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CHAIR: SELECT COMMITTEE ON
HOMELESSNESS
CHAIR: SELECT COMMITTEE ON RAIL

January 29, 2019

Mr. Wayne Nastri
Executive Officer, South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, California, 91765

RE: Proposed Rule 1410, request to move forward with MOU

Dear Mr. Nastri,

It is my understanding that at the South Coast Air Quality Management District (herein referred to as "SCAQMD") will continue deliberations of Proposed Rule 1410, which seeks to regulate the use of Hydrofluoric Acid (HF) and Modified Hydrofluoric Acid (MHF) at refineries, during its meeting on February 1, 2019. I write to express my concerns that residents in the Central Valley and in my district, almost 425 miles away from the Torrance Refining Company, will experience as a result of banning or phasing out the use of HF and MHF in the refining process. As such, I strongly encourage SCAQMD to pursue individual MOUs with each the PBF Torrance and Valero Wilmington refineries, which will allow each time to explore engineering and safety enhancements to their MHF equipment.

I applaud the level of robust discourse on the safety of using HF and MHF, and I agree that nothing is more important than protecting the health and safety of our refinery workers and local communities. However, I am not convinced that SCAQMD has given due consideration to the economic implications that a ban or phase-out will have on the residents of California.

It is my understanding, based on information obtained from the California Energy Commission (CEC), that the cost of a total phase-out of MHF technology and a replacement project at PBF Torrance could reach or exceed \$1 billion, far surpassing the value of the refinery. CEC, itself, noted that, "It goes beyond sound business principles that the Valero and PBF board of directors would agree to spend an amount of capital on two refinery assets that would be greater than the valuation of the facilities," and that, "If the HF ban is approved, the two Southern California refineries would likely cease operations some time prior to the effective deadline."¹

¹ California Energy Commission (September 20, 2017). *Potential Transportation Fuel Supply and Price Impacts of HF Ban: Proposed Rule 1410 Working Group Meeting #6* [PowerPoint slides]. Retrieved 01/29/2019 from <http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/1410/cec-pres092017.pdf>.

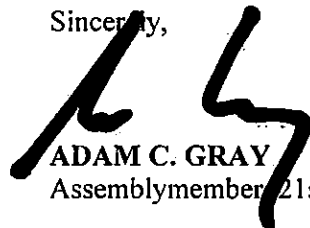


The importance of the PBF Torrance and Valero Wilmington refineries to our regional markets cannot be understated, and closure of the facilities should be avoided. The CEC and the refineries agree that consequences include:

- **Further isolation of California's fuel markets:** Closure will push the state's cost of gasoline up even higher (currently \$1.14/gallon higher than the U.S. average), a cost-of-living factor that impacts lower-wage workers, including those in the Central Valley, who are forced to commute longer distances between work and their homes; *and,*
- **Rebalancing of California's fuels markets:** Closure will necessitate increasing imports from other parts of the United States and the world, many of which are far less regulated and subject to less stringent air quality standards; *and,*
- **Massive job loss:** Closure will force, at minimum, one thousand, middle-class, union employees out of their jobs, in one of the most expensive areas of the state.

The refineries have shared their plans to add additional safety equipment and enhancements to their MHF alkylation units, which are expected to make the units among the safest in the United States. I support this path forward, and I respectfully encourage SCAQMD to enter into individual MOUs with each refinery to ensure that satisfactory safety enhancements are made without detrimental impacts to California's fuel markets, economy, and citizens.

Sincerely,



ADAM C. GRAY
Assemblymember 21st District

cc: Dr. William A. Burke, Chairman
SCAQMD Governing Board
California State Senator Ben Hueso, Chair, Energy, Utilities and Communications
California Assemblymember Chris Holden, Chair, Utilities and Energy