



Kern Oil & Refining Co.

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VIA ELECTRONIC POSTING

Comment List: GHG2014

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Chairman Nichols and Board Members:

Kern Oil & Refining Co. (Kern) is providing comments on the California Air Resources Board's (ARB) 45-day regulatory package containing proposed amendments to the Mandatory Reporting Regulation (MRR) as released on July 29, 2014. Specifically, Kern is providing comments regarding (1) requirements for entities to make advanced notification when using temporary data monitoring or calculation methodologies, and (2) revisions to reporting of primary refinery products and finished products from petroleum refineries. Kern is a small, privately owned petroleum refiner located in Bakersfield, California, in the southern San Joaquin Valley. Kern has operated for over 70 years and employs approximately 120 employees. Kern's refining capacity is 27,000 barrels per stream day.

New Requirements for Changes in Methodology, 95103(m)(4)

As a small business and small California refinery, Kern is not supportive of proposed revisions to Section 95103 that would require the operator of a petroleum refinery and/or fuel supplier to seek approval and/or make notifications in advance of the reporting deadline when using interim data collection procedures. Provisions for how to substitute missing data are already included in the MRR, conformance with which would be captured within the third-party verification process. Additional notification that a reporter has used these provisions is unnecessary and burdensome.

Revisions to Reporting of Primary Refinery Products, 95113(l)

Kern is not supportive of changes to the reporting requirements for primary refinery products in Section 95113(l). Proposed revisions to this section are purportedly to clarify the primary refinery product data that has been reported, and is subsequently used in the primary-refinery product based benchmarks and allocations process. Kern understands ARB's intention to distinguish between those products produced on-site versus those produced elsewhere and brought on-site for blending or other use. However, Kern would like to point out that this change

in data reporting, which will impact allowance allocation true-up for reporting year 2014, is intended for implementation mid-triennial compliance period for the Cap and Trade Program. Such a change in methodology mid-compliance period is unfair to entities that have made certain Cap and Trade compliance strategies using estimates and projections based on the existing MRR data reporting requirements. This change to product data reporting will result in a negative true up for non-Eii refineries that received allocations based on product data.

Additionally, this proposed change in reporting is intended to take effect in 2015 for operating year 2014. However, the proposed change was only introduced as a concept with the release of this 45-day rulemaking notice – some 7 months into the 2014 operating year. Entities would be expected to comply with the +/- 5% accuracy requirements for avoiding material misstatements even though opportunities for accurate data collection and management will have already transpired by the time the changes are effective. For example, the most effective way to collect the on-site production data for primary refinery products and blendstocks separately from those quantities purchased and brought on-site may be through installation of new product meters. However, the effective date of the proposed change allows no opportunity for operators to assess and implement such a plan.

In conclusion, Kern appreciates ARB's consideration of Kern's comments. Any questions or follow-up comments can be directed to Melinda Hicks at 661-282-2646 or at mhicks@kernoil.com.

Sincerely,



Melinda L. Hicks
Manager, Environmental Health and Safety
Kern Oil & Refining Co.