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November 18, 2005

Alan C. Lloyd, Ph.D., Agency Secretary  
1001 I Street  
P.O. Box 2815  
Sacramento, CA 95812-2815

RE: Valero Comments to the "Integrated Work Group Principles"

Dear Dr. Lloyd,

Valero is one of several petroleum refining companies that operate marine terminal facilities in the Port of Los Angeles (POLA). The Valero Wilmington refinery is highly dependent on POLA for the importation of gasoline blending components that are required in the production of California fuels.

The Valero Wilmington Refinery produces approximately 14% of Southern California's transportation fuels. Valero's marine terminal at POLA has been linked by pipelines to our refinery for over 20 years, and is a necessary piece of infrastructure that is vital to the production of California's cleaner burning fuels.

The Principles of the Goods Movement Action Plan are primarily focused on projects to improve the efficiency and environmental performance of the inter-modal transport system. Likewise, an efficient and environmentally sound marine petroleum infrastructure is essential to the transport of petroleum products inland, via pipeline to refineries. Although the goods movements and petroleum businesses are significantly different, they are of **equal value** to the California economy.

The Goods Movement Executive Summary reinforces this point; *"of equal importance to the people of California is the necessity of maintaining adequate infrastructure capable of receiving, storing and distributing energy fuels, including crude oil and refined products such as gasoline"*.

The current "Integrated Principles" document being considered is missing a clear provision that recognizes the importance of preserving existing marine petroleum infrastructure in California ports. Uprooting existing marine petroleum facilities jeopardizes "adequate" infrastructure, and will present real potential for disruption of fuel supply to consumers if the currently stressed network of infrastructure is lost.

The California Energy Commission (CEC) has made it abundantly clear that, in order to meet future fuel demand projections, **our state can not afford to lose existing petroleum infrastructure.**

On October 28, 2005, the CEC provided the following comments on proposed changes to the POLA Property Leasing Policy:

*POLA "Leasing Policy and Procedures should acknowledge that petroleum infrastructure assets are not interchangeable because the petroleum marine facilities are linked to specific pipelines, storage tanks, and pumps that are dedicated to an individual refinery or tank farm. In contrast, activity associated with receipt of cargo containers allows a significantly greater degree of flexibility not feasible with the petroleum infrastructure assets".*

*"California still needs to expand its marine terminal capacity, marine storage and pipelines connecting marine terminals and refineries to main product pipelines".*

*"An adequate and expanding petroleum infrastructure in the San Pedro Harbor should be recognized by the Los Angeles Harbor Department as being critical to the continued operation of refineries in Southern California and an adequate supply of transportation fuels for California's citizens. This would be consistent with POLA's policy objective of the optimizing of State Tidelands Trust assets consistent with state requirements".*

We urge the following:

- 1) Add an Integrating Work Group "Principle" that will prevent the disruption of existing petroleum infrastructure operations within the states ports.
- 2) Develop a clear land use statement for future marine terminal expansion consistent with CEC projections, and the State Tidelands Trust.
- 3) Engage with state ports currently considering changes to leasing policies, and Master and Strategic Plan land use amendments.

We believe these actions will help ensure our ability to continue to meet the transportation fuel needs of California consumers. Thank you for your time and consideration.

Sincerely,



Steve Faichney, Manager, Public & Government Affairs  
Valero, Wilmington

CC: Cindy Tuck  
Barry Sedlik  
Catherine Witherspoon  
Kirk Marckwald  
James Spinosa