



STATE OF CALIFORNIA

**STATE BOARD OF EQUALIZATION**

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Executive Director

October 24, 2014

No. 2014/051

TO COUNTY ASSESSORS, COUNTY COUNSELS,  
AND OTHER INTERESTED PARTIES:

**Notice of Proposed Regulatory Action  
by the  
State Board of Equalization**

**Proposed to Adopt  
Amendments to California Code of Regulations, Title 18,  
Section 474,  
*Petroleum Refining Properties***

NOTICE IS HEREBY GIVEN that the State Board of Equalization (Board), pursuant to the authority vested in it by Government Code section 15606, proposes to re-adopt California Code of Regulations, title 18, section (Rule) 474, *Petroleum Refining Properties*. Proposed Rule 474 implements, interprets, and makes specific section 1 of article XIII and section 2 of article XIII A of the California Constitution and Revenue and Taxation Code (RTC) sections 51 and 110.1, as interpreted by the California Supreme Court in *Western States Petroleum Association v. Board of Equalization* (2013) 57 Cal.4th 401 (hereafter *WSPA v BOE*), by defining the terms “petroleum refinery property” and “appraisal unit,” and establishing a rebuttable presumption that the land, improvements, and fixtures and other machinery and equipment classified as improvements for a petroleum refining property constitute a single appraisal unit, except when measuring declines in value caused by disaster.

**PUBLIC HEARING**

The Board will conduct a meeting in Room 121, at 450 N Street, Sacramento, California, on December 17-18, 2014. The Board will provide notice of the meeting to any person who requests that notice in writing and make the notice, including the specific agenda for the meeting, available on the Board’s Website at [www.boe.ca.gov](http://www.boe.ca.gov) at least 10 days in advance of the meeting.

A public hearing regarding the proposed regulatory action will be held at 9:30 a.m. or as soon thereafter as the matter may be heard on December 17 or 18, 2014. At the hearing, any

interested person may present or submit oral or written statements, arguments, or contentions regarding the re-adoption of proposed Rule 474.

## **AUTHORITY**

Government Code section 15606

## **REFERENCE**

Section 1 of article XIII and section 2 of article XIII A of the California Constitution, RTC sections 51 and 110.1, and *WSPA v. BOE*

## **INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW PURSUANT TO GOVERNMENT CODE SECTION 11346.5, SUBDIVISION (a)(3)**

### Summary of Existing Laws and Regulations

#### *Initial Adoption of Rule 474*

The Board previously adopted Rule 474. In *WSPA v. BOE*, the California Supreme Court provided the following summary of the applicable property tax laws as they existed prior to the Board's initial adoption of Rule 474 and the effect of the initial adoption of Rule 474:

Article XIII, section 1 of the California Constitution declares that “[a]ll property is taxable and shall be assessed at the same percentage of fair market value.” (Cal. Const., art. XIII, § 1, subd. (a).) Proposition 13, an initiative measure enacted in June 1978, added article XIII A to the California Constitution and changed the taxation of real property by replacing “the fair market valuation standard with that of acquisition value.” (*Roy E. Hanson, Jr. Mfg. v. County of Los Angeles* (1980) 27 Cal.3d 870, 873 [167 Cal. Rptr. 828, 616 P.2d 810].) Article XIII A, section 2 provides that all real property, except for property acquired prior to 1975, shall be assessed and taxed at its value on the date of acquisition, subject to a 2 percent maximum annual inflationary increase. (*Amador Valley Joint Union High Sch. Dist. v. State Bd. of Equalization* (1978) 22 Cal.3d 208, 235 [149 Cal. Rptr. 239, 583 P.2d 1281].) This is sometimes referred to as the indexed or adjusted base year value. (See Bd. of Equalization, Assessors' Handbook, Section 501, Basic Appraisal (2002 rev.) appen. A, Assessment Pre- and Post-Proposition 13, p. 137.)

Proposition 13 did not address how real property should be assessed and taxed when its market value declines instead of appreciates. To address this issue, California voters passed Proposition 8 in November 1978. Proposition 8 amended article XIII A so that it now reads: “The full cash value base may reflect from year to year the inflationary rate not to exceed 2 percent for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced to reflect substantial damage,

destruction, or other factors causing a decline in value.” (Cal. Const., art. XIII A, § 2, subd. (b).) In other words, when the value of real property declines to a level below its adjusted base year value under Proposition 13, the value of the property is determined according to its actual fair market value.

The Legislature formed a task force to study the implementation of the new real property tax system mandated by Proposition 13 and Proposition 8. In January 1979, the task force submitted a report and recommendations to the Assembly Committee on Revenue and Taxation, officially titled Report of the Task Force on Property Tax Administration (hereafter Task Force Report). (See *Pacific Southwest Realty Co. v. County of Los Angeles* (1991) 1 Cal.4th 155, 161 [2 Cal. Rptr. 2d 536, 820 P.2d 1046].) The Task Force Report has been recognized as a statement of legislative intent for purposes of interpreting the statutes enacted to implement Proposition 13 and Proposition 8. (See, e.g., *Auerbach v. Assessment Appeals Bd. No. 1* (2006) 39 Cal.4th 153, 161 [45 Cal. Rptr. 3d 774, 137 P.3d 951].)

The report recommended that “the assessed value of real property be the lesser of the Prop. 13 base value compounded annually by 2% or full cash value. These changes will be measured by that appraisal unit which is commonly bought and sold in the market, or which is normally valued separately.” (Task Force Rep., *supra*, at p. 29.) Revenue and Taxation Code section 51 was subsequently amended to incorporate the task force recommendations. (All further statutory references are to the Revenue and Taxation Code unless otherwise specified.) Section 51, subdivision (a) (hereafter section 51(a)) provides that “the taxable value of real property shall . . . be the lesser of: [¶] (1) Its base year value, compounded annually since the base year by an inflation factor . . .” not to exceed 2 percent per year, or “(2) Its full cash value, as defined in Section 110, as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a decline in value.” Section 110, subdivision (a) defines the term “full cash value,” synonymously with the term “fair market value,” as “the amount of cash or its equivalent that property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other, and both the buyer and the seller have knowledge of all of the uses and purposes to which the property is adapted and for which it is capable of being used, and of the enforceable restrictions upon those uses and purposes.”

Most significantly for this case, the term “real property” under section 51, subdivision (d) (hereafter section 51(d)) is defined as “that appraisal unit that persons in the marketplace commonly buy and sell as a unit, or that is normally valued separately.” This definition echoes almost verbatim the definition recommended by the Task Force Report. The statute does not further define “appraisal unit,” but the term is defined by regulation as “a collection of assets that functions together, and that persons in the marketplace commonly buy and

sell as a single unit or that is normally valued in the marketplace separately from other property . . . .” (Cal. Code Regs., tit. 18, § 324.)

In the wake of Proposition 13 and Proposition 8, and shortly before the enactment of section 51, the Board promulgated and then amended rule 461, a regulation applicable to most real property used for manufacturing. (Cal. Code Regs., tit. 18, § 461 (Rule 461).) Rule 461, subdivision (e) (hereafter Rule 461(e)) provides: “Declines in value will be determined by comparing the current lien date full value of the appraisal unit to the indexed base year full value of the same unit for the current lien date. Land and improvements constitute an appraisal unit except when measuring declines in value caused by disaster, in which case land shall constitute a separate unit. For purposes of this subdivision, fixtures and other machinery and equipment classified as improvements constitute a separate appraisal unit.”

At the same time that it adopted Rule 461(e)’s classification of fixtures as “a separate appraisal unit,” the Board adopted two exceptions to this rule for certain types of industrial property where land and fixtures were valued as a single unit in the marketplace: Rule 468, which applies to oil and gas properties, and Rule 469, which applies to mining properties. (See Cal. Code Regs., tit. 18, §§ 468, subd. (c)(6) (Rule 468), 469, subd. (e)(2)(C) (Rule 469).) Rule 473, adopted in 1995, similarly treats land and fixtures on geothermal properties as a single appraisal unit. (Cal. Code Regs., tit. 18, § 473(e)(4)(C) (Rule 473).) Petroleum refinery property was covered by Rule 461(e) until the Board’s adoption of Rule 474.

In September 2006, the Board voted three to two to adopt Rule 474 to address “the valuation of the real property, personal property, and fixtures used for the refining of petroleum.” (Rule 474, subd. (a).) Subdivision (b)(1) of Rule 474 states that “[t]he unique nature of property used for the refining of petroleum requires the application of specialized appraisal techniques designed to satisfy the requirements of article XIII, section 1, and article XIII A, section 2, of the California Constitution. To this end, petroleum refineries and other real and personal property associated therewith shall be valued pursuant to the principles and procedures set forth in this section.” Rule 474, subdivision (c)(2) states that “[a]ppraisal unit’ consists of the real and personal property that persons in the marketplace commonly buy and sell as a unit.” Most pertinent here, subdivision (d) states that “[f]or the purposes of this section: [¶] (1) Declines in value of petroleum refining properties will be determined by comparing the current lien date full value of the appraisal unit [(i.e., its value in an open market transaction)] to the indexed base year full value of the same unit [(i.e., its Proposition 13 value)]. [¶] (2) *The land, improvements, and fixtures and other machinery and equipment classified as improvements for a petroleum refining property are rebuttably presumed to constitute a single appraisal unit . . . .* [¶] (3) In rebutting this presumption, the assessor may consider evidence that: [¶] (A) The land and improvements including fixtures and other machinery and equipment classified as improvements are not under common ownership or control and do not typically

transfer in the marketplace as one economic unit; or, [¶] (B) When the fixtures and other machinery and equipment classified as improvements are not functionally and physically integrated with the realty and do not operate together as one economic unit.” (Rule 474, subd. (d); italics added [in original opinion].)

[¶] . . . [¶]

In November 2007, the Office of Administrative Law approved the regulation, and it became effective in December 2007. (*WSPA v. BOE*, pp. 409-413.)

#### *History Regarding WSPA v. BOE*

In *WSPA v. BOE*, the California Supreme Court also explained that in December 2008, the Western States Petroleum Association (WSPA) filed a complaint challenging the validity of Rule 474 and seeking a declaration that the Board violated the Administrative Procedure Act (APA) (Gov. Code, § 11340 et seq.) in adopting the rule. (*WSPA v. BOE*, pp. 413-414.) And, “[i]n October 2009, the Board and WSPA filed cross-motions for summary judgment. WSPA argued that Rule 474 violates section 51(d) and California Constitution, article XIII A, and that the Board failed to provide an adequate statement of economic impact as required by the APA. The trial court granted WSPA’s summary judgment motion on both grounds, and the Court of Appeal affirmed on both grounds” before the California Supreme Court granted review. (*WSPA v. BOE*, p. 414.)

As explained in more detail in the initial statement of reasons, the California Supreme Court disagreed with all of WSPA’s arguments as to why Rule 474 violates RTC section 51, subdivision (d) (hereafter section 51(d)), and California Constitution, article XIII A. The Court specifically concluded that “Rule 474’s market-based approach to determining the proper appraisal unit for petroleum refinery property ensures that reductions in property values are measured according to fair market value. Thus, Rule 474 appears consistent with articles XIII and XIII A.” (*WSPA v. BOE*, pp. 416-417.) Furthermore, the California Supreme Court specifically concluded that “Rule 474 is also consistent with section 51(d).” (*WSPA v. BOE*, p. 417.) The Court said that “[b]y its terms, the statute provides two alternative methods of determining the appraisal unit that constitutes taxable real property: it is either (1) a unit ‘that persons in the marketplace commonly buy and sell as a unit’ or (2) a unit ‘that is normally valued separately.’ Rule 474 applies the first method to petroleum refinery property.” (*WSPA v. BOE*, p. 417.)

