



June 8, 2004

The Honorable Christine Kehoe
California State Assembly
State Capitol
Sacramento, CA 95814

Subject: ACR 245 (Kehoe); Delay in closure of Shell Bakersfield refinery.

Dear Assemblymember Kehoe:

We thank you for taking leadership on an issue of critical importance to California fuel consumers – the potential closure of Shell’s Bakersfield refinery. Our membership has thoroughly investigated this announcement and is convinced that fuel consumers, especially in the Bakersfield area, may encounter supply conditions that approach the long lines and hot tempers that marked the fuel embargo conditions of the late seventies and early eighties.

CIOMA has asked San Joaquin Valley legislators to commence an oversight hearing regarding this closure and the potential impacts to consumers and fuel distributors. A copy of our request is attached for your information.

A legislative request to Shell asking for delay of the closure until December of this year is appropriate and commendable. A delay in closing the plant will allow time for the Attorney General’s special consultant to evaluate the marketability of the refinery, independently. Further, and most importantly in our minds, it will keep the refinery in operation through the peak harvest season of one of the state’s, and nation’s, key agricultural areas. We believe that without ready access to diesel fuel (the primary output of the refinery) area farmers will encounter, at least, significant price shocks for fuel supplies – and could actually be faced with fuel shortages at the time of highest regional demand. This is a lose-lose situation easily remedied by a voluntary extension of refinery operations.

Please let us know what we can do to help assure that there is an “organized retreat” if the refinery closes down, and anything we can do to keep the refinery open, at a minimum, during this fall’s harvest season. Conversely, anything you can do to encourage an immediate oversight hearing on the closure would be greatly appreciated.

Sincerely,

Jay McKeeman,
Executive Vice President



Tuesday, May 25, 2004

**URGENT Request to San Joaquin Federal and State Legislators -
Oversight Hearing Needed Regarding Shell Bakersfield Refinery Closure**

Dear San Joaquin Valley Elected Leaders:

The California Independent Oil Marketers Association (CIOMA), representing approximately 400 members, about half of whom are actively engaged in the marketing and distribution of petroleum products and fuels, is requesting an **immediate oversight hearing on the proposed closure of the Shell Bakersfield Refinery** scheduled for October 1st of this year.

CIOMA has spent several months investigating the announced closure and at this time we believe that there will be fuel shortages and significant price spikes in the San Joaquin Valley, especially the southern portion, if the refinery is closed in the beginning of October. In fact, we believe this closure may create a fuel supply situation not seen since the oil embargo conditions in the 1970-80s.

CIOMA represents independent marketers who purchase gasoline and other petroleum products from refiners and sell the products to independent gasoline retailers, businesses, and government agencies, as well as representing branded "jobbers" who supply branded retail outlets, especially in rural areas. We have reached a frustration level in obtaining needed information to allow our members to plan effectively for the time when the Shell refinery is closed. Therefore, we request that you take whatever steps are necessary to insure participation of parties directly involved in this situation in obtaining answers to the myriad of questions that surround the closure. Further, we ask you to determine what actions can be taken to avoid fuel shortages and significant price volatility, which we believe will occur due to the closure.

Given the pending closure and urgent nature of the numerous outstanding issues, we ask you to cooperatively schedule the oversight hearing as quickly as possible to obtain information on supply, pricing, storage, and alternatives to the October closure, including delay or halting of the Shell closure plans. In our attachment, we have enumerated topics that ideally would be included in the oversight hearing. Finally, we respectfully offer any assistance that may be needed in coordinating this hearing. We have several members intimately familiar with the region's fuels market that can assist in developing an understanding of our concerns, or who can participate as expert witnesses.

Thank you for your thoughtful and immediate consideration of our request.

Sincerely,

Jay McKeeman, Executive Vice President

cc: Governor Arnold Schwarzenegger Dr. Alan Lloyd, Chair, California Air Resources Board
Attorney General Bill Lockyer Mr. William Keese, Chair, California Energy Commission
Governor's Cabinet Officers Mr. Timothy J. Muris, Chairman, Federal Trade Commission

ATTACHMENT

TOPICS TO BE INCLUDED IN THE BAKERSFIELD REFINERY OVERSIGHT HEARING:

- How will unbranded diesel, currently provided by the Shell refinery, be provided after the refinery shuts down?
- How much unbranded fuel does Shell provide to this market region?
- What impact will the closure have on diesel supplies and farming activities during the peak of harvest season?
- How will current Shell supply contracts be affected by the refinery closure? Is Shell non-renewing supply contracts due to the refinery closure?
- What are the plans for the Shell refinery terminal after closure of the refinery? How long will the terminal be closed?
- Will Shell gain an unfair business advantage if they control who may use the terminal once opened?
- What alternate supply locations will Shell be using to supply their contracted customers?
- How would other suppliers deliver into the region? How would they bring in alternate supply?
- Will the closure affect overall state supply, and if so, how?
- What is the status of discussions between Shell and Kinder Morgan regarding pipeline improvements to bring fuel into Bakersfield? Has planning and permitting begun? How long will it take to make the improvements?
- How many additional truck trips will it take to supply the region during the time the terminal is closed? What routes are most likely to be used? What is the emissions estimate for this situation?
- Are there alternate storage locations in the region that could be used to stockpile inventory? Are there fueling rack facilities at any of these locations? Does an emergency supply contingency plan need to be developed?
- Is the refinery closure consistent with approvals received by Shell from the Federal Trade Commission and the State Attorney General which allowed them to obtain title to the refinery?
- What alternatives do government agencies possess to halt or delay refinery closure?

Distribution List – CIOMA Oversight Hearing Request – Shell Bakersfield Refinery Closure

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