2013 IEPR Preliminary Refiner Acquisition Cost Cases

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Hearing Room A

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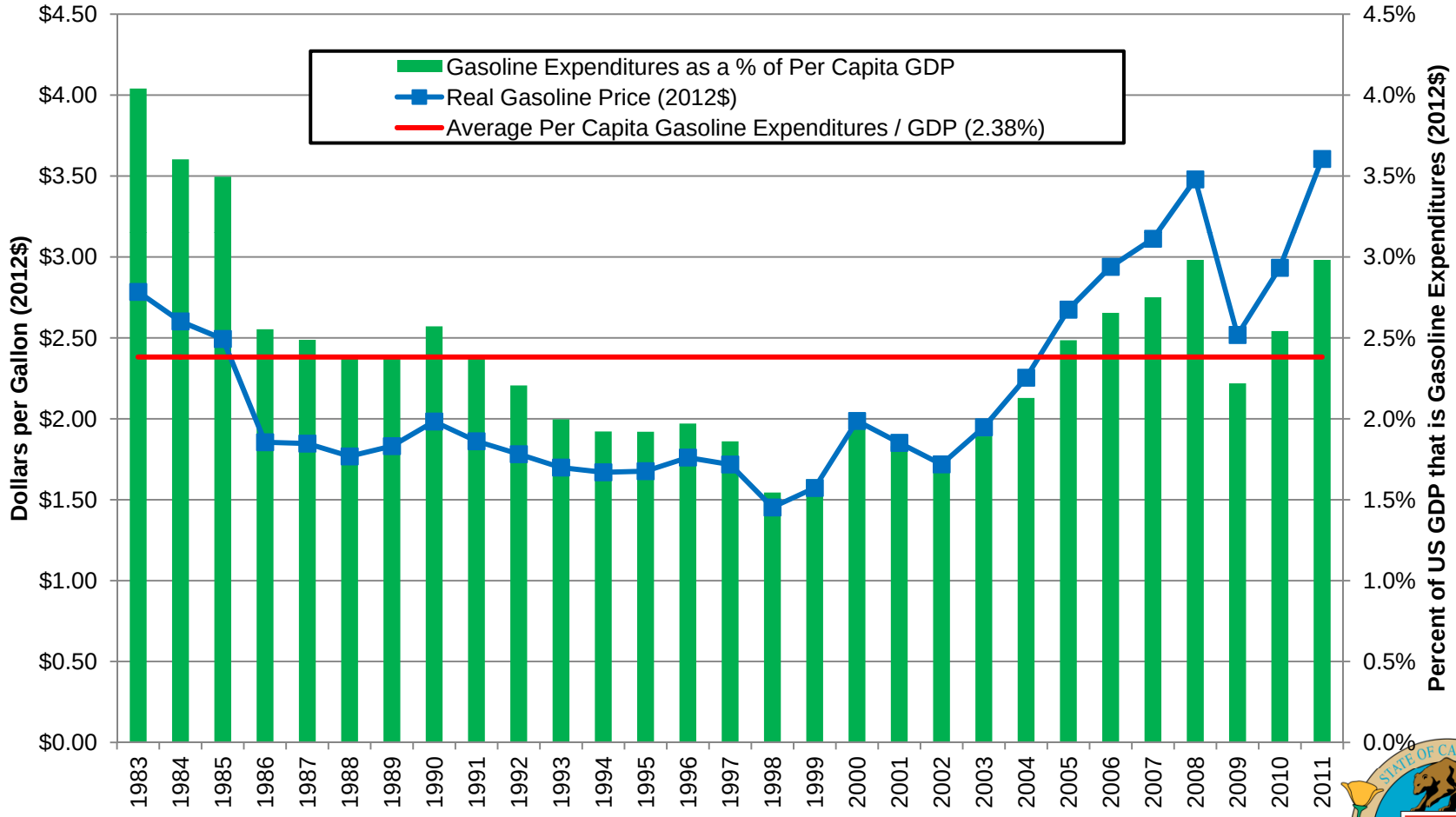
Introduction

Topics to Cover:

- Current and Historic Trends in Global Crude Oil Prices
- Transportation Energy Office Refiner Acquisition Cost (RAC) Cases