Although the California Supreme Court held that Rule 474 was substantively valid in *WSPA v. BOE*, the Court still concluded that the Board’s adoption of Rule 474 was procedurally invalid under the APA. (*WSPA v. BOE*, pp. 408-409.) The Court held that the Board did not properly assess the economic impact of Rule 474 and that the Board’s initial determination that Rule 474 would not have a significant adverse economic impact on businesses did not substantially comply with the APA (Gov. Code, §§ 11346.2, subd. (b)(5)(A), 11346.3, 11346.5, subd. (a)(8)) because:

- “The Board relied on a 2006 document titled ‘Revenue Estimate’ concerning proposed Rule 474. According to the document, which was prepared by Board staff, WSPA reported that there are 20 major refineries located in California, with five in Los Angeles County and four in Contra Costa County. (Bd. of Equalization, Revenue Estimate, Issue No. 6-001 (June 7, 2006) p. 2.) County data indicated that the total assessment in these two counties was over \$ 14 billion, with about 80 percent of that value enrolled as fixtures. Projecting figures statewide, the Board staff estimated that there was \$ 32 billion of refinery property, of which \$ 25 billion consisted of fixtures and \$ 7 billion in land and nonfixture improvements. To ‘conservatively estimate’ the incremental amount of taxable assessed value resulting from the proposed rule, the Board staff multiplied the \$ 7 billion in land value by a 2 percent appreciation factor to conclude that Rule 474 would yield ‘at least \$ 140 million’ in additional assessed value. (Revenue Estimate, at p. 3.) The Board staff then multiplied \$ 140 million by the 1 percent tax on real property permitted under article XIII A to arrive at \$ 1.4 million as the annual estimated revenue effect of Rule 474, while acknowledging that ‘[t]he actual revenue effect could be considerably higher or lower depending on the number of properties [affected] and the actual amount of offsetting values.’ (Revenue Estimate, at p. 3.) Based on these calculations, the Board concluded that Rule 474 ‘will not have a significant adverse economic impact on businesses.’” (*WSPA v. BOE*, pp. 429-430.);
- The Court concluded that “[e]ven assuming the Board could reasonably project \$ 32 billion as the total value of 20 refineries statewide based on data showing \$ 14 billion as the total value of nine refineries in two counties, the Board’s analysis offers no explanation why multiplying \$ 7 billion in land value by a 2 percent appreciation factor is, empirically or conceptually, a valid or reasonable way to estimate the amount of fixture depreciation that would be offset by appraising land and fixtures as a single unit.” (*WSPA v. BOE*, p. 430.); and
- “[T]he Board’s calculation failed to consider prior land appreciation and the full tax impact that would occur if land were valued at actual market value rather than adjusted base year value.” (*Ibid.*)

#### Effect, Objective, and Benefit of the Proposed Re-Adoption of Rule 474

During the Board’s September 10, 2013, meeting, the Board considered a Chief Counsel Memorandum dated August 28, 2013. In the Chief Counsel Memorandum, Board staff explained that the Board adopted Rule 474 on September 27, 2006, to clarify that, consistent with California Constitution article XIII, section 1, article XIII A (which contains Proposition 13 as amended by Proposition 8), RTC section 51, and Rules 461, *Real Property Value Changes*, and 324, *Decision*, refinery property consisting of land, improvements, and fixtures is rebuttably presumed to be a single appraisal unit in determining Proposition 8 declines in value below the Proposition 13 adjusted base year value for property tax valuation purposes. In the Chief Counsel Memorandum, Board staff also explained that the California Supreme Court held that Rule 474 was substantively valid in *WSPA v. BOE*. However, nevertheless, the Court also invalidated Rule 474 on procedural grounds, finding that the Board failed to provide an adequate assessment of the rule’s economic impact during the rulemaking process as required by the APA. In particular, the Supreme Court held that Rule 474 is procedurally deficient because the Board did not make a reasoned estimate of all the cost impacts of the rule on affected parties.

Therefore, in the memorandum, Board staff requested the Board's authorization to repeal Rule 474 pursuant to California Code of Regulations, title 1, section 100 (Rule 100). Board staff also requested the Board's authorization to initiate the rulemaking process to re-adopt Rule 474 following the APA's regular notice and public hearing process after Board staff reassessed the economic impact of Rule 474 on affected businesses in accordance with the APA and *WSPA v. BOE*.

Therefore, at the conclusion of the Board's discussion of the Chief Counsel Memorandum dated August 28, 2013, during its meeting on September 10, 2013, the Board Members unanimously voted to authorize staff to repeal Rule 474 pursuant to Rule 100, and initiate the rulemaking process to re-adopt Rule 474 after Board staff reassessed the economic impact of Rule 474 in accordance with the APA and *WSPA v. BOE*. The Board determined that it is reasonably necessary to re-adopt Rule 474 to have the effect and accomplish the objective of clarifying that petroleum refinery land, improvements, and fixtures are rebuttably presumed to constitute a single appraisal unit for determining declines in value because petroleum refineries are commonly bought and sold as a unit in the marketplace. The Board anticipates that the re-adoption of Rule 474 will clarify the treatment of petroleum refinery property for purposes of measuring declines in value, and thereby benefit county assessors and the owners of petroleum refineries by promoting fairness and uniformity in the assessment of petroleum refinery property throughout the state.

The Board subsequently repealed Rule 474 pursuant to Rule 100, effective October 30, 2013. However, regardless of the repeal of Rule 474, county assessors are still authorized to determine that refinery property (land, improvements, and fixtures) constitutes a single appraisal unit for measuring declines in value when persons in the marketplace commonly buy and sell refinery property as a unit, in accordance with RTC section 51(d) as interpreted by the California Supreme Court in *WSPA v. BOE* (discussed above).

In addition, Board staff has reassessed the economic impact of Rule 474 in accordance with the APA and *WSPA v. BOE*. Staff's economic impact assessment is included in the initial statement of reasons, and the results of staff's assessment are provided below.

The Board has performed an evaluation of whether Rule 474 is inconsistent or incompatible with existing state regulations and determined that the proposed rule is not inconsistent or incompatible with existing state regulations. This is because proposed Rule 474 is the only state regulation that specifically prescribes the appraisal unit for determining declines in value of petroleum refining properties. The Board has also determined that there are no comparable federal regulations or statutes to proposed Rule 474.

#### **NO MANDATE ON LOCAL AGENCIES OR SCHOOL DISTRICTS**

The Board has determined that the re-adoption of Rule 474 will not impose a mandate on local agencies or school districts, including a mandate that requires state reimbursement pursuant to title 2, division 4, part 7 (commencing with section 17500) of the Government Code.

**NO COST OR SAVINGS TO ANY STATE AGENCY, LOCAL AGENCY, OR SCHOOL DISTRICT**

The Board has determined that the re-adoption of proposed Rule 474 will result in no direct or indirect cost or savings to any state agency and will result in no cost or savings in federal funding to the State of California. The Board has also determined that the re-adoption of proposed Rule 474 will result in no direct or indirect cost to any local agency or school district that is required to be reimbursed under title 2, division 4, part 7 (commencing with section 17500) of the Government Code, and will result in no other non-discretionary cost or savings imposed on local agencies.

**NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS**

The Board has made an initial determination that the re-adoption of proposed Rule 474 will not have a significant, statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

The proposed re-adoption of Rule 474 may affect small businesses.

**NO KNOWN COST IMPACTS TO PRIVATE PERSONS OR BUSINESSES**

The Board is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

**RESULTS OF THE ECONOMIC IMPACT ASSESSMENT REQUIRED BY GOVERNMENT CODE SECTION 11346.3, SUBDIVISION (b)**

The Board has determined that the proposed re-adoption of Rule 474 is not a major regulation, as defined in Government Code section 11342.548 and California Code of Regulations, title 1, section 2000. Therefore, the Board has prepared the economic impact assessment required by Government Code section 11346.3, subdivision (b)(1), and included it in the initial statement of reasons. The Board has determined that the re-adoption of proposed Rule 474 will neither create nor eliminate jobs in the State of California nor result in the elimination of existing businesses nor create or expand business in the State of California. Furthermore, the Board has determined that the re-adoption of proposed Rule 474 will not affect the benefits of Rule 474 to the health and welfare of California residents, worker safety, or the state's environment.

**NO SIGNIFICANT EFFECT ON HOUSING COSTS**

The re-adoption of proposed Rule 474 will not have a significant effect on housing costs.

**STATEMENT REGARDING ALTERNATIVES**

The Board must determine that no reasonable alternative considered by it or that has been otherwise identified and brought to its attention would be more effective in carrying out the

purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law than the proposed action.

## **CONTACT PERSONS**

Questions regarding the substance of proposed Rule 474 should be directed to Bradley M. Heller, Tax Counsel IV, by telephone at (916) 323-3091, by e-mail at [Bradley.Heller@boe.ca.gov](mailto:Bradley.Heller@boe.ca.gov), or by mail at State Board of Equalization, Attn: Bradley M. Heller, MIC:82, 450 N Street, P.O. Box 942879, Sacramento, CA 94279-0082.

Written comments for the Board's consideration, notice of intent to present testimony or witnesses at the public hearing, and inquiries concerning the proposed administrative action should be directed to Mr. Rick Bennion, Regulations Coordinator, by telephone at (916) 445-2130, by fax at (916) 324-3984, by e-mail at [Richard.Bennion@boe.ca.gov](mailto:Richard.Bennion@boe.ca.gov), or by mail at State Board of Equalization, Attn: Rick Bennion, MIC:80, 450 N Street, P.O. Box 942879, Sacramento, CA 94279-0080.

## **WRITTEN COMMENT PERIOD**

The written comment period ends at 9:30 a.m. on December 17, 2014, or as soon thereafter as the Board begins the public hearing regarding the re-adoption of proposed Rule 474 during the December 17-18, 2014, Board meeting. Written comments received by Mr. Rick Bennion at the postal address, email address, or fax number provided above, prior to the close of the written comment period, will be presented to the Board and the Board will consider the statements, arguments, or contentions contained in those written comments before the Board decides whether to re-adopt proposed Rule 474. The Board will only consider written comments received by that time.

## **AVAILABILITY OF INITIAL STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATION**

The Board has prepared a copy of the text of proposed Rule 474 illustrating its express terms; however, the proposed regulation is not illustrated in underline or italics format because California Code of Regulations, title 1, section 8, subdivision (b) provides that "[u]nderline or italic is not required for the adoption of a new regulation or set of regulations if the final text otherwise clearly indicates that all of the final text submitted to OAL for filing is added to the California Code of Regulations." The Board has also prepared an initial statement of reasons for the adoption of the proposed rule, which includes the economic impact assessment required by Government Code section 11346.3, subdivision (b)(1). These documents and all the information on which the proposed regulation is based are available to the public upon request.

The rulemaking file is available for public inspection at 450 N Street, Sacramento, California. The express terms of the proposed regulation and the initial statement of reasons are also available on the Board's Website at [www.boe.ca.gov](http://www.boe.ca.gov).

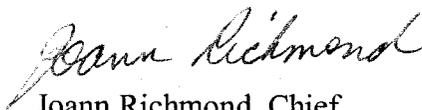
**SUBSTANTIALLY RELATED CHANGES PURSUANT TO GOVERNMENT CODE SECTION 11346.8**

The Board may re-adopt proposed Rule 474 with changes that are nonsubstantial or solely grammatical in nature, or sufficiently related to the original proposed text that the public was adequately placed on notice that the changes could result from the originally proposed regulatory action. If a sufficiently related change is made, the Board will make the full text of the proposed regulation, with the change clearly indicated, available to the public for at least 15 days before adoption. The text of the resulting regulation will be mailed to those interested parties who commented on the original proposed regulation orally or in writing or who asked to be informed of such changes. The text of the resulting regulation will also be available to the public from Mr. Bennion. The Board will consider written comments on the resulting regulation that are received prior to adoption.

