

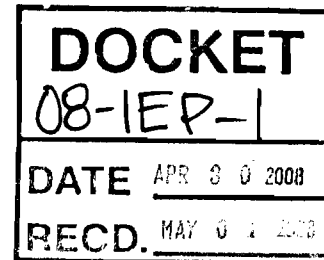


Western States Petroleum Association  
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Joe Sparano  
President

April 30, 2008

California Energy Commission  
Dockets Office, MS-4  
Re: Docket No. 08-IEP-1  
1516 Ninth Street  
Sacramento, CA 95814-5512



**Re: Western States Petroleum Association Comments on the 2009 Integrated Energy Policy Report Scope - Docket No. 08-IEP-1**

The Western States Petroleum Association (WSPA) is providing comments for the record regarding the scope of the 2009 Integrated Energy Policy Report (IEPR) and 2008 IEPR Update released recently by the Energy Commission. WSPA represents twenty-six companies that provide or transport energy supplies to businesses and consumers in California and neighboring states.

I attended the April 28<sup>th</sup> workshop on the scope of the IEPR's and shared WSPA's comments on a number of issues then. I also provided several recommendations for consideration as the 2009 IEPR and 2008 Update are developed.

WSPA has been a significant participant in all of the CEC's IEPR's since the 2003 report. This is because our members produce the majority of the transportation fuels in the state, as well as operate much of the cogeneration capacity. We believe having a sound energy policy is of critical importance to the health of the state's economy and that it will be a key factor in driving the state's future economic viability.

Although there have been conflicting indications, it is our understanding is that the CEC's major responsibilities still include ensuring that California's portfolio of energy supply options can provide adequate, reliable and affordable energy supplies to households, businesses and other consumers, when and where they are needed.

We believe the CEC's responsibilities should also continue to include advising the Governor, state agencies and the Legislature about the potential energy supply impacts of all relevant state policy initiatives, and the possible consequences of those impacts on California consumers.

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WSPA companies and other transportation fuel suppliers are facing multiple initiatives in the coming decade and beyond. These include policies and regulatory provisions such as the Federal Renewable Fuel Standard, California's Low Carbon Fuel Standard, the Western Climate Initiative transportation fuels treatment, the CARB revisions to the CaRFG3 and Predictive Model regulations, CEC's AB1007 alternative fuels program, the AB118 Implementation Proceeding, and the Bioenergy Action Plan, along with many others.

Our industry is very concerned, and we strongly believe the state should be as well, about the possible negative impacts of these many initiatives on the viability of the transportation fuel system. As stated above, having adequate, reliable and affordable fuels is critical to the state's functioning and to the health of its economy.

The risk of public policy decisions creating transportation fuels supply problems in the state appears to us to be a realistic possibility. It does not seem like the Commission is actively and urgently working to chart an appropriate course that will deal with the potential demand/supply issues.

In addition, we are not confident that the Commission is fully engaged in helping to remove the key challenges and barriers fuels providers encounter in sustaining their efforts to provide and distribute adequate supplies of transportation fuels. These include complicated and difficult permitting processes, regulatory uncertainties, infrastructure capacity limitations and system constraints – to name a few.

#### Focus on Transportation Fuels and Infrastructure

We appreciate there is a normal cycle of IEPR updates whereby the 2009 IEPR is meant to include a significant focus on transportation fuels, and the interim year update of 2008 is meant to focus on electricity issues.

The scope document states, however, that "The 2008 IEPR Update will focus on a subset of specific energy issues **that the committee has identified as needing immediate attention**, and will be developed in a shorter timeframe than the 2009 IEPR."

Based on the current lack of coordinated transportation fuels planning in the state, WSPA finds it hard to comprehend that the Commission feels there are no issues or questions related to transportation fuels supplies that require immediate attention. We do however, have several questions we would like addressed.

First, how about the issue of fuels supplies produced in California lagging demand such that the state is a net importer of at least gasoline and probably jet fuel since 2005? And, how will California policies allow meeting increased future transportation fuels requirements in both California and neighboring states that are supplied by California's petroleum refineries?

Also, what about needing to increase (as stated in the 2007 IEPR) or even expecting to maintain imports and throughput in an infrastructure that the CEC has described as at or near capacity and needing expansion – how and when will the CEC's IEPR process address that issue?

WSPA recommends the 2008 and 2009 IEPR's should focus more attention on the supply adequacy (or possible inadequacy) of all transportation fuels, including manufacturing capabilities for all petroleum-based fuels and non-petroleum based alternative and renewable fuels, and on meeting infrastructure requirements for all fuels.

In addition, WSPA believes the CEC needs to seek oversight of California ports' policy initiatives that are reducing the ability of suppliers to bring adequate and reliable energy supplies to consumers, as opposed to just asking for the legislated right to appeal policy decisions as is stated in the 2007 IEPR.

Finally, the state still has a confusing, difficult, duplicative and very complicated permitting system that frustrates project proponents, including those businesses that would seek to add to California's energy supplies. What will be done by the CEC in the 2008 and 2009 IEPR's to address this critical issue?

#### Policies Compatibility

The CEC continues to insist on "reducing petroleum dependence" by removing 15 to 40 percent of cleaner-burning petroleum-based fuels from California's energy supply portfolio. This is being mandated even as many renewable and alternative fuels are not yet ready to penetrate California's energy supply market until they are proven to be scientifically sound and until they are supported by processes that are technologically capable of producing market demanded quantities in a cost-effective manner. WSPA believes this is a major issue that needs immediate attention.

You have heard a number of times before in various CEC workshops – whether oriented towards IEPR's, AB1007 reports, or other fuels related efforts – that WSPA questions whether it is possible to have a good California energy policy that ensures adequate fuel supplies while emphasizing (to a greater and greater degree) policy initiatives focused on reducing CO2 emissions. Are these two initiatives compatible?

The impacts of land use changes and of a full fuel Life Cycle Analysis on energy supplied from renewable and alternative fuels and technologies must also be addressed. Addressing these issues and the requirement to meet the Low Carbon Fuels Standard make it logical to at least reconsider using more, rather than less cleaner-burning petroleum-based fuels until we figure out an acceptable, supportable longer range solution.

This solution should include allowing the use of Ultra Low Sulfur Diesel fuel to help extend supply sufficiency in the short-term. The CEC needs to support putting more tools in the toolbox as opposed to the Air Resources Board's approach of removing flexibility to comply with the LCFS.

Thank you for allowing me to provide WSPA's initial thoughts on the IEPR scope. I'd be happy to discuss our points with you at any time.

Sincerely,

A handwritten signature in black ink that reads "Joe Sparano". The signature is written in a cursive, flowing style.

JES/GG