U.S. Per Capita Gasoline Expenditures and Gasoline Prices, 1983 to 2009

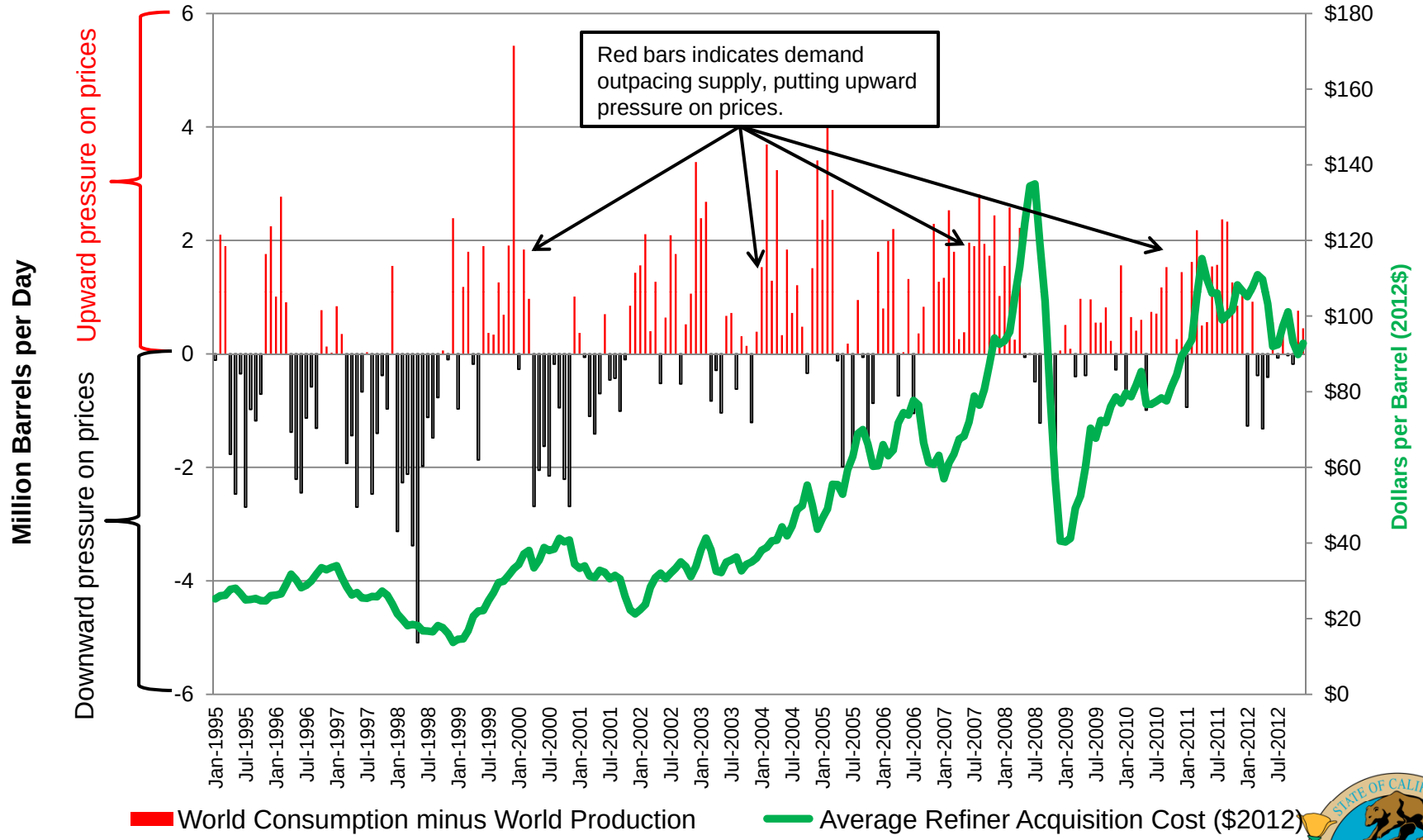


Source: U.S. Energy Information Administration and U.S. Bureau of Economic Analysis