**AVAILABILITY OF FINAL STATEMENT OF REASONS**

If the Board re-adopts proposed Rule 474, the Board will prepare a final statement of reasons, which will be made available for inspection at 450 N Street, Sacramento, California, and available on the Board's Website at [www.boe.ca.gov](http://www.boe.ca.gov).

Sincerely,



Joann Richmond, Chief  
Board Proceedings Division

JR:reb

**STATE BOARD OF EQUALIZATION**

BOARD APPROVED



At the December 18, 2014 Board Meeting



Joann Richmond, Chief  
Board Proceedings Division

**Initial Statement of Reasons for the  
Proposed Re-Adoption of California Code of Regulations,  
Title 18, Section 474, *Petroleum Refining Properties***

SPECIFIC PURPOSE, PROBLEM INTENDED TO BE ADDRESSED, NECESSITY, AND  
ANTICIPATED BENEFIT

Existing Law

*Initial Adoption of Rule 474*

The State Board of Equalization (Board) previously adopted California Code of Regulations, title 18, section (Rule) 474, *Petroleum Refining Properties*. In *Western States Petroleum Association v. Board of Equalization* (2013) 57 Cal.4th 401 (hereafter *WSPA v. BOE*), the California Supreme Court provided the following summary of the applicable property tax laws as they existed prior to the Board's initial adoption of Rule 474 and the effect of the initial adoption of Rule 474:

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below its adjusted base year value under Proposition 13, the value of the property is determined according to its actual fair market value.

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Most significantly for this case, the term “real property” under section 51, subdivision (d) (hereafter section 51(d)) is defined as “that appraisal unit that persons in the marketplace commonly buy and sell as a unit, or that is normally valued separately.” This definition echoes almost verbatim the definition recommended by the Task Force Report. The statute does not further define “appraisal unit,” but the term is defined by regulation as “a collection of assets that functions together, and that persons in the marketplace commonly buy and sell as a single unit or that is normally valued in the marketplace separately from other property . . .” (Cal. Code Regs., tit. 18, § 324.)

In the wake of Proposition 13 and Proposition 8, and shortly before the enactment of section 51, the Board promulgated and then amended rule 461, a regulation applicable to most real property used for manufacturing. (Cal. Code Regs., tit. 18, § 461 (Rule 461).) Rule 461, subdivision (e) (hereafter Rule 461(e)) provides: “Declines in value will be determined by comparing the current lien date full value of the appraisal unit to the indexed base year full value of the same unit for the current lien date. Land and improvements constitute an appraisal unit except when measuring declines in value caused by disaster, in which case land shall constitute a separate unit. For purposes of this subdivision, fixtures and other machinery and equipment classified as improvements constitute a separate appraisal unit.”

At the same time that it adopted Rule 461(e)’s classification of fixtures as “a separate appraisal unit,” the Board adopted two exceptions to this rule for certain types of industrial property where land and fixtures were valued as a single unit in the marketplace: Rule 468, which applies to oil and gas properties, and Rule 469, which applies to mining properties. (See Cal. Code Regs., tit. 18, §§ 468, subd. (c)(6) (Rule 468), 469, subd. (e)(2)(C) (Rule 469).) Rule 473, adopted in 1995, similarly treats land and fixtures on geothermal properties as a single appraisal unit. (Cal. Code Regs., tit. 18, § 473(e)(4)(C) (Rule 473).) Petroleum refinery property was covered by Rule 461(e) until the Board’s adoption of Rule 474.

In September 2006, the Board voted three to two to adopt Rule 474 to address “the valuation of the real property, personal property, and fixtures used for the refining of petroleum.” (Rule 474, subd. (a).) Subdivision (b)(1) of Rule 474 states that “[t]he unique nature of property used for the refining of petroleum requires the application of specialized appraisal techniques designed to satisfy the requirements of article XIII, section 1, and article XIII A, section 2, of the California Constitution. To this end, petroleum refineries and other real and personal property associated therewith shall be valued pursuant to the principles and procedures set forth in this section.” Rule 474, subdivision (c)(2) states that “[a]ppraisal unit’ consists of the real and personal property that persons in the marketplace commonly buy and sell as a unit.” Most pertinent here, subdivision (d) states that “[f]or the purposes of this section: [¶] (1) Declines in value of petroleum refining properties will be determined by comparing the current lien date full value of the appraisal unit [(i.e., its value in an open market transaction)] to the indexed base year full value of the same unit [(i.e., its Proposition 13 value)]. [¶] (2) *The land, improvements, and fixtures and other machinery and equipment classified as improvements for a petroleum refining property are rebuttably presumed to constitute a single appraisal unit . . . .* [¶] (3) In rebutting this presumption, the assessor may consider evidence that: [¶] (A) The land and improvements including fixtures and other machinery and equipment classified as improvements are not under common ownership or control and do not typically transfer in the marketplace as one economic unit; or, [¶] (B) When the fixtures and other machinery and equipment classified as improvements are not

functionally and physically integrated with the realty and do not operate together as one economic unit.” (Rule 474, subd. (d); italics added [in original opinion].)

The difference between treating fixtures as a separate appraisal unit (Rule 461(e)) and treating fixtures and land together as a single appraisal unit (Rule 474) may be illustrated by a hypothetical drawn from a Board staff report. (For brevity, we will use the term “land” to refer to land and “non-fixture” improvements considered together unless otherwise indicated.) Suppose that following the purchase of a petroleum refinery property, the assessed value in “Year 1” of the land is \$ 2 million and the assessed value of the fixtures is \$1 million. Now suppose the land appreciates at \$ 100,000 per year while the fixtures, when appraised separately, depreciate at \$ 100,000 per year. Under Rule 461(e), the treatment of fixtures as a separate appraisal unit means that the assessed value of the fixtures will decline by \$ 100,000 each year, while the land, though appreciating at \$ 100,000 per year, will yield an assessed value that increases by only 2 percent each year, the maximum increase allowed by Proposition 13. The results are shown in the following table:

Year	Land	Assessed Value	
		Fixtures	Total
1	\$ 2,000,000	\$ 1,000,000	\$ 3,000,000
2	\$ 2,040,000	\$ 900,000	\$ 2,940,000
3	\$ 2,080,800	\$ 800,000	\$ 2,880,800
4	\$ 2,122,416	\$ 700,000	\$ 2,822,416
5	\$ 2,164,864	\$ 600,000	\$ 2,764,864
6	\$ 2,208,162	\$ 500,000	\$ 2,708,162

By contrast, if land and fixtures were treated as a single appraisal unit under Rule 474, the total assessed value of petroleum refinery property beyond Year 1 would be greater than the values shown above. When such property is treated as a single unit, fixture depreciation (\$ 100,000 per year) may be offset by the full amount of land appreciation (\$ 100,000 per year), resulting in a total assessed value of \$ 3 million each year. The total assessed value may be even greater than \$ 3 million beyond Year 1 (though no greater than a 2 percent annual increase) to the extent that fixture values decline by less than \$ 100,000 per year when petroleum refinery fixtures are bought and sold in the open market as a single unit with the underlying land. Thus, owners of petroleum refinery property pay higher property taxes under Rule 474 than under Rule 461(e).

Before adopting Rule 474, the Board held a hearing at which several public officials testified in favor of the rule. Typical was the testimony of Rick Auerbach, the Los Angeles County Assessor, who stated that in his experience “refineries in California . . . are bought and sold as a unit. . . . I am not aware of one that has not been sold as a unit. If we have a case where there is the potential for a refinery to be dismantled and sold—where the fixtures are sold separately, the

proposed rule is a rebuttable presumption and we would take that into account. And we would value the fixtures separately.”

The Board concluded in its final statement of reasons before adopting the rule that “sufficient evidence in the rulemaking record exists to determine that proposed Rule 474 is necessary to obtain assessments more accurately reflecting how petroleum refinery properties would actually trade in the marketplace. . . . At the June 27, 2006 Property Tax Committee meeting, Thomas Parker, Deputy County Counsel, Sacramento County; Rick Auerbach, Los Angeles County Assessor and President of the California Assessor’s Association; Lance Howser, Chief Assessor, Solano County; and Robert Quon, Director of Major Appraisals for the Los Angeles County Assessor’s office, all testified that refineries are in fact bought, sold, and valued as a single unit. In the same meeting, Mr. Auerbach testified that refineries are different from other heavily-fixture manufacturing industries such as breweries, canneries, and amusement parks and toy manufacturing. Refineries are unique in that up to 80 percent of their values are contained in the fixtures and because the land and fixtures are so integrated, it is difficult to physically separate the fixtures from the land. Further, the land and fixtures are also so economically integrated that a buyer normally would not, in a fair market transaction, purchase the land separately from the fixtures or the fixtures separately from the land. [¶] Since petroleum refineries are bought and sold as a unit consisting of land and fixtures, to value the fixtures separate and apart from the land may result in assessed values either below or above fair market value in violation of Propositions 8 and 13.”

Petroleum industry counsel submitted evidence to the Board, mostly in the form of for-sale advertisements and newspaper articles, showing that refinery fixtures are sometimes dismantled and sold separately.

In November 2007, the Office of Administrative Law approved the regulation, and it became effective in December 2007. (*WSPA v. BOE*, pp. 409-413.)

#### *Procedural History Regarding WSPA v. BOE*

In *WSPA v. BOE*, the California Supreme Court also explained that in December 2008, the Western States Petroleum Association (WSPA) filed a complaint challenging the validity of Rule 474 and seeking a declaration that the Board violated the Administrative Procedure Act (APA) (Gov. Code, § 11340 et seq.) in adopting the rule because: (1) “Rule 474 is inconsistent with California Constitution, article XIII A and section 51(d), and is not necessary to implement such law; (2) Rule 474 violates article XIII A’s cap on year-to-year increases in assessed value of real property; (3) Rule 474 violates article XIII A’s requirement of a two-thirds vote of the Legislature for raising real property taxes; and (4) Rule 474 violates petroleum refiners’ constitutional right to equal protection and uniformity of laws.” (*WSPA v. BOE*, pp. 413-414.) And, “[i]n October 2009, the Board and WSPA filed cross-motions for summary judgment. WSPA argued that Rule 474 violates section 51(d) and California Constitution, article XIII A, and that the Board failed to provide an adequate statement of economic impact as required by the

APA. The trial court granted WSPA's summary judgment motion on both grounds, and the Court of Appeal affirmed on both grounds" before the California Supreme Court granted review. (*WSPA v. BOE*, p. 414.)

*California Supreme Court Held that Rule 474 is Consistent with Existing Property Tax Law*

In *WSPA v. BOE*, the California Supreme Court disagreed with all of WSPA's arguments as to why Rule 474 violates Revenue and Taxation Code (RTC) section 51, subdivision (d) (hereafter section 51(d)) and California Constitution, article XIII A. The Court specifically concluded that "Rule 474's market-based approach to determining the proper appraisal unit for petroleum refinery property ensures that reductions in property values are measured according to fair market value. Thus, Rule 474 appears consistent with articles XIII and XIII A." (*WSPA v. BOE*, pp. 416-417.)

The California Supreme Court specifically concluded that "Rule 474 is also consistent with section 51(d)." (*WSPA v. BOE*, p. 417.) The Court said that "[b]y its terms, the statute provides two alternative methods of determining the appraisal unit that constitutes taxable real property: it is either (1) a unit 'that persons in the marketplace commonly buy and sell as a unit' or (2) a unit 'that is normally valued separately.' Rule 474 applies the first method to petroleum refinery property." (*WSPA v. BOE*, p. 417.)

In addition, the California Supreme Court found that "the Legislature enacted section 51(d) on the understanding that real property values may 'rise and fall ... [to] any point below [the Proposition 13] cap, should actual market values so dictate," "Rule 474 furthers the long-standing mandate to appraise real property according to 'actual market values,'" and "Rule 474's market-based approach to determining the proper appraisal unit was in fact the traditional method for making such determinations before Proposition 13." (*WSPA v. BOE*, p. 419.) The Court also specifically found that "Rule 474 thus represents no change in the method of determining the appropriate appraisal unit. In adopting this exception to Rule 461(e) for petroleum refinery property, the Board sought to align the concept of 'appraisal unit' with the settled rule that when real property declines in value, it should be appraised according to its actual market value. There is no evidence that section 51(d) was intended to freeze or codify the treatment of industrial fixtures as a separate appraisal unit." (*WSPA v. BOE*, p. 421.)

