



## **Summary of the Hawaii Refinery Task Force Meeting of June 18, 2013**

The second meeting of the Hawaii Refinery Task Force (HRTF) convened at 2 PM on June 18, 2013 in Multi-Purpose room 101 of the Hawaii State Art Museum at 250 South Hotel Street. The meeting agenda, a list of HRTF members and a sign-in list from the meeting are attached to this document. The HRTF meeting was open to the public and several non-HRTF members attended.

### **Introduction**

Mr. Richard Lim, Director, DBEDT opened the meeting by welcoming Alicia Moy of Hawaii Gas to the HRTF. Ms. Moy replaced Jeffrey Kissel, who retired.

Director Lim also reminded the Task Force members of the documents that had been circulated prior to the meeting, including the agenda, the Report on the first Task Force meeting on April 10<sup>th</sup>, and the Interim Draft Report to the Governor, which the Task Force would be reviewing and voting on adoption in the meeting.

Director Lim noted that an amendment was proposed to the agenda to have the discussion of the Draft Report take place before Tesoro provided an update on the transition as well as the pending refinery sale to par petroleum, which had been announced on June 17<sup>th</sup>. The amendment was adopted.

### **Update on Phase II Funding and HCR-99**

Task Force Vice-Chairman Mark Glick noted that the State made funding available with the passage and signing of HB 800, and that today's meeting will seek to gather suggestions for what should be analyzed in Phase II. Also, Vice-Chairman Glick noted that the issues raised in House Concurrent Resolution 99, relating to the potential continuation of the refinery operation and potential conversion of refinery assets for green fuel production, appeared to be resolved with the announcement of the refinery sale to Par Petroleum.

### **ICF International 1<sup>st</sup> Meeting Summary and Refinery Closure Report Presentation**

Director Lim introduced Thomas O'Connor, of ICF International, who led the presentation of two reports. The first was a summary report on the initial HRTF meeting on April 10<sup>th</sup>, and the second a summary report on the initial analysis of the refinery closure impact.



The presentation of the first meeting summary identified the major points raised by Task Force members at the meeting or in comments provided to DBEDT at that time.

The presentation of the summary report distilled the Phase 1 report into a powerpoint which covered the major topic areas in the following format:

1. Sources of Information for Phase 1 Report
2. Information Integrity and Confidentiality
3. Key Issues Raised
4. Hawaii Fuel Market Overview
5. Initial Assessment of Transition
  - Operations
  - Market
6. Outlook Beyond Initial Transition

The report was developed with input from a number of the Task Force members and focused on the initial transition of the operation from a refinery sourced supply to an import based supply. (Both the April 10 summary presentation and the June 18 presentation are attached to this document)

### **Discussion of Refinery Closure Report**

Director Lim polled the Task Force members for their comments on the Draft Report following the presentation. Comments are noted below:

**PACOM** had no issues with the report, but cited that tangential issues related to the Jones Act requirement should be considered.

**Blue Planet** suggested that the data get out to the public, and that Phase 2 recommendations should be quantified to the extent possible.

**Hawaiian Airlines** – No comments.

**HFFC** – concurred with the report findings and emphasized the concerns about Pier 51 access.

**U.S. Department of Energy** – Report is helpful and is perhaps a model for other issues, for example LNG.

**Hawaiian Electric Company** - Report is accurate

**Hawaii Gas** – Report aligns well with their concerns

**Plumber's Union** indicated the report was informative

**Senator Kim's Office** – no comment

**Department of Transportation** – no comments



**Department of Labor and Industrial Relations** – no comment

**Kauai Island Utility Cooperative** – commented that Hawaii now has some idea of the value of the refinery and supported continued contingency planning.

**Chevron** – had no objection to the report

**Aloha** – indicated the report had “good findings” and reiterated the need to continue use of E-10 in Hawaii. Aloha also raised a concern that the report draft referred to a list of “recommended” renewable energy initiatives, which were not at this point Task Force endorsed. It was agreed to clarify this in the Final Report to the Governor.

**Chamber of Commerce** – is focused on price impacts and supply availability. The research work needs to look into the future.

**Hawaii Energy Policy Forum** – no comments

**Kalaeloa Energy Partners** – no comments

**MidPac** – indicated that the report covered their concerns

**Aluvion Energy** – noted that the loss of crude inventory (with the Tesoro closure) affected fuel “reserve”. Also, the risk of an import based supply could be very low inventory if the timing of cargo deliveries of different products were similar (ie since cargoes are timed to arrive when inventory is low, a delay due to weather could risk outages).

**Enterprise Honolulu** – no comment

**Hawaii Clean Energy Institute** – noted that clean initiatives must move forward and that the recommendations were action items.

**PICHTR** – noted that the report captured the uncertainties of the market in Hawaii, and that despite the deal with Par, it will be important for the Task Force to address future contingencies in the market.

**Hawaii Business Roundtable** – noted that the report was a good review of the energy situation in Hawaii.

**Capital Research** – noted that the report puts everyone on the same page and it will be important to see what Par will do.

**The Consumer Advocate** – cited that it will be important to see what Par will do and offered to facilitate if needed.

Following the remarks of the Task Force Members, Director Lim invited members of the public attending the meeting to offer their remarks.



Director Lim then opened the meeting for questions or discussions from non-HRTF members.

**Alan Nakamura** – runs a service station that is not affiliated with petroleum companies. He thought the report conveyed well the concerns of independent service station owners.

**Joelle Simonpietri (PACOM)** – questioned how the Task Force would reconcile the potential impact of environmental initiatives at the State and Federal level on sustained operation of the refineries in Hawaii. This will be addressed in the Interim and Final reports.

Following the comments, Director Lim asked the Task Force if the Phase 1 Initial Report should be adopted. The report was unanimously adopted by the Task Force.

### **Tesoro Update of Refinery Transition**

Mr. Tom Weber of Tesoro advised the Task Force members that Tesoro had reached an agreement to sell the refinery and other assets to Par Petroleum. He indicated that Tesoro would be undergoing maintenance at the refinery to prepare the refinery for the transition to Par, and that the transfer to Par would likely take place in about three months (mid to late September).

There were several questions related to Par's intentions, however other than clarifying that Par intended to operate the refinery and preserve jobs, Tesoro was not aware of any other specific Par plans.

### **Phase 2 Vision**

Director Lim emphasized that the issues being assessed in a longer term view of Hawaii's future energy eco-system will be based on two scenarios one reflecting the closure of one refinery and a second reflecting the closure of both refineries.

These scenarios would be addressed in relation to various sectors of the State's entire energy ecosystem and recommendations would be developed that may need to be taken to reach a balanced ecosystem. Various sectors and issues that will be looked at include but are not be limited to:

- a. Locally produced energy resources
- b. Alternative fuels Importation
- c. Energy infrastructure optimization
- d. Fuel demand reduction

Director Lim adjourned the meeting at 3:55pm.