Factors in Crude Oil Prices

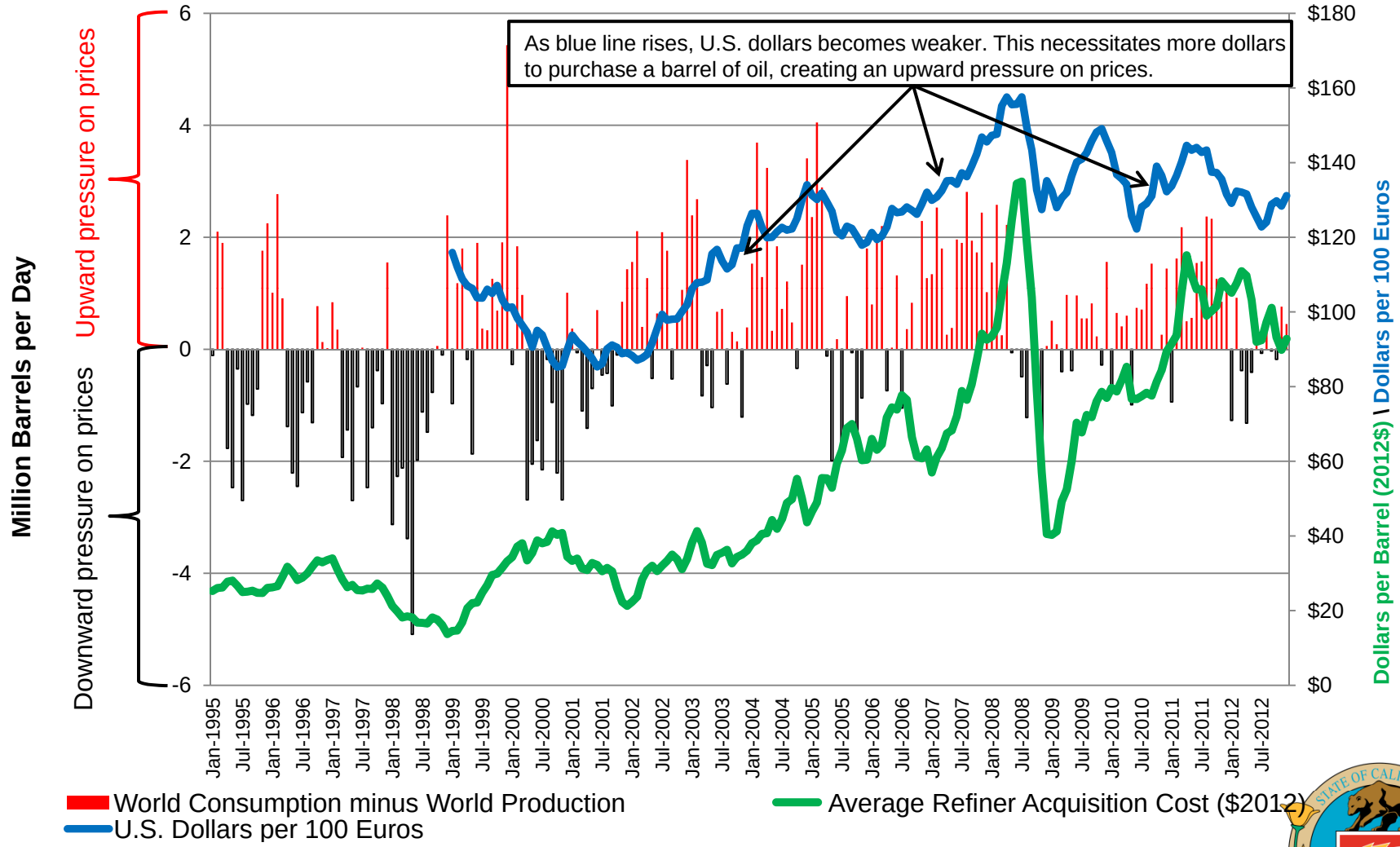
- World petroleum supply and demand fundamentals
- Exchange rate fluctuations
- Rising oil production project costs
- Economic growth
- Increased price speculation activities
- Political unrest (e.g. Middle East, Africa)

World Crude Oil Balance & RAC



Source: U.S. Energy Information Administration

Value of the Dollar & RAC



Source: U.S. Energy Information Administration and the St. Louis Federal Reserve Bank