Further, the California Supreme Court expressly held that "no constitutional or statutory provision precludes the Board from treating land and fixtures as a single appraisal unit when substantial evidence indicates that a particular type of property is bought and sold as a single unit in the marketplace." (*WSPA v. BOE*, p. 422.) The Court also held that Rule 474 does properly take into account reductions in value due to "depreciation" as required by RTC section 51, subdivision (a)(2). (*Ibid.*) The Court stated that:

To account for fixture depreciation separately when land and fixtures are actually bought and sold as a single unit would allow the owner to claim a reduction in real property value that is economically fictitious, resulting in a tax windfall. Neither California Constitution, article XIII A nor section 51 nor traditional appraisal practices require the unit of appraisal to be defined in a manner that

maximizes the depreciation of fixtures in contravention of economic reality. To the contrary, the law and consistent practice have long required appraisal of real property in the declining value context to reflect its “full cash value”—that is, the value “property would bring if exposed for sale in the open market.” (§§ 51(a)(2), 110.) Rule 474 is consistent with this principle. (*WSPA v. BOE*, p. 423.)

Furthermore, the California Supreme Court held that the Board’s adoption of Rule 474 did not violate section 3, subdivision (a), of article XIII A of the California Constitution, which prohibits tax increases without a two-thirds vote of both houses in the Legislature. The Court said that “By its terms, article XIII A, section 3(a) applies only to a ‘change in *state statute* which results in any taxpayer paying a higher tax.’ (Italics added [in original opinion].) It does not apply to an agency’s decision to modify an administrative rule in response to substantial evidence that such modification is reasonably necessary to faithfully implement an existing statute.” (*WSPA v. BOE*, pp. 423-424.)

#### *California Supreme Court Held that Rule 474 is Procedurally Invalid*

Although the California Supreme Court held that Rule 474 was substantively valid in *WSPA v. BOE*, the Court still concluded that the Board’s adoption of Rule 474 was procedurally invalid under the APA. (*WSPA v. BOE*, pp. 408-409.) The Court held that the Board did not properly assess the economic impact of Rule 474 and that the Board’s initial determination that Rule 474 would not have a significant adverse economic impact on businesses did not substantially comply with the APA (Gov. Code, §§ 11346.2, subd. (b)(5)(A), 11346.3, 11346.5, subd. (a)(8)) because:

- “The Board relied on a 2006 document titled ‘Revenue Estimate’ concerning proposed Rule 474. According to the document, which was prepared by Board staff, WSPA reported that there are 20 major refineries located in California, with five in Los Angeles County and four in Contra Costa County. (Bd. of Equalization, Revenue Estimate, Issue No. 6-001 (June 7, 2006) p. 2.) County data indicated that the total assessment in these two counties was over \$ 14 billion, with about 80 percent of that value enrolled as fixtures. Projecting figures statewide, the Board staff estimated that there was \$ 32 billion of refinery property, of which \$ 25 billion consisted of fixtures and \$ 7 billion in land and nonfixture improvements. To ‘conservatively estimate’ the incremental amount of taxable assessed value resulting from the proposed rule, the Board staff multiplied the \$ 7 billion in land value by a 2 percent appreciation factor to conclude that Rule 474 would yield ‘at least \$ 140 million’ in additional assessed value. (Revenue Estimate, at p. 3.) The Board staff then multiplied \$ 140 million by the 1 percent tax on real property permitted under article XIII A to arrive at \$ 1.4 million as the annual estimated revenue effect of Rule 474, while acknowledging that ‘[t]he actual revenue effect could be considerably higher or lower depending on the number of properties [affected] and the actual amount of offsetting values.’ (Revenue Estimate, at p. 3.) Based on these calculations, the Board concluded that Rule 474 ‘will not have a significant adverse economic impact on businesses.’” (*WSPA v. BOE*, pp. 429-430.);
- The Court concluded that “[e]ven assuming the Board could reasonably project \$ 32 billion as the total value of 20 refineries statewide based on data showing \$ 14 billion as

the total value of nine refineries in two counties, the Board's analysis offers no explanation why multiplying \$ 7 billion in land value by a 2 percent appreciation factor is, empirically or conceptually, a valid or reasonable way to estimate the amount of fixture depreciation that would be offset by appraising land and fixtures as a single unit." (*WSPA v. BOE*, p. 430.); and

- "[T]he Board's calculation failed to consider prior land appreciation and the full tax impact that would occur if land were valued at actual market value rather than adjusted base year value." (*Ibid.*)

#### Repeal and Proposed Re-Adoption of Rule 474

During the Board's September 10, 2013, meeting, the Board considered a Chief Counsel Memorandum dated August 28, 2013. In the Chief Counsel Memorandum, Board staff explained that the Board adopted Rule 474 on September 27, 2006, to clarify that, consistent with California Constitution article XIII, section 1, article XIII A (which contains Proposition 13 as amended by Proposition 8), RTC section 51, and Rules 461, *Real Property Value Changes*, and 324, *Decision*, refinery property consisting of land, improvements, and fixtures is rebuttably presumed to be a single appraisal unit in determining Proposition 8 declines in value below the Proposition 13 adjusted base year value for property tax valuation purposes. In the Chief Counsel Memorandum, Board staff also explained that the California Supreme Court held that Rule 474 was substantively valid in *WSPA v. BOE*. However, nevertheless, the Court also invalidated Rule 474 on procedural grounds, finding that the Board failed to provide an adequate assessment of the rule's economic impact during the rulemaking process as required by the APA. In particular, the Supreme Court held that Rule 474 is procedurally deficient because the Board did not make a reasoned estimate of all the cost impacts of the rule on affected parties. Therefore, in the memorandum, Board staff requested the Board's authorization to repeal Rule 474 pursuant to California Code of Regulations, title 1, section 100 (Rule 100). Board staff also requested the Board's authorization to initiate the rulemaking process to re-adopt Rule 474 following the APA's regular notice and public hearing process after Board staff reassessed the economic impact of Rule 474 on affected businesses in accordance with the APA and *WSPA v. BOE*.

The Board also received a letter dated August 20, 2013, from Sharon Moller, the Chief Deputy Assessor for the Los Angeles County Assessor's Office, which was attached to the August 28, 2013, Chief Counsel Memorandum. In the letter, Ms. Moller explained that the California Supreme Court's opinion in *WSPA v. BOE*, which upheld the substantive validity of Rule 474, but still invalidated the rule on procedural grounds, created an issue (or problem within the meaning of Gov. Code, § 11346.2, subd. (b)(1)) for county assessors in counties with petroleum refinery property as to:

- Whether petroleum refinery land, improvements, and fixtures constitute a single appraisal unit for determining declines in value, under RTC section 51 and the substantive policy expressed in Rule 474, because petroleum refineries are commonly bought and sold as a unit in the marketplace; or
- Whether petroleum refinery fixtures constitute a separate appraisal unit, as provided in Rule 461, subdivision (e) (hereafter Rule 461(e)).

In the letter, Ms. Moller also requested that the Board initiate the rulemaking process to re-adopt Rule 474 to clarify that petroleum refinery land, improvements, and fixtures are rebuttably presumed to constitute a single appraisal unit for determining declines in value.

In addition, the Board received the following written statement from Robert Cooney, Appraiser Specialist with the Los Angeles County Assessor's Office:

I have been involved with refinery valuations for the last eight years. In that time, I have become something of a specialist in the application of the Sales Comparison Approach to refinery valuations. I have spoken or am scheduled to speak to groups such as the SAA, IAAO, and the most recent WSPA Conference on refinery and oil valuation. I have interacted with staff from the other two counties with large refinery properties, as well as every owner of a large refinery in California and their representatives.

We at the County of Los Angeles are strongly in favor of the repeal and re-initiation of the Rule 474 rulemaking process.

The purpose of Rule 474 is, from our point of view, to codify a practice already employed at the County of Los Angeles. In my time at the County, we have always viewed these properties as the market does, with land, improvement, and fixture operating as a unit. This is not a novel practice, though it is a contraversion of the typical rebuttable presumption that land and improvement are bought and sold and therefore valuable separately from fixtures. Passage of this rule allows us to continue to operate in harmony with market realities for refinery properties without having to overcome the rebuttable presumption each time these matters appear before an Assessment Appeals Board.

It has been stated that there are exceptions to the norm that refinery assets operate and are sold as a unit. The assumption is that, in the case of such an exception, the use of this rule will create an unfair burden on the Taxpayer. The reality is that when we have evidence that a refinery has ceased to operate, and the land and improvements would not sell in the market with the fixtures, we have applied the normal valuation supposition that the fixtures are a separate appraisal unit and valued them as such. Rule 474 would not force us to value them as one unit when they would not sell that way.

It is true that the implementation of any new rule should proceed with prudence, but this rule was not created capriciously. The substance of this rule has been in discussion and debate for the last several years. The matter has been heard in the judicial system all the way to the Supreme Court of the State of California. They indicated that the rule as already prepared was substantially valid and consistent with applicable constitutional and statutory provisions. The only impediment to the validity of this rule as it was then proposed was the necessity to adequately

estimate all cost impacts on affected parties to meet the requirements for an Economic Impact Statement. It is a disservice to that opinion, to the effort so far expended, and to the people of the State of California not to take this rule over this final hurdle. We would beg the board to simply follow the advice so kindly proffered by the State Supreme Court and reintroduce the rule with a sufficient Economic Impact Statement to allow its passage.

Therefore, at the conclusion of the Board's discussion of the Chief Counsel Memorandum dated August 28, 2013, during its meeting on September 10, 2013, the Board Members unanimously voted to authorize staff to repeal Rule 474 pursuant to Rule 100, and initiate the rulemaking process to re-adopt Rule 474 after Board staff reassessed the economic impact of Rule 474 in accordance with the APA and *WSPA v. BOE*. The Board determined that it is reasonably necessary to re-adopt Rule 474 for the specific purpose of addressing the issue (or problem) identified in Ms. Moller's August 20, 2013, letter by clarifying that petroleum refinery land, improvements, and fixtures are rebuttably presumed to constitute a single appraisal unit for determining declines in value because petroleum refineries are commonly bought and sold as a unit in the marketplace. The Board anticipates that the re-adoption of Rule 474 will clarify the treatment of petroleum refinery property for purposes of measuring declines in value, and thereby benefit county assessors and the owners of petroleum refineries by promoting fairness and uniformity in the assessment of petroleum refinery property throughout the state.

The Board subsequently repealed Rule 474 pursuant to Rule 100, effective October 30, 2013. However, regardless of the repeal of Rule 474, county assessors are still authorized to determine that refinery property (land, improvements, and fixtures) constitutes a single appraisal unit for measuring declines in value when persons in the marketplace commonly buy and sell refinery property as a unit, in accordance with RTC section 51(d) as interpreted by the California Supreme Court in *WSPA v. BOE* (discussed in detail above).

The proposed re-adoption of Rule 474 is not mandated by federal law or regulations. There is no previously adopted or amended federal regulation that is identical to Rule 474.

#### DOCUMENTS RELIED UPON

The Board relied on the California Supreme Court's opinion in *WSPA v. BOE*, that Rule 474's market-based approach to determining the proper appraisal unit for petroleum refinery property is consistent with RTC section 51(d) and articles XIII and XIII A of the California Constitution because it ensures that reductions in property values are measured according to fair market value, in deciding to propose to re-adopt Rule 474. The Board relied on the Chief Counsel Memorandum dated August 28, 2013 (referred to above), Ms. Moller's August 20, 2013, letter, which was attached to the Chief Counsel Memorandum, the written statement from Robert Cooney (referred to above), and the comments made during the Board's discussion of the Chief Counsel Memorandum during its September 10, 2013, Board meeting in deciding to propose to re-adopt Rule 474. The Board also relied upon the documents (referred to above) and the information in attachments A through F to this initial statement of reasons (identified below) in assessing the economic impact of the re-adoption of Rule 474 and determining that the re-adoption of Rule 474 will not have a significant adverse economic impact on business.

