. We have the same company information section with the same information about the company and the contact name and information for the person submitting the report, the date the file is reported, the previous submission date, if applicable, if this is a revision or final report, the type of submission, initial, revision, or final, and then again, if it is a revision or final version, the submission ID for the initial report.

Below that, we have, if this is a revised report, to specify the reason for the revision.

Going down, we have a description of the event. The reason for unplanned maintenance is just a free form. No changes there.

Then we get into the process unit section, so a list of the different process units that are impacted by

this unplanned event, listed individually, starting with the name of the process unit, the process unit ID, halt service date, return to service date, operational capacity, and barrels per calendar day of the process unit, the daily decrease in output of gasoline, diesel, jet fuel, and other products. And again, as I mentioned before, these are expected values until the final report is submitted. And then whether this is a revised or final report.

I realize I skipped a section down at the bottom on the first one, so I'll go back to that one in just a second. I didn't scroll down far enough. There's a long list here depending on how many process units are impacted.

So down at the bottom, we have the inventory and supply adjustment section. Please keep in mind I'm talking about the unplanned report now, and I will switch back to the planned in just a second.

So in the inventory and supply adjustment section, we have five different inventory types, so that's California gasoline, non-California gasoline, gasoline blending components, diesel fuels, and aviation fuels, and for each of those five products, the current inventory at the refinery at the time of the notice, the current inventory at other storage locations -- oops, the expected inventory drawdown at the refinery related to the event in barrels, inventory drawdown at other storage locations, in-

state purchases from other market participants, out-ofstate purchases from other market participants, and foreign imports.

Again, one of the recommendations or proposed changes to the Refinery Maintenance Guidebook is for these to be explicitly expected values until the final report is submitted.

You have reductions of non-contracted sales related to the event, and the quantity of contractual supply obligations related to the event for California gasoline.

At the end, we have, with the submission of the report, whether or not this information has been revised, and whether or not it's the final number.

All right, so let me switch back really quick to the planned maintenance report, and I'll go down to the bottom for that same section, again, the inventory and supply adjustment section. We're on the planned maintenance report right now, the EBR-1P.

Very similar to the unplanned report, we have the same five inventory types, these products listed, and for each of them, listing the inventory at the refinery, the inventory at other storage locations, the expected inventory drawdown related to the event at the refinery, the inventory drawdown at other storage locations, in-state

and out-of-state purchases from other market participants, again, if this is an initial or revised report, what the expected volumes are, foreign imports related to the event, reductions of non-contracted sales, the quantity of -- sorry, it just keeps scrolling over on me -- quantity of contractual supply obligations for California gasoline, and then finally, if this is a revised or final report, to mark yes or no.

So those are the four proposed forms right now with this rulemaking. Once again, all forms, the draft regulations, and the draft guidebook are available on docket 23-OIR-03 for further review.

All right, so here are the next steps in our emergency rulemaking process.

Today, November 12th, we're hosting this workshop to receive feedback on our proposed regulations, guidebook, and associated data collection forms.

Our goal is to complete stakeholder outreach and finalize the proposed rules before the end of the year.

The rules will be presented for adoption at a CEC business meeting in Q1 2025. The refinery maintenance rules are APA-exempt and are effective immediately upon approval at a business meeting, whereas the three-month projection regulations will be submitted to the Office of Administrative Law for approval. These regulations are part

of the SB X1-2 emergency rulemaking, so the timeline and protocols are different than a standard rulemaking.

If the three-month projections regulatory package is adopted at a CEC business meeting, it will be submitted to the Office of Administrative Law the following day. OAL has ten days to review the package and make a decision, and will accept comments for the first five days of the ten-day review period.

Feedback is welcome and appreciated as we refine the draft language, forms, and instructions. Some areas that could benefit from input include regulatory language, forms, or instructions that might be unclear and would benefit from further clarification, information on relevant industry standards that should be considered, including IT processes to compile the information and complete the forms, and any suggestions for simplification.

If you have feedback, you can submit written comments to Docket 23-OIR-03 before 5:00 p.m. on December 9, 2024. You can also reach out and request a meeting to discuss further.

We'll now open it up for public comment.

MS. BERLINER: Good morning, everyone. Now we'll move on to our public comment period. One person per organization may comment, and comments are limited to three minutes per speaker.

For the Zoom platform, use the raise-hand feature to let us know you'd like to comment. We will call on you and open your lines and make comments. For those on the phone, dial star nine to raise your hand and star six to mute or unmute your line. We will unmute your line from our end.

Is there anyone on the Zoom platform wishing to comment? Please raise your hand now.

Jeremy, I'm seeing no raised hands.

MR. SMITH: We'll give it just a second to make sure we have no public comments, no raised hands, no one on the phone. Dial star nine to raise your hand if you do have a comment and you're on the phone.

MS. BERLINER: While we are waiting for people to raise their hands, if anyone chooses to raise their hands, I'd like to remind everyone that we welcome written comments, and once again, those comments are due by the close of day on December 9th at 5:00 p.m. Instructions on how to provide written comments are included in the notice for this workshop, which is posted on the CEC's website.

MR. SMITH: Still no raised hands?

MS. BERLINER: Correct.

MR. SMITH: All right. Well, we can go to the last slide. I'll turn my camera back on to close this out.

All right, that concludes our presentation today.

Just want to thank you all for attending. For those that, like Aria said, are planning to submit written comments, thank you for participating in the rulemaking process.

If you have questions or would like to request a meeting to discuss the draft rules in more detail, please reach out to me or the PIIRA team. Our contact information is on the screen.

There may be more upcoming workshops on topics related to SB X1-2, so please watch for those notices in the future.

Before we close, I'd like to thank the staff in the Transportation Fuels Market Analysis Unit and the Energy Assessments Division that met with industry prior to this workshop and carefully developed these draft rules and forms for input. Thank you also to the Chief Counsel's Office for their continued support.

With that, this workshop is adjourned.

18 (The workshop adjourned at 10:38 a.m.)

CERTIFICATE OF REPORTER

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were reported by me, a certified electronic court reporter and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of November, 2024.

MARTHA L. NELSON, CERT**367

Martha L. Nelson

CERTIFICATE OF TRANSCRIBER

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were transcribed by me, a certified transcriber and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

I certify that the foregoing is a correct transcript, to the best of my ability, from the electronic sound recording of the proceedings in the above-entitled matter.

November 19, 2024

MARTHA L. NELSON, CERT**367