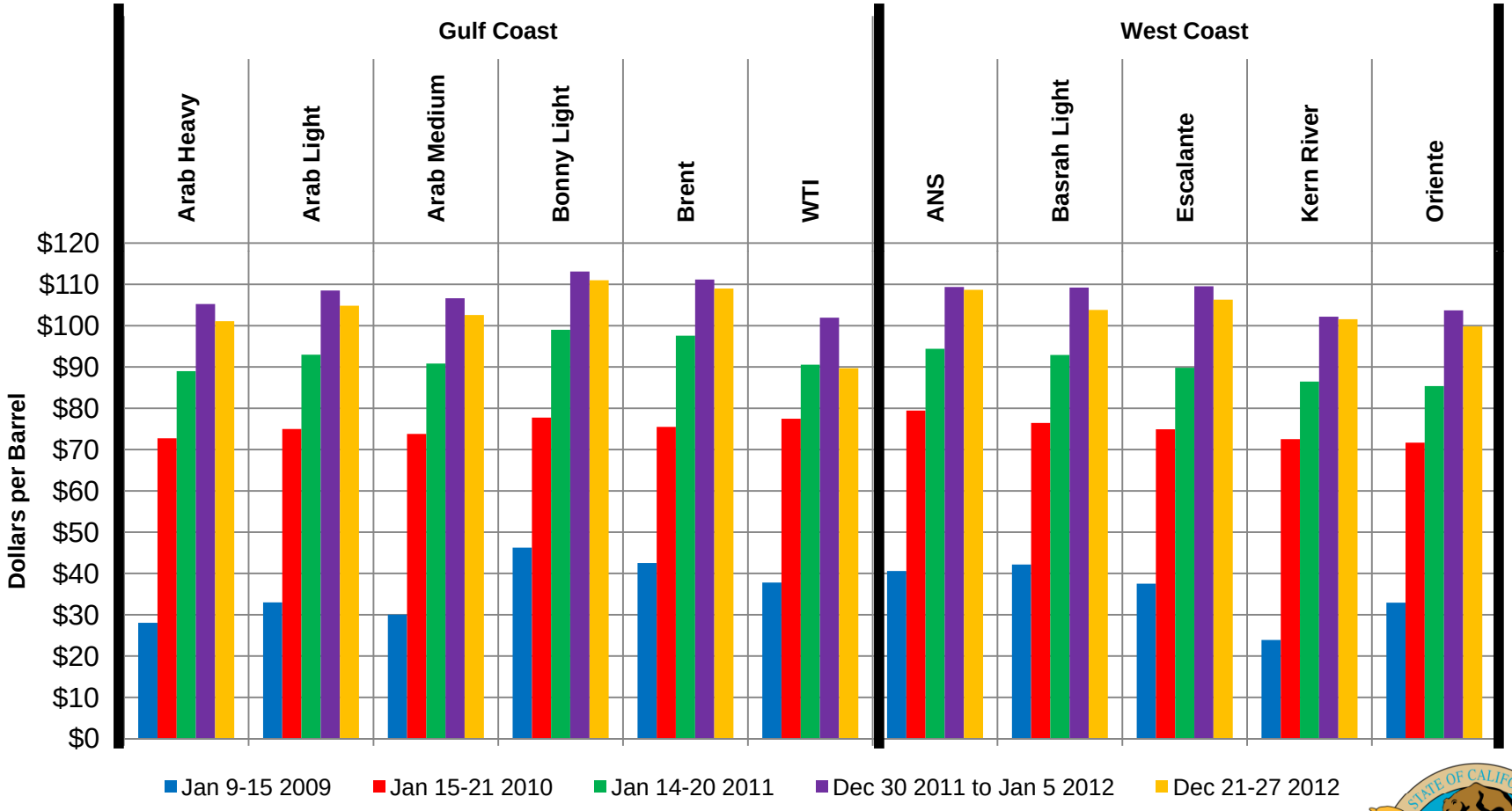
Challenges in California Transportation Fuel Price Case Development

- Price volatility in global crude oil markets (e.g. unforeseen national political unrest)
- Price volatility in local fuel markets (e.g. refinery outages)
- No in-house integrated world energy or crude oil equilibrium model
- Limited data on alternative and renewable fuels
- Long term projection horizon