## ALTERNATIVES CONSIDERED

The Board considered whether to begin the formal rulemaking process to re-adopt Rule 474 at this time or, alternatively, whether to take no action at this time. The Board decided to begin the formal rulemaking process to re-adopt Rule 474 at this time because the Board determined that the re-adoption of Rule 474 is reasonably necessary for the reasons set forth above.

The Board did not reject any reasonable alternative to Rule 474 that would lessen any adverse impact the proposed action may have on small business or that would be less burdensome and equally effective in achieving the purposes of the proposed regulation in a manner that ensures full compliance with the laws being implemented and made specific by the proposed regulation. No reasonable alternative has been identified and brought to the Board's attention that would lessen any adverse impact the proposed action may have on small business, be more effective in carrying out the purposes for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law than the proposed action.

### INFORMATION REQUIRED BY GOVERNMENT CODE SECTION 11346.2, SUBDIVISION (b)(5) AND ECONOMIC IMPACT ASSESSMENT REQUIRED BY GOVERNMENT CODE SECTION 11346.3, SUBDIVISION (b)

#### *Background Information Regarding the Petroleum Refining Industry*

Prior to beginning the formal rulemaking process, Board staff reviewed relevant background information regarding the California petroleum refining industry. First, staff reviewed information available in the "Energy Almanac" published by the California Energy Commission, which provides both a quick overview and in-depth statistics regarding California's energy industries.<sup>1</sup> The Energy Almanac explains that "California's [petroleum] refineries are located in the San Francisco Bay area, Los Angeles area and the Central Valley." The Energy Almanac provides the following current table showing that there were 20 total refineries in California as of October 2012:

#### California Oil Refinery Locations and Capacities

Classification of refiners based on crude oil capacity (barrels per day)  
Information as of October 2012

Refinery Name	Barrels Per Day	CARB Diesel	CARB Gasoline
BP West Coast Products LLC, Carson Refinery	240,000	Yes	Yes
Chevron U.S.A. Inc., El Segundo Refinery	276,000	Yes	Yes

<sup>1</sup> Attachment A contains the Energy Almanac information regarding California's petroleum refineries quoted directly below.

Chevron U.S.A. Inc., Richmond Refinery	245,271	Yes	Yes
Tesoro Refining & Marketing Company, Golden Eagle Martinez/Avon Refinery	166,000	Yes	Yes
Shell Oil Products US, Martinez Refinery	156,400	Yes	Yes
ExxonMobil Refining & Supply Company, Torrance Refinery	149,500	Yes	Yes
Valero Benicia Refinery	132,000	Yes	Yes
ConocoPhillips, Wilmington Refinery	139,000	Yes	Yes
Tesoro Refining & Marketing Company, Wilmington Refinery	103,800	Yes	Yes
Valero Wilmington Refinery	78,000	Yes	Yes
ConocoPhillips, Rodeo San Francisco Refinery	78,400	Yes	Yes
ALON USA, Bakersfield Refinery	66,000	Yes	Yes
Paramount Petroleum Corporation, Paramount Refinery	50,000	No	Yes
ConocoPhillips, Santa Maria Refinery	41,800	No	No
Edgington Oil Company, Long Beach Refinery	26,000	No	No
Kern Oil & Refining Company, Bakersfield Refinery	26,000	Yes	Yes
San Joaquin Refining Company Inc., Bakersfield Refinery	15,000	Yes	No
Greka Energy, Santa Maria Refinery	9,500	No	No
Lunday Thagard, South Gate Refinery	8,500	No	No
Valero Wilmington Asphalt Refinery	6,300	No	No
Note: Data on this table represents total crude oil capacity not gasoline, distillate production, diesel fuel production or production of other products. Production potential varies depending on time of year and status of the refinery. A rule of thumb is that roughly 50 percent of total capacity is gasoline production (about 1.0 million barrels of gasoline - 42 million gallons - is produced per day).			
Source: California Energy Commission Fuels Office Staff.			

The Energy Almanac also provides the history of California's petroleum refineries.<sup>2</sup> As relevant here, the history, which is current through October 2012, indicates that existing refineries are periodically bought and sold as a unit (land, improvements, and fixtures) and that none of the 20 refineries listed above has changed ownership since June 2010, when Alon USA Energy, Inc., acquired its Bakersfield refinery. For example, the history shows that Chevron's El Segundo refinery, which has the greatest capacity of any of the 20 refineries, was owned by Standard Oil

<sup>2</sup> Attachment B contains the history of California's petroleum refineries from the Energy Almanac.

Company from 1912-1926, Standard Oil Company of California from 1926-1977, Chevron USA Inc. from 1977-2001, Chevron Texaco Corporation from 2001-2005, and Chevron Corporation from 2005 to the present.

Second, Board staff reviewed information regarding the United States' petroleum refineries available from the United States Energy Commission (U.S.E.C.). The U.S.E.C.'s information for the entire United States indicates that the country had 142 operable petroleum refineries as of January 1, 2014, and that the newest United States refinery began operating in Douglas, Wyoming, in 2008.<sup>3</sup> The California specific information from the United States Energy Commission indicates that:

- California's newest refinery was built in 1979 and began operating in Wilmington, California in 1980;
- California has had between 18 and 20 operable petroleum refineries from 2008 to 2014; and
- At least one of California's operable petroleum refineries has been idle, but not shutdown, at some point during each year from 2008 to 2014.<sup>4</sup>

Third, Board staff reviewed the current state of the United States' market for operating petroleum refineries. Staff found that while there are individual pieces of refinery equipment available for sale, there are still significant sales of entire petroleum refineries occurring. The most recent sale in California is the June 2013 sale of BP's Carson, California refinery and related logistics and marketing assets in the region to Tesoro Corporation for approximately \$2.4 billion.<sup>5</sup> Therefore, Board staff concluded that persons in the marketplace still commonly buy and sell operable California petroleum refineries as a unit, just as they did when the Board first adopted Rule 474.

#### *Economic Impact of the Re-Adoption of Rule 474*

Prior to beginning the formal rulemaking process, Board staff also determined how the re-adoption of Rule 474 might change (or effect) the current assessment of petroleum refining property and thereby have an economic impact on county assessors and the California petroleum refining industry. Board staff determined that, in the absence of Rule 474, county assessors are currently authorized by RTC section 51(d), as interpreted by the California Supreme Court in *WSPA v. BOE*, to determine that petroleum refinery property (land, improvements, and fixtures) constitutes a single appraisal unit for measuring declines in value when persons in the marketplace commonly buy and sell refinery property as a unit. Therefore, Board staff determined that, as a result, county assessors are currently required to monitor the market for petroleum refinery property. However, in the absence of substantial changes in the California petroleum refinery market (discussed above), it is also currently reasonable for a county assessor to generally value petroleum refinery property as a single appraisal unit, for purposes of measuring declines in value, and rely on each petroleum refinery owner to produce evidence,

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<sup>3</sup> Attachment C contains the information regarding United States' petroleum refineries from the U.S.E.C.

<sup>4</sup> Attachment D contains the information regarding California's petroleum refineries from the U.S.E.C.

<sup>5</sup> Attachment E contains BP's June 3, 2013, press release regarding the sale of the Carson, California, refinery to Tesoro Corporation.

when available, to establish that some or all of its refinery's fixtures should be valued as a separate appraisal unit because those fixtures are not commonly bought and sold as a unit with the refinery's land and improvements.

Board staff determined that the re-adoption of Rule 474 does not materially change the treatment of petroleum refinery property under RTC section 51(d) as interpreted by the California Supreme Court in *WSPA v. BOE*. Instead, the re-adoption of Rule 474 has the effect of clarifying that, based upon the California petroleum refinery market (discussed above):

- “The land, improvements, and fixtures and other machinery and equipment classified as improvements for a petroleum refining property are rebuttably presumed to constitute a single appraisal unit” for purposes of determining declines in value because doing so is generally consistent with RTC section 51(d) as interpreted by the California Supreme Court in *WSPA v. BOE*; and
- Rule 461(e)'s provisions providing that “fixtures and other machinery and equipment classified as improvements constitute a separate appraisal unit” for purposes of determining declines in value do not apply to petroleum refinery property, unless there is evidence that treating specific fixtures as a separate appraisal unit would be consistent with RTC section 51(d) as interpreted by the California Supreme Court in *WSPA v. BOE*.

In addition, Board staff determined that, after the re-adoption of Rule 474, a county assessor would still need to continue to monitor the market for petroleum refinery property because Rule 474 does not supersede RTC section 51(d) and because the presumption in Rule 474 is rebuttable. Staff determined that, after the re-adoption of Rule 474 and in the absence of substantial changes in the California petroleum refinery market, county assessors could continue to generally value petroleum refinery property (land, improvements, and fixtures) as a single appraisal unit. Board staff also determined that, after the re-adoption of Rule 474 and in the absence of substantial changes in the California petroleum refinery market, county assessors could continue to rely on each petroleum refinery owner to produce evidence to establish that some or all of its refinery's “fixtures” should be valued as a separate appraisal unit because those fixtures are not commonly bought and sold as a unit with the refinery's land and improvements, when available. Therefore, Board staff concluded that the re-adoption of Rule 474 is fully consistent with the existing mandates of RTC section 51(d), and that there is nothing in the proposed re-adoption of Rule 474 that would significantly change how individuals and businesses, including county assessors and petroleum refinery owners, would generally behave due to the current provisions of RTC section 51(d) as interpreted by the California Supreme Court in *WSPA v. BOE*.

As a result, the Board has determined that the re-adoption of Rule 474 does not impose any costs on any persons, including businesses, in addition to whatever costs are imposed by RTC section 51(d) as interpreted by the California Supreme Court in *WSPA v. BOE*, and there is nothing in Rule 474 that would impact revenue. The Board also estimates that the proposed re-adoption of Rule 474 will not have a measurable economic impact on individuals and business, including county assessors and petroleum refinery owners, that is in addition to whatever economic impact the enactment of RTC section 51(d), as interpreted by the California Supreme Court in *WSPA v. BOE*, has and will have on individuals and businesses. And, the Board has determined that the

proposed re-adoption of Rule 474 is not a major regulation, as defined in Government Code section 11342.548 and California Code of Regulations, title 1, section 2000, because the Board has estimated that the proposed amendments will not have an economic impact on California business enterprises and individuals in an amount exceeding fifty million dollars (\$50,000,000) during any 12-month period. Therefore, based on these facts and all of the information in the rulemaking file, the Board has determined that the proposed re-adoption of Rule 474 will neither create nor eliminate jobs in the State of California nor result in the elimination of existing businesses nor create or expand business in the State of California.

Finally, Rule 474 does not regulate the health and welfare of California residents, worker safety, or the state's environment. Therefore, the Board has also determined that the re-adoption of Rule 474 will not affect the benefits of Rule 474 to the health and welfare of California residents, worker safety, or the state's environment.

The forgoing information also provides the factual basis for the Board's initial determination that the re-adoption of Rule 474 will not have a significant adverse economic impact on business.

The proposed re-adoption of Rule 474 may affect small businesses.

