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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Address
Utility Cost and Revenue Issues Associated
With Greenhouse Gas Emissions.

Rulemaking 11-03-012
(Filed March 24, 2011)

NOTICE OF LATE FILED EX PARTE COMMUNICATION

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May 13, 2016

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NOTICE OF LATE FILED EX PARTE COMMUNICATION

Pursuant to Rule 8.4 of the California Public Utilities Commission's Rules of Practice and Procedure, Tesoro Refining & Marketing Company LLC (Tesoro) hereby gives notice of the following ex parte communication.

On May 3, 2016, members of Tesoro, Miles Heller, Chuck Waitman and Evelyn Kahl, counsel, met with Jennifer Kalafut, advisor to Commissioner Peterson, and Amy Mesrobian from approximately 1:30 to 2:30 pm.

The meetings were held at the Commission's office in San Francisco and were initiated by Tesoro.

Attached is a Power Point Presentation, which Tesoro provided for discussion regarding the Proposed Decision of Administrative Law Judge Darwin Farrar on Petition for Modification of Decision (D.) 14-12-037,

filed by Tesoro on May 26, 2015. The presentation contained data considered confidential by the California Air Resources Board under its Mandatory Reporting Regulation and by the Commission under General Order 66-C §2.8, which are omitted from the attachment to maintain the confidentiality of the information.

Respectfully submitted,

A handwritten signature in cursive script that reads "Evelyn Kahl".

Evelyn Kahl
Counsel to Tesoro Refining & Marketing
LLC

May 13, 2016

GHG Allowance Revenue Allocation

By Tesoro Refining and Marketing
Regarding Tesoro's May 26, 2015 PFM
May 3, 2016

Topics

- Overview
- Tesoro's position
- Tesoro's PFM and ARB's comments
- TSO Los Angeles
 - History
 - Determination of IOU/POU production
 - Sub-facility data and verification
- Wrap-up

Overview: D.14-12-037

EITE GHG Revenue Credits

- D.14-12-037 observed that “[i]t is possible for a single EITE facility to span more than one utility service territory, and for a single facility to purchase electricity from more than one utility.”
- In split-territory cases, the Commission must exclude from the revenue credit calculation any product output in the POU service territory
- Excluding POU impact requires isolation of the facility’s product output in the IOU service territory
 - Data underlying the split are verified as a part of the MRR reports, the electric service territory split has not historically been verified.
- Commission adopted a “proxy” method: “The facility’s product output included in the product-based formula should be discounted by the fraction of electricity purchased from POUs relative to the facility’s total electricity purchases.”

Overview: Tesoro PFM

- Requests modification of D.14-12-037 to permit the use of actual, verified product output data to determine the split of production between IOU and POU territories
- ARB agreed that actual data would more accurately achieve the Commission's goals
 - ARB insisted on the use of only third-party verified data
- Tesoro understood that ARB and CPUC were working towards a workable proposal that would achieve the goal of additional accuracy and respond to ARB's comments
- Tesoro prepared for implementation by retaining an accredited third-party verifier to verify its sub-facility production

Tesoro PFM and ARB Comments

Issue	Tesoro PFM May 26, 2015	ARB Comments June 25, 2015
Accuracy	The use of actual location-specific product output data most accurately achieves the Commission's goal of excluding POU-related output from the IOU allocation.	ARB supports Tesoro's assertion
POU exclusion	Determined using actual location specific data if available	Determined using actual location specific production data if: <i>i. Reported Annually</i> <i>ii. Verified by an accredited third part verifier</i> <i>iii. Must be from a sub-facility that previously reported under MRR</i> <i>iv. Sub-facility data must correspond to historical definition</i>
Sub-facility data reported to Commission	By ARB	By Facility
Commission standards for verification	Not addressed	Commission needs to define terms and specify standards

Overview:

PD Proposes to Reject PFM

- There is no verified data available to perform the IOU/TOU split
 - Tesoro sought verification by ARB-accredited verifier and provided the verified data to ARB on April 12
- Using actual data would increase complexity and administrative burden
 - With new verified information, using actual data will not increase complexity and burden.

Overview:

PD Proposes to Reject PFM (2)

- Using actual data, without verification, will not lead to greater accuracy.
 - Tesoro has now provided verified data.
- Granting the PFM would not further California’s Industry Assistance goal of preventing leakage.
 - ARB and CPUC strive for greater accuracy to meet policy goals
 - No additional burden to achieve greater accuracy

Tesoro Los Angeles Refinery

- Carson Refinery operated by BP until purchased by Tesoro Refining and Marketing (Tesoro) in 2013
- Wilmington Refinery owned and operated by Tesoro since 2008
- In 2014 Tesoro combined the facilities
- Issues relative to CPUC revenue sharing
 - Carson is the larger operation
 - All data used by ARB to establish baseline emissions and benchmarks were based on the separate facilities
 - Wilmington electricity
 - Equity cogen
 - Refinery connected to LADWP
 - Sulfur plant (reported to ARB as a separate entity) and a few minor ancillary facilities connected to SCE
 - Carson electricity
 - Equity cogen
 - Connected to SCE

Data Integrity

- Historically operations in the IOU and POU territory were under different ownership and thus reported separate to ARB
- Data underlying the product-output split has previously been verified by ARB-accredited verifiers in the annual MRR reports
 - Product output
 - Electricity purchases
- All production is monitored on a location-specific basis under the Complexity Weighted Barrel methodology used by ARB to allocate direct emissions allowances
- The only new element to the verification is the division of the product output data by physical location (i.e., IOU/POU territories)

Sub-Facility Data

- The sub-facility CWB's have been verified by a third party.
- The third party is an accredited, and respected, California MRR verifier.
- The sub-facility data used by the verifier was easily obtained and easy to verify because invoices from utilities and meter data had been combined to develop numbers for the overall facility
- Split meter and invoice data was already verified as part of the MRR.
 - The combined totals came from separate meters and invoices at each location which had previously been verified.
 - The meters met CARB MRR standards for accuracy.
 - All had appropriate calibrations.
 - All had appropriate inspections.
 - All were verified for accuracy.

Wrap-Up

- **Tesoro Los Angeles Refinery**
 - One of California's largest and most efficient refineries
 - Consists of sub-facilities that were, historically, reported separately to ARB
- **Location specific data**
 - Has been verified
 - Provides an accurate determination of production within IOU and POU territories
- **Determination of production within IOU/POU territories based on electricity purchases for this facility would be highly inaccurate (in error by $\approx 65\%$)**
- **The actual location specific product output data should be used to attribute production within IOU and POU service territories**
- **We will work with the Commission and Staff to resolve any additional questions or concerns**
- **We ask that the proposed decision to deny Tesoro's PFM be reconsidered**