Solutions

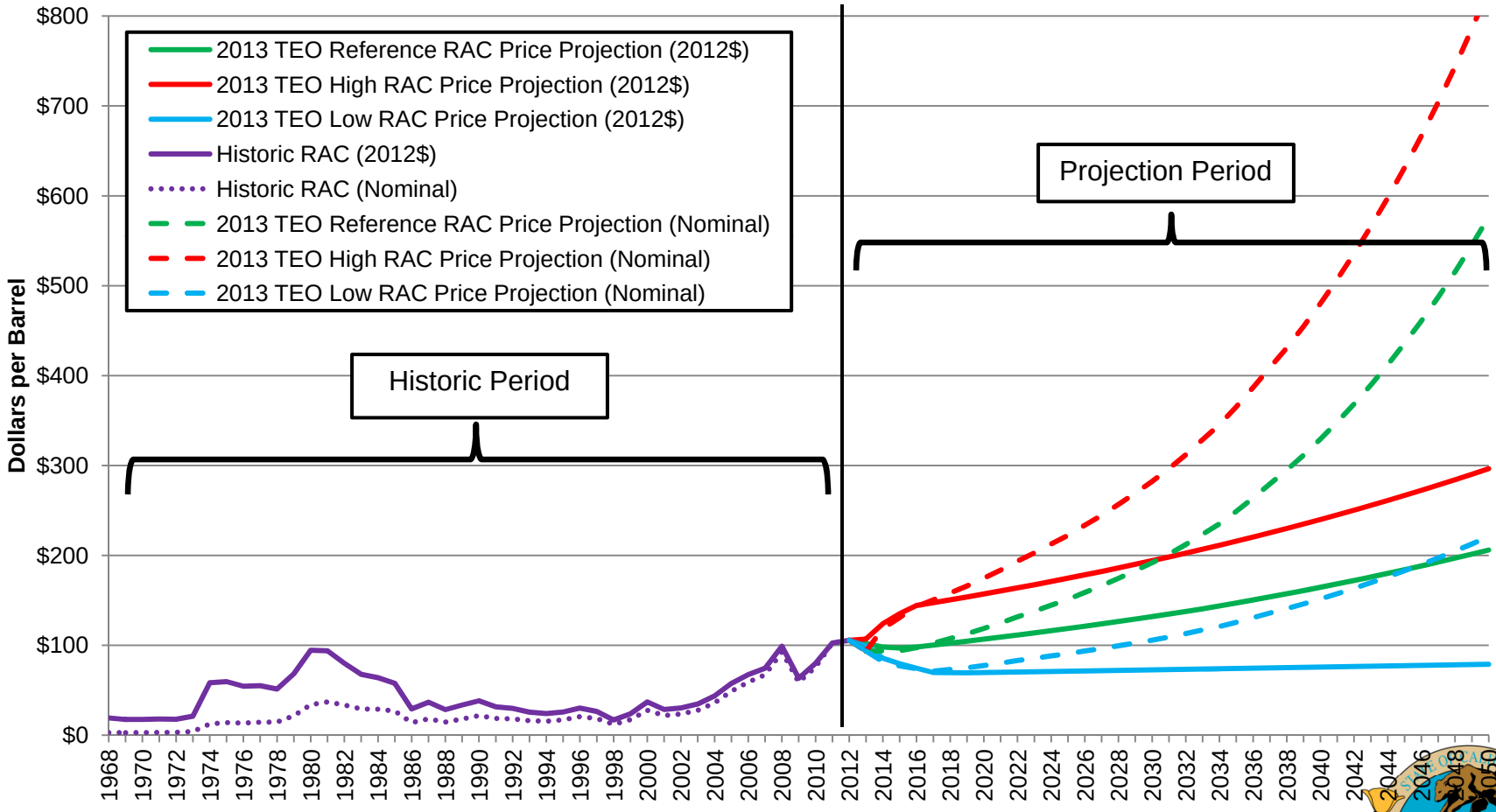
- Assess global crude oil price forecasts from EIA, IEA, or other organizations, as well as current spot price trends
- Assess other global crude oil supply and demand forecasts from those same organizations
- Use historical data on U.S. Imported Refiner Acquisition Cost (RAC) to establish state petroleum fuel price relationships
- Solicit advice from workshop participants