#### *Tax Effect of Treating Petroleum Refinery Property as One Appraisal Unit*

Although the Board has determined that there is no economic impact associated with the re-adoption of Rule 474 due to the mandates of RTC section 51(d), the Board is aware that fixture depreciation can be offset by appreciation in land and improvements when petroleum refinery property (land, improvements, and fixtures) is valued as a single appraisal unit, as the California Supreme Court indicated in *WSPA v. BOE*. Therefore, the Board recognizes that there is sometimes an increase in the total assessed value of petroleum refinery property when fixtures are valued as part of the same appraisal unit with land and improvements under RTC section 51(d) and Rule 474, instead of valued as a separate appraisal unit under Rule 461(e). The Board also recognizes that property taxes increase by one percent of each increase in assessed value.

As a result, Board staff determined that it needed to obtain the available data regarding the market values and adjusted base year values for petroleum refinery land, improvements, and fixtures so that Board staff could accurately compare the total assessed value of a petroleum refinery when its fixtures are valued as a separate appraisal unit under Rule 461(e) and valued as part of the same appraisal unit with land and improvements under Rule 474. Therefore, Board staff contacted the California Assessors' Association and requested that the county assessors provide Board staff with the available data for 2009 through 2013 without identifying specific petroleum refineries. In response, the California Assessors' Association provided all of the data for nine petroleum refineries for 2009-2013, and all the data for one additional petroleum refinery for 2009-2012, including many of California's largest refineries.

Board staff subsequently reviewed the available data for the 10 refineries.<sup>6</sup> Board staff determined that valuing petroleum refinery fixtures as part of the same appraisal unit with land

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<sup>6</sup> Attachment F contains Board staff's economic impact assessment of the available data.

and improvements under RTC section 51(d) and Rule 474, instead of valuing fixtures as a separate appraisal unit under Rule 461(e), only results in a higher total assessed value:

1. When the current market value of the fixtures is less than the adjusted base year value of the fixtures; and
2. Either:
  - A. The combined current market value of land and improvements is more than the combined current adjusted base year value of the land and improvements; or
  - B. The combined current market value of land, improvements, and fixtures is more than the combined current adjusted base year value of the land, improvements, and fixtures.

Otherwise, valuing petroleum refinery fixtures as part of the same appraisal unit with land and improvements under RTC section 51(d) and Rule 474, instead of valuing fixtures as a separate appraisal unit under Rule 461(e), does not result in an increase in assessed value.<sup>7</sup>

In addition, Board staff determined what the assessed values would be for 2009 through 2013, under RTC section 51(d) and Rule 474, and under Rule 461(e), for each of the 10 California petroleum refineries for which data is available.<sup>8</sup> However, the data did not indicate that valuing petroleum refinery fixtures as part of the same appraisal unit with land and improvements under RTC section 51(d) and Rule 474, instead of valuing fixtures as a separate appraisal unit under Rule 461(e), has a consistent tax effect in any given year or from year-to-year. Instead, staff determined that the owners of one of the 10 refineries would not pay higher property taxes under RTC section 51(d) and Rule 474, than under Rule 461, in any of the five years.<sup>9</sup> Staff also determined that the owners of nine of the 10 refineries would pay higher property taxes under RTC section 51(d) and Rule 474, than under Rule 461, in at least two of the five years. Specifically, staff determined that:

- The owners of two of the 10 refineries would pay higher property taxes under RTC section 51(d) and Rule 474, than under Rule 461, in two of the five years;
- The owners of two of the 10 refineries would pay higher property taxes under RTC section 51(d) and Rule 474, than under Rule 461, in three of the five years;
- The owners of three of the 10 refineries would pay higher property taxes under RTC section 51(d) and Rule 474, than under Rule 461, in four of the five years; and
- The owners of two of the 10 refineries would pay higher property taxes under RTC section 51(d) and Rule 474, than under Rule 461, in all five years.<sup>10</sup>

In addition, Board staff determined that the owners of 9 of the 10 refineries would collectively pay the following additional property taxes for 2009 through 2013 if their refineries were valued under RTC section 51(d) and Rule 474, rather than under Rule 461, and determined that the

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<sup>7</sup> See Attachment F, pages 1 through 8.

<sup>8</sup> See Attachment F, pages 7 and 8.

<sup>9</sup> See Attachment F, pages 7 and 9.

<sup>10</sup> See Attachment F, pages 7 through 10.

additional taxes represented the following percentage increases in their collective property taxes for each year:

2009:	\$4,633,805	2.78%
2010:	\$5,221,876	3.79%
2011:	\$5,159,918	3.46%
2012:	\$4,045,140	2.52%
2013:	\$2,816,552	2.40% <sup>11</sup>

Finally, as noted above, Board staff concluded that the tax effect of valuing petroleum refinery fixtures as part of the same appraisal unit with land and improvements under RTC section 51(d) and Rule 474, instead of valuing fixtures as a separate appraisal unit under Rule 461(e), depends entirely upon:

- Whether and to what extent the current market value of a particular petroleum refinery's fixtures is less than the adjusted base year value of the fixtures; and
- Whether and to what extent the: (A) the combined current market value of the same petroleum refinery's land and improvements is more than the combined current adjusted base year value of the land and improvements; or (B) the combined current market value of the same petroleum refinery's land, improvements, and fixtures is more than the combined current adjusted base year value of the land, improvements, and fixtures.

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<sup>11</sup> See Attachment F, page 11.



# Energy ALMANAC

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ENERGY COMMISSION

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## California's Oil Refineries

California's refineries are located in the San Francisco Bay area, Los Angeles area and the Central Valley. Each day approximately two million barrels (a barrel is equal to 42 U.S. gallons) of petroleum are processed into a variety of products, with gasoline representing about half of the total product volume. (A list of refineries, their location and capacity is shown in the table below.)

Refineries can be classified as topping, hydroskimming or complex. Topping refineries are the least sophisticated and contain only the atmospheric distillation tower and possibly a vacuum distillation tower. The topping refiner's ability to produce finished products depends on the quality of the petroleum being processed. A hydroskimming refinery has reforming and desulfurization process units in addition to basic topping units. This allows the refiner to increase the octane levels of motor gasoline and reduce the sulfur content of diesel fuel. Complex refineries are the most sophisticated refinery type and have additional process units to "crack" the heavy gas oils and distillate oils into lighter, more valuable products.

Using a variety of processes including distillation, reforming, hydrocracking, catalytic cracking, coking, alkylation and blending, the refinery produces many different products. The four basic groups are motor gasolines, aviation fuel, distillate fuel and residual fuel. On a statewide average, about 12 percent of the product from California's refineries is aviation fuel, 13 percent is distillate fuel and 9 percent is residual fuel.

Complex refineries have the highest utilization rate at approximately 95 percent. Utilization rate is the ratio of barrels input to the refinery to the operating capacity of the refinery. Complex refineries are able to produce a greater proportion of light products, such as gasoline, and operate near capacity because of California's large demand for gasoline. Permitting Issues. It is unlikely that new refineries will be built in California. In fact, from 1985 to 1995, 10 California refineries closed, resulting in a 20 percent reduction in refining capacity. Further refinery closures are expected for small refineries with capacities of less than 50,000 barrels per day. The cost of complying with environmental regulations and low product prices will continue to make it difficult to continue operating older, less efficient refineries.

To comply with federal and state regulations, California refiners invested approximately \$5.8 billion to upgrade their facilities to produce cleaner fuels, including reformulated gasoline and low-sulfur diesel fuel. These upgrades received permits since low-sulfur diesel fuel regulations went into effect in 1993. Requirements to produce federal reformulated gasoline took effect at the beginning of 1995, and more stringent state requirements for CARB reformulated gasoline went into effect statewide on April 1, 1996. That requirement was removed by Governor Gray Davis when it was found that the oxygenate, methyl tertiary butyl-ether or MTBE, was leaking from some underground storage tanks and polluting water supplies. MTBE was phased out and removed as of December 31, 2003, and replaced by ethanol.

For information about oil production and imports to refineries, please see our [main oil page](#).

### Refineries Outside of California That Can Produce California Gasoline

Domestic sources include refineries located in Washington State and the US Gulf Coast. Foreign sources include Eastern Canada, Finland, Germany, US Virgin Islands, Middle East, and Asia.

## California Oil Refinery Locations and Capacities

Classification of refiners based on crude oil capacity (barrels per day)

Information as of October 2012

Refinery Name	Barrels Per Day	CARB Diesel	CARB Gasoline
BP West Coast Products LLC, Carson Refinery	240,000	Yes	Yes
Chevron U.S.A. Inc., El Segundo Refinery	276,000	Yes	Yes
Chevron U.S.A. Inc., Richmond Refinery	245,271	Yes	Yes
Tesoro Refining & Marketing Company, Golden Eagle Martinez/Avon Refinery	166,000	Yes	Yes
Shell Oil Products US, Martinez Refinery	156,400	Yes	Yes
ExxonMobil Refining & Supply Company, Torrance Refinery	149,500	Yes	Yes
Valero Benicia Refinery	132,000	Yes	Yes
ConocoPhillips, Wilmington Refinery	139,000	Yes	Yes
Tesoro Refining & Marketing Company, Wilmington Refinery	103,800	Yes	Yes
Valero Wilmington Refinery	78,000	Yes	Yes
ConocoPhillips, Rodeo San Francisco Refinery	78,400	Yes	Yes
ALON USA, Bakersfield Refinery	66,000	Yes	Yes
Paramount Petroleum Corporation, Paramount Refinery	50,000	No	Yes
ConocoPhillips, Santa Maria Refinery	41,800	No	No
Edgington Oil Company, Long Beach Refinery	26,000	No	No
Kern Oil & Refining Company, Bakersfield Refinery	26,000	Yes	Yes
San Joaquin Refining Company Inc., Bakersfield Refinery	15,000	Yes	No
Greka Energy, Santa Maria Refinery	9,500	No	No
Lunday Thagard, South Gate Refinery	8,500	No	No
Valero Wilmington Asphalt Refinery	6,300	No	No
Note: Data on this table represents total crude oil capacity not gasoline, distillate production, diesel fuel production or production of other products. Production potential varies depending on time of year and status of the refinery. A rule of thumb is that <u>roughly</u> 50 percent of total capacity is gasoline production (about 1.0 million barrels of gasoline - 42 million gallons - is produced per day).			
Source: California Energy Commission Fuels Office Staff.			

## Terminal Facilities

California's nearly 100 terminals receive petroleum and petroleum products by tanker, barge, pipeline, rail or truck. Most of California's terminals are marine terminals. At these facilities petroleum or product is transferred from or to tankers or barges. Tankers loaded with Alaska North Slope petroleum, for example, enter marine terminals in northern and southern California, where the crude oil is then sent to refineries by pipeline for processing. An example of pipeline receipts of petroleum at a terminal is heavy California petroleum produced in the Bakersfield area that is sent by pipeline to a refinery at Martinez.

Terminals also serve as refiner's wholesale distribution points for products. Product, such as gasoline, is sold to distributors (jobbers) who then sell to consumers through the distributors' own retail stations. The distributor may also resell the gasoline to other station dealers. Gasoline can also be sold directly to station dealers from the terminal. The marketing structure differs depending on the type of product being sold.

A terminal can be linked with several refineries and storage facilities and be supplied by privately-owned pipelines or a common carrier line. Total capacity at a terminal can range from a few thousand barrels to a few million barrels. The most apparent equipment at a terminal are the tanks used for storage and separation of different product grades. The number of tanks can range from a few to more than 70. Other equipment found includes piping, pumps, valves, and meters needed for bulk receipts and for loading racks used for small deliveries to trucks. Marine terminals have vessel length and water depth limits that dictate the size of tankers that can off-load at the facility.

**Permitting Issues.** Some of the environmental and safety issues associated with permitting petroleum and petroleum product terminals include:

- Changes in visual quality
- Disturbances to vegetation and wildlife
- Emissions from floating roof tanks
- Potential water and soil contamination from earthquake-damaged tanks
- Increased tanker traffic and potential for spills at marine facilities

## References

1. **U.S. Petroleum Refining, Meeting Requirements for Cleaner Fuels and Refineries**, Volume I, National Petroleum Council, August, 1993. This document is a comprehensive assessment of how environmental regulations impact the petroleum refining industry and U.S. consumers.
2. **Fuels Report**, California Energy Commission, December, 1995, Publication No. P300-95-017. The Fuels Report describes emerging trends and long range forecasts of the demand, supply and price of petroleum, petroleum products, natural gas, coal and synthetic and other fuels. It is the state's principal fuels policy document.
3. Petroleum Industry Information Reporting Act submittals from the petroleum industry to the California Energy Commission.
4. **Quarterly Oil Report**, Fourth Quarter 1993, April 1994, California Energy Commission, Publication No. P300-94-003. This report describes petroleum fuels market trends, price trends, refinery activity, oil production trends and petroleum company financial performance. It contains aggregated petroleum statistics for California based on industry submittals to the Commission including refinery utilization rates.
5. **1994 Annual Report**, Western States Petroleum Association.

## Sources:

Refinery list - California Energy Commission staff, updated regularly.

Background information and discussion - *Energy Aware Planning Guide II: Energy Facilities*, California Energy Commission, Publication No. 700-96-006, December 1996, Appendices B-24 and B-25.in



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## California Oil Refinery History

Information current as of August 2012.

Note: Information for some refineries about start-up date and ownership prior to 1981 is not available.

Refineries highlighted in yellow are currently operational. Light blue indicates re-refiner.

This chart is also available to [download as an Excel spreadsheet](#). Current as of December 2012. (36 kb).

California Refinery Facilities	Began Operations	Ownership Information	Current Crude Capacity (Barrels/Day) <sup>1</sup>
Anchor Refining, McKittrick Refinery <b>(Closed)</b>	Prior to 1981	Anchor Refining: 1981-1984	
Alon USA Energy, Inc., Bakersfield Refinery	1932	Mohawk Petroleum Corp: 1932-1975 Reserve Oil & Gas Co: 1975-1980 Getty Oil Co: 1980-1984 Texaco, Inc: 1984-2000 Equilon: 2000-2001 Shell Oil Co: 2001-2005 Big West of Calif. (Flying J): 2005-June 2010 Alon USA Energy Inc: June 2010-Present	66,000
BP West Coast Products, Carson Refinery	1938	Richfield Oil Corp: 1938-1966 Atlantic Richfield Company (ARCO): 1966-2000 BP West Coast Products: 2000-Present	240,000
Chemoil Refining Corporation, Signal Hill Refinery <b>(Closed)</b>	Prior to 1981	MacMillan Ring-Free Oil Co: 1981-1988 Chemoil Refining Co: 1988-1994	
Chevron, Bakersfield Refinery <b>(Closed)</b>	1913	Standard Oil Co: 1913-1926 Standard Oil Company of California (Socal): 1926-1977 Chevron USA Inc: 1977-1986	
Chevron, El Segundo Refinery	1912	Standard Oil Co: 1912-1926 Standard Oil Company of California (Socal): 1926-1977 Chevron USA Inc: 1977-2001 ChevronTexaco Corp: 2001-2005 Chevron Corp: 2005-Present	276,000
Chevron, Richmond Refinery	1902	Pacific Coast Oil: 1902-1906 Standard Oil Co: 1906-1926 Standard Oil Company of California (Socal): 1926-1977 Chevron USA Inc: 1977-2001 ChevronTexaco Corp: 2001-2005 Chevron Corp: 2005-Present	245,271
Conoco (formerly Fletcher), Paramount Refinery <b>(Closed)</b>	Prior to 1981	Conoco: 1981-1983	46,500

ConocoPhillips, Rodeo Refinery	1896	Union Oil Co of Calif: 1896-1983 Unocal: 1983-1997 Tosco Corp: 1997-2001 Phillips: 2001-2002 ConocoPhillips: 2002-Present	78,400
ConocoPhillips, Santa Maria Refinery	1955	Union Oil Co of Calif: 1955-1983 Unocal: 1983-1997 Tosco Corp: 1997-2001 Phillips: 2001-2002 ConocoPhillips: 2002-Present	41,800
ConocoPhillips, Wilmington Refinery	1917	Union Oil Co of Calif: 1917-1983 Unocal: 1983-1997 Tosco Corp: 1997-2001 Phillips: 2001-2002 ConocoPhillips: 2002-Present	139,000
DeMenno/Kerdoon, Compton Refinery <b>(Reprocesses Waste Oil as Oil Re-Refiner)</b>	Prior to 1981	DeMenno/Kerdoon: 1981-1984	
ECO Petroleum, Signal Hill Refinery <b>(Closed)</b>	Prior to 1981	ECO Petroleum: 1981-1984	11,000
Edgington Oil Company/Alon USA Energy Inc, Long Beach Refinery	1932	Apex Oil Co: 1932-1941 Edgington Oil Co: 1941-2006 Alon USA Energy Inc: 2006-Present	26,000
ExxonMobil, Torrance Refinery	1907	Vacuum Oil Co: 1907-1929 General Petroleum Corporation of Calif: 1929-1931 Socony-Vacuum Corp: 1931-1934 Socony-Vacuum Oil Company, Inc: 1934-1955 Socony Mobil Oil Co: 1955-1966 Mobil Oil Corp: 1966-2000 ExxonMobil: 2000-Present	149,500
Fletcher Oil & Refining, Wilmington Refinery <b>(Closed)</b>	Prior to 1981	Fletcher Oil & Refining: 1981-1991	
Gibson Oil & Refining, Bakersfield Refinery <b>(Closed)</b>	Prior to 1981	Gibson Oil & Refining: 1981-1986	
Golden Bear, Oildale Refinery <b>(Closed)</b>	Prior to 1981	Witco Chemical Corp: 1981-1997 Golden Bear: 1997-2001	
Golden Eagle Refining, Carson Refinery <b>(Closed)</b>	1947	Sunset Oil: 1947 - 1958 Golden Eagle Refining: 1958-1984	
Golden Eagle Refining, Hanford Refinery <b>(Closed)</b>	Prior to 1981	Golden Eagle Refining: 1981-1985	
Golden West Refining Company, Santa Fe Springs Refinery <b>(Refinery Closed in 1992, Continued Operating as a Terminal Until 1997)</b>	1936	Wilshire Oil Co: 1936-1960 Gulf Oil Corp USA: 1960-1983 Golden West Refining Co: 1983-1997	
Greka Energy, Santa Maria Asphalt Refinery	1935	Conoco: 1981-1992 Saba Petroleum Co: 1995-1999 Greka Energy: 1999-Present	9,500
Independent Valley Energy Company (IVEC), Bakersfield Refinery (Became Part of Big West Refinery))	? 1982	Independent Valley Energy Co: 1982-1987	
Kern Oil & Refining Company, Bakersfield Refinery	1934	El Tejon Oil & Refinign Co: 1934-1943 Kreiger Oil Co: 1943-1945 Douglas Oil Co: 1945-1962 Continental Oil: 1962-1966 Edgington Oil/Signal Oil & Gas: 1966-1971 Kern County Refinery Inc. (Charter Oil Co.): 1971-1976 Kern County Refinery Inc. (Privately Held): 1976-1982	26,000

		Kern Oil & Refining Co: 1982-Presentt	
Lunday Thagard Oil Company, South Gate Refinery	Prior to 1981	Lunday Thagard Oil Co: 1981-Present	8,500
Marlex Oil & Refining Company, Long Beach Refinery (Closed)	Prior to 1981	Marlex Oil & Refining Co: 1981-1984	19,000
Newhall Refining Company / Pauley Petroleum Inc, Santa Clarita Refinery (Closed)	Prior to 1981	Newhall Refining Co: 1981-1989	
Pacific Refining, Hercules Refinery (Closed) Ceased refinery operations August 1995. Continued limited storage and terminal operations until 1997.	1967	Sequoia Refining Corp: 1967-1968 Gulf Oil Corp USA: 1968-1976 Pacific Refining: 1976-1997	50,000
Paramount Petroleum Corporation, Paramount Refinery	1930s	Ajax Oil Company: 1930s-1937 Kreiger Oil Co: 1937-1940s Douglas Oil Co: 1940s-1961 Continental Oil Company (Conoco): 1961-1982 Pacific Oasis, Inc: 1982-1984 Paramount Petroleum Corp: 1983-2006 Alon USA Energy Inc: 2006-Present	50,000
Powerine Oil Company, Santa Fe Springs Refinery (Closed) Ceased refinery operations early July, 1995. CENCO is offering the refinery equipment for sale, as of April 2007.	1934	Rothchild Oil Co/Powerine Oil Co: 1934-1984 Closed bankruptcy: 1984-1986 Powerine Oil Co: 1986-1993 Castle Energy Corp: 1993-1995 Kenyen Resources: 1995-1996 Energy Merchant Corp: 1996-1998 Creative Energy Company (CENCO): 1998-Present	
San Joaquin Refining Company, Bakersfield Refinery	1969	San Joaquin Refining Co: 1969-Present	15,000
Shell Oil Products US, Carson Refinery (Closed)	1923	Shell Company of Calif: 1923-1939 Shell Oil Company Inc: 1939-1949 Shell Oil Co: 1949-1992	
Shell Oil Products US, Martinez Refinery	1915	Shell Company of Calif: 1915-1939 Shell Oil Company, Inc: 1939-1949 Shell Oil Co: 1949-1998 Equilon Enterprises (joint venture of Shell Oil Co. & Texaco Inc.): 1998-2002 Shell Oil Co: 2002-Present	156,400
Sunland Refining Corporation, Bakersfield Refinery (Closed)	Prior to 1929	Sunland Refining Corp: ?1929-1995	12,000
Tenby Incorporated, Oxnard Refinery (Closed)	Prior to 1981	Tenby Inc: 1981-December 2011	
Tesoro Refining & Marketing Co., Golden Eagle Refinery, Martinez/Avon	1913	Associated Oil Co: 1913-1937 Tidewater Associated Oil Co: 1937-1966 Phillips Petroleum: 1966-1976 Tosco Corp: 1976-2000 Ultramar Diamond Shamrock: 2000-2002 Valero Refining Co: 2002 Tesoro Refining: 2002-Present	166,000
Tesoro Refining & Marketing Co., Wilmington Refinery	1923	California Petroleum Corp. 1923-1928 Texas Company 1928-1959	103,800

		Texaco, Inc. 1959-1998 Equilon Enterprises 1998-2002 Shell Oil Company 2002-2007 Tesoro Corp. 2007-Present	
Tosco, Bakersfield Refinery (Became Part of Big West Refinery)	Prior to 1981	Tosco Corp: 1981-1984	
Ultramar Oil, Hanford Refinery (Closed)	1931	HH Bell Refinery Co. 1931-1932 Caminol Oil Co: 1932-1967 Beacon Oil Co: 1967-1982 Ultramar Oil Co: 1982-1987	
USA Petrochem Corporation, Ventura Refinery (Closed)	Prior to 1981	USA Petrochem Corp: 1981-1984	27,900
Valero, Benicia Asphalt Refinery (Part of Valero Benicia Refinery)	1982	Huntway Refining: 1982-2001 Valero Refining Co: 2001-Present	
Valero, Benicia Refinery	1968	Exxon Co USA: 1968-2000 Valero Refining Co: 2000-Present	132,000
Valero, Wilmington Asphalt Refinery	Prior to 1981	Huntway Refining: 1981-2001 Valero Refining Co: 2001-Present	6,300
Valero, Wilmington Refinery	1969	Champlin Petroleum Co: 1969-1987 Union Pacific Resources Co: 1987-1988 Ultramar Refining: 1988-1997 Ultramar Diamond Shamrock: 1997-2002 Valero Refining Co: 2002-Present	78,000
West Coast Oil Company, Oildale Refinery (Closed)	Prior to 1981	West Coast Oil Co: 1981-1988	

Source: Compiled by California Energy Commission Transportation Energy Office

Notes: 1. Atmospheric crude oil distillation processing capacity as measured in barrels per calendar day - source: Energy Information Agency - Refinery Capacity Report

## Attachment C



U.S. Energy Information  
Administration

## Frequently Asked Questions

### When was the last refinery built in the United States?

There were 142 operable petroleum refineries in the United States as of January 1, 2014.

The "newest" refinery in the United States began operating in 2008 in Douglas, Wyoming with an initial capacity of 3,000 barrels per calendar day (bbl/cd). As of January 1, 2014, the facility has 3,800 bbl/cd of capacity. However, the newest complex refinery with significant downstream unit capacity began operating in 1977 in Garyville, Louisiana. That facility came online in 1977 with an initial atmospheric distillation unit capacity of 200,000 bbl/cd and as of January 1, 2014 had capacity of 522,000 bbl/cd.

Ground was broken in March 2013 for construction of a new refinery in Dickinson, North Dakota. The 20,000 barrel per stream day (bbl/sd) Dakota Prairie facility is scheduled to open in December 2014. Kinder Morgan plans to start up a 50,000 bbl/sd condensate processing facility on the Houston ship channel by the end of 2014.

Capacity has also been added to existing refineries through upgrades or new construction. The most recent examples include

- In 2012, Motiva upgraded its refinery in Port Arthur, Texas, making it the largest refinery in the United States with a capacity of 600,250 bbl/cd.
- In 2009, Marathon upgraded its Garyville, Louisiana refinery. As of January 1, 2014, the capacity (bbl/cd) is more than double its original 1977 capacity.

The newest refineries currently operating in the United States are as follow

Year Built	First Operated	Location	Original Owner	Original Capacity Bbl/cd	Current Owner	2014 Capacity Bbl/cd	Type
2008	2008	Douglas, WY	Interline Resources	3,000	Antelope Refining	3,800	Simple
1998	1998	Atmore, AL	Goodway	4,100	Goodway	4,100	Simple
1993	1993	Valdez, AK	Petro Star	26,300	Petro Star	55,000	Simple
1991	1992	Ely, NV	Petro Source	7,000	Foreland	2,000	Simple
1986	1987	North Pole, AK	Petro Star	6,700	Petro Star	19,700	Simple
1985	1986	Prudhoe Bay, AK	ARCO	12,000	ConocoPhillips	15,000	Simple
1981	1982	Thomas, OK	OK Refining	10,700	Ventura	12,000	Simple
1979	1980	Wilmington, CA	Huntway	5,400	Valero	6,300	Simple
1978	1979	Vicksburg, MS	Ergon	10,000	Ergon	23,000	Simple
1978	1979	North Slope, AK	ARCO	13,000	BP Exp AK	10,500	Simple
1978	1978	North Pole, AK	Earth Resources	22,600	Flint Hills	126,535	Simple
1977	1978	Lake Charles, LA	Calcasieu	6,500	Calcasieu	78,000	Simple

1976	1977	Garyville, LA	Marathon	200,000	Marathon	522,000	Complex
1976	1977	Krotz Springs, LA	Gold King	5,000	Alon	80,000	Complex
1975	1975	Corpus Christi, TX	Saber	15,000	Valero	200,000	Complex

Learn more:

Refinery Capacity Report, Table 1

Last updated: June 25, 2014

### Other FAQs about Diesel

Does EIA have projections for energy production, consumption, and prices for individual states?

Does EIA publish off-road diesel fuel prices?

How do I calculate diesel fuel surcharges?

How many gallons of diesel fuel does one barrel of oil make?

How much biodiesel is produced, imported, exported, and consumed in the United States?

How much carbon dioxide is produced by burning gasoline and diesel fuel?

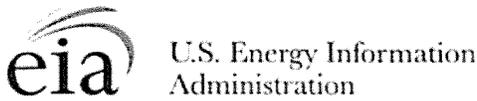
When was the last refinery built in the United States?

Why are the retail pump prices for gasoline and diesel fuel in increments of 0.9 cents?

Why don't fuel prices change as quickly as crude oil prices?

Why has diesel fuel been more expensive than gasoline?

What are the projected diesel fuel prices for 2014 and for 2015?



## PETROLEUM & OTHER LIQUIDS

OVERVIEW **DATA** ANALYSIS & PROJECTIONS

GLOSSARY (FAQS)

### Number and Capacity of Petroleum Refineries

Area: California  Period: Annual (as of January 1)

Show Data By: <input checked="" type="radio"/> Data Series <input type="radio"/> Area	<input type="button" value="Graph"/> <input type="button" value="Clear"/>	2009	2010	2011	2012	2013	2014	View History
<b>Number of Operable Refineries</b>								
Total Number of Operable Refineries		20	20	20	18	18	18	1982-2014
Operating		19	18	18	16	16	17	1982-2014
Idle		1	2	2	2	2	1	1982-2014
<b>Atmospheric Crude Oil Distillation Capacity</b>								
Operable (Barrels per Calendar Day)		2,060,718	2,047,218	1,959,271	1,955,971	1,954,971	1,960,671	1982-2014
Operating		1,994,218	1,859,718	1,874,771	1,865,171	1,625,200	1,876,171	1982-2014
Idle		66,500	187,500	84,500	90,800	329,771	84,500	1982-2014
Operable (Barrels per Stream Day)		2,148,500	2,134,000	2,059,900	2,078,000	2,073,000	2,073,000	1982-2014
Operating		2,078,500	1,939,000	1,969,900	1,981,500	1,725,800	1,983,000	1982-2014
Idle		70,000	195,000	90,000	96,500	347,200	90,000	1982-2014
<b>Downstream Charge Capacity (Barrels per Stream Day)</b>								
Vacuum Distillation		1,273,556	1,273,556	1,250,656	1,227,556	1,231,756	1,230,756	1982-2014
Thermal Cracking		534,000	524,500	506,900	507,700	501,200	501,200	1982-2014
Total Coking		529,000	519,500	501,900	502,700	496,200	496,200	1987-2014
Delayed Coking		477,000	467,500	449,900	450,700	444,200	444,200	1987-2014
Fluid Coking		52,000	52,000	52,000	52,000	52,000	52,000	1987-2014
Visbreaking		5,000	5,000	5,000	5,000	5,000	5,000	1987-2014
Other (Including Gas Oil)		0	0	0	0	0	0	1987-2014
Catalytic Cracking - Fresh Feed		735,600	716,000	716,000	716,300	716,500	716,300	1982-2014
Catalytic Cracking - Recycle Feed		1,000	13,400	13,400	13,400	13,400	13,400	1982-2014
Catalytic Hydro-Cracking		536,500	484,300	474,900	484,500	487,000	487,100	1982-2014
Distillate		209,600	209,600	185,700	191,500	191,400	191,500	2006-2014
Gas Oil		261,900	274,700	289,200	293,000	295,600	295,600	2004-2014
Residual		65,000	0	0	0	0	0	2004-2014
Catalytic Reforming		456,100	434,100	430,500	430,500	431,500	431,500	1982-2014
Low Pressure		220,100	220,100	213,800	213,800	214,800	214,800	1987-2014
High Pressure		236,000	214,000	216,700	216,700	216,700	216,700	1987-2014
Catalytic Hydrotreating/Desulfurization		1,993,100	2,050,100	2,063,700	2,090,600	2,091,200	2,096,900	1982-2014
Naphtha/Reformer Feed		447,900	447,900	443,600	443,600	443,100	443,100	1987-2014
Gasoline		142,100	202,400	228,300	228,300	228,300	228,000	2004-2014
Heavy Gas Oil		642,500	699,200	687,200	711,200	711,200	714,200	1987-2014
Distillate Fuel Oil		634,600	639,400	648,900	651,800	652,900	655,900	1987-2014
Kerosene/Jet Fuel		185,800	194,100	196,100	196,100	196,100	196,100	2004-2014
Diesel Fuel		330,300	326,800	332,800	335,200	336,300	339,300	2004-2014
Other Distillate		118,500	118,500	120,000	120,500	120,500	120,500	2004-2014
Residual Fuel Oil/Other		126,000	61,200	55,700	55,700	55,700	55,700	1987-2014
Residual Fuel Oil		0	0	0	0	0	0	2006-2014
Other		126,000	61,200	55,700	55,700	55,700	55,700	2004-2014
Fuels Solvent Deasphalting		66,000	66,000	66,000	66,000	66,000	66,000	1987-2014

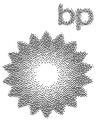
Downstream Charge Capacity (Barrels per Calendar Day)							
Catalytic Reforming		396,146	371,306	373,756	379,406	378,160	2010-2014
Total Coking	496,408	484,055	460,500	459,500	451,600	451,100	1987-2014
Catalytic Cracking - Fresh Feed	692,315	666,158	669,600	670,700	662,800	661,400	1987-2014
Catalytic Hydro-Cracking	490,272	432,080	429,760	436,656	439,410	442,000	1987-2014

-- = No Data Reported; - = Not Applicable; NA = Not Available; W = Withheld to avoid disclosure of individual company data.

Notes: Idle refineries represent refineries where distillation units were completely idle but not permanently shutdown as of January 1 of the year. See Definitions, Sources, and Notes link above for more information on this table.

Release Date: 6/25/2014

Next Release Date: 6/30/2015



Press

Press releases

BP Completes Sale of Carson Refinery and Southwest U.S. Retail Assets to Tesoro

## BP Completes Sale of Carson Refinery and Southwest U.S. Retail Assets to Tesoro

Release date: 03 June 2013

BP has completed the previously announced sale of its Carson, California refinery and related logistics and marketing assets in the region to Tesoro Corporation for approximately \$2.4 billion as part of a plan to reshape BP's U.S. fuels business. Cash proceeds from the sale include approximately \$1.075 billion for assets and an estimated \$1.35 billion primarily for inventory at market value and other working capital.

"With the completion of this divestment the strategic refocusing of our U.S. fuels portfolio is essentially complete" said Iain Conn, chief executive of BP's global refining and marketing business. "BP's U.S. fuels business is now anchored around three, highly sophisticated northern refineries, which are crude feedstock-advantaged, and tied to strong marketing businesses."

BP will continue to maintain a number of business interests in California, including a large ARCO retail and logistics presence that includes approximately 270 retail sites in the northern part of the state. BP will also continue the distribution and marketing of lubricants through its Castrol brand and remain active in the California natural gas and power sector.

"California remains an important state for us and we remain committed to supplying our customers in Northern California and the rest of the Pacific Northwest with the quality fuels they depend on," said Jeff Pitzer, BP's Northwest Fuels Value Chain president. "We've recently upgraded our Cherry Point, Washington refinery to produce cleaner-burning diesel fuel and are building a new rail terminal at the plant to take advantage of growing supplies of domestically produced crude oil."

In addition to marketing conventional fuels and lubricants in the state, BP will also continue to support the development of renewable energy sources in California through its Global Biofuels Technology Center in San Diego, and the Energy Biosciences Institute at UC Berkeley.

With the transaction's closing on June 1st, Tesoro took ownership of the 266,000 barrel per day (bpd) refinery near Los Angeles as well as the associated logistics network of pipelines and storage terminals and the ARCO-branded retail marketing network in Southern California, Arizona and Nevada.

While the sale included BP's ARCO retail brand rights, BP has exclusively licensed those rights from Tesoro for Northern California, Oregon and Washington.

BP retains ownership of the ampm convenience store brand and has franchised it to Tesoro for use in the Southwest.

### About BP in the US

Over the past five years, BP has invested more than \$55 billion in the U.S. – more than any other energy company. BP is the nation's second-largest producer of oil and gas and provides enough energy annually to light nearly the entire country for a year. Directly employing more than 20,000 people in all 50 states, BP supports nearly a quarter of a million jobs through all of its business activities. For more information, visit:

[www.bp.com/us](http://www.bp.com/us)

### Notes to editors

- The Carson Refinery is one of the largest on the U.S. West Coast, with a crude distillation capacity of 266,000 bpd. It became part