Crude Oil Spot Price Indexes



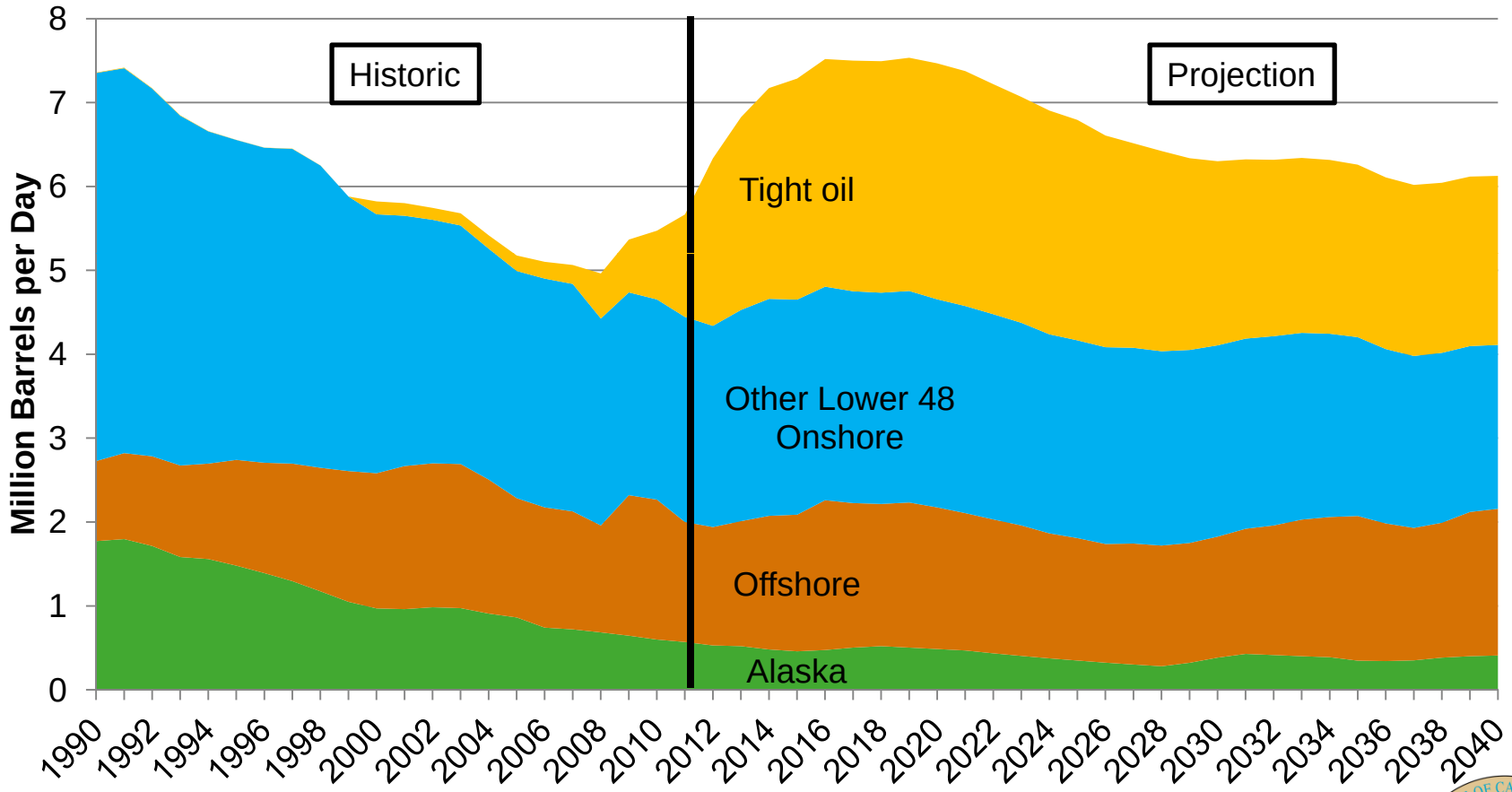
Source: Platt's Oilgram & Price Report

U.S. RAC Historic & Energy Commission RAC Cases



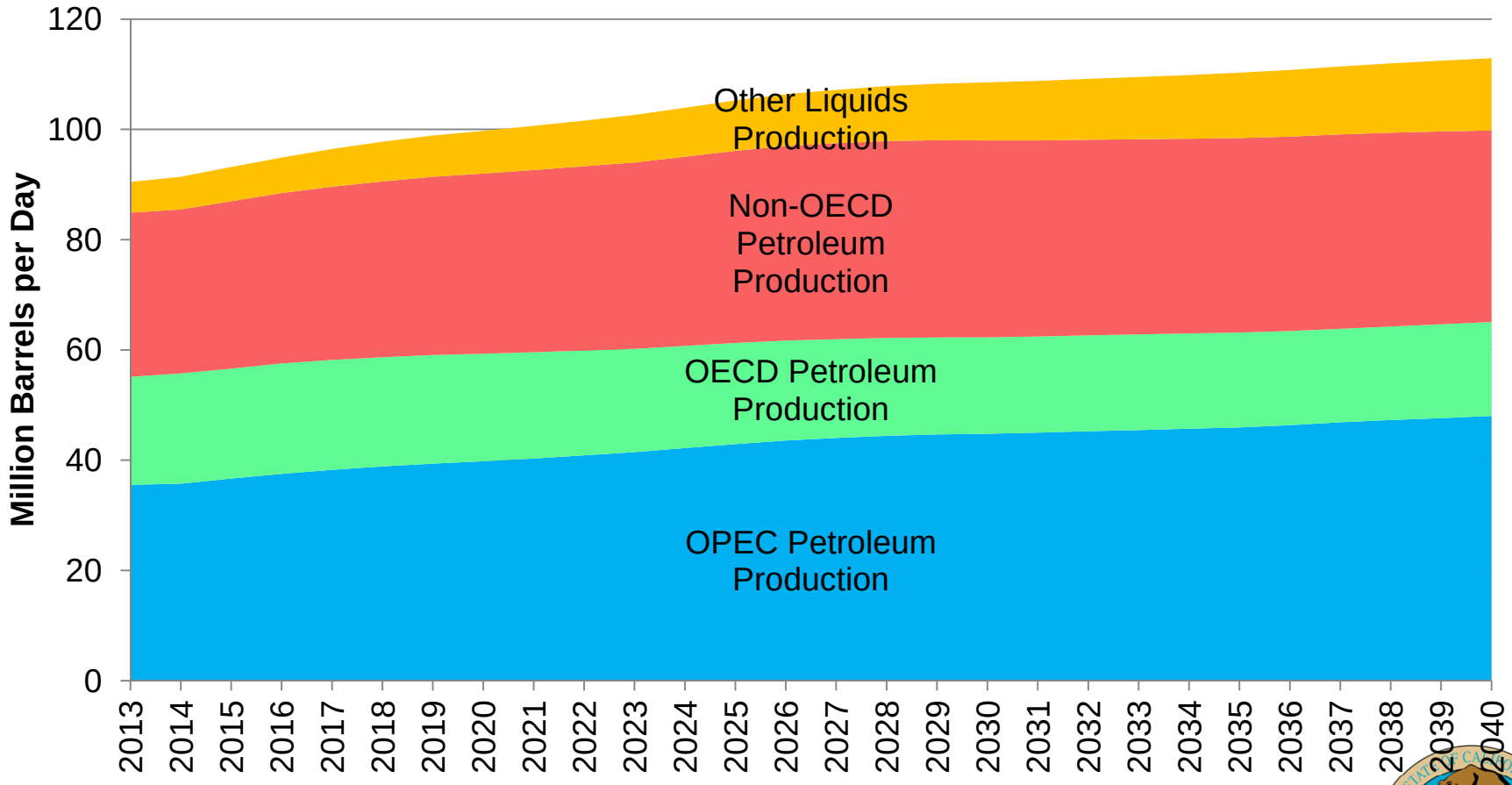
Source: Energy Commission and U.S. Energy Information Administration

EIA U.S. Domestic Crude Oil Projections



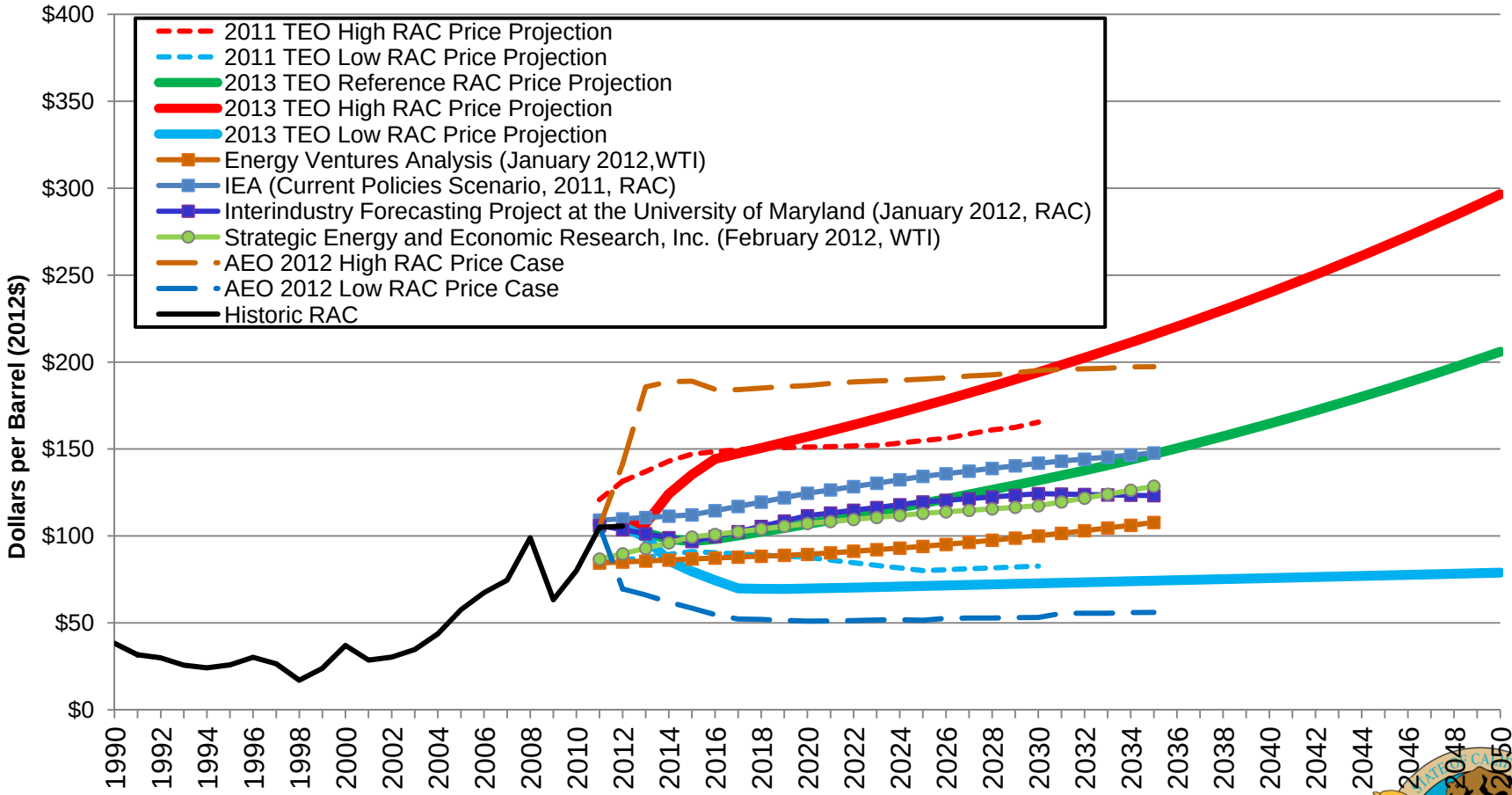
Source: U.S. Energy Information Administration

AEO 2013 Reference World Crude Oil Production Projection



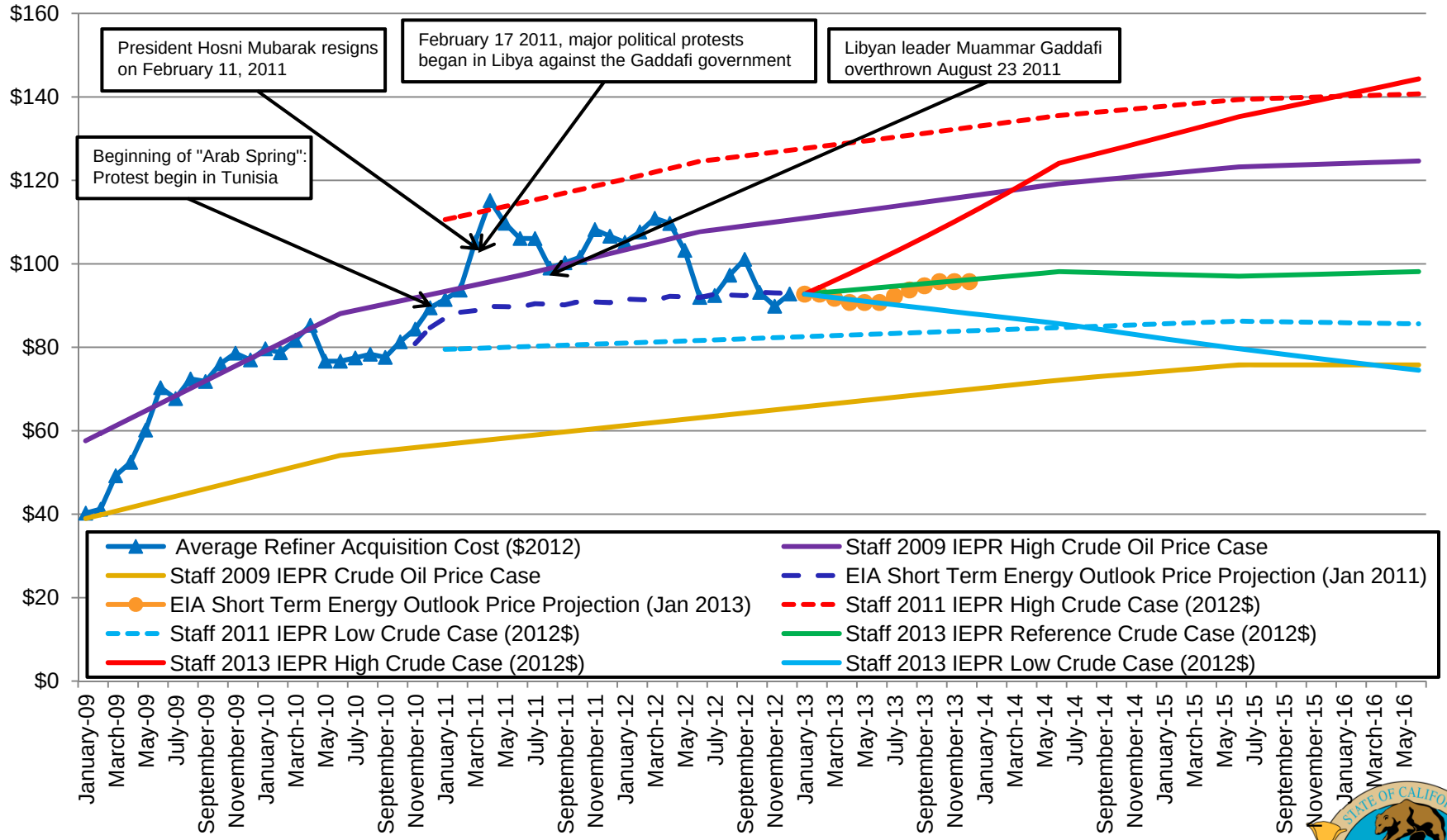
Source: U.S. Energy Information Administration

Crude Oil Price Projections to 2050 (2012 Dollars)



Source: Energy Commission and U.S. Energy Information Administration

2009, 2011, and 2013 IEPR RAC Cases



Source: Energy Commission, U.S. Energy Information Administration, and Platt's Oilgram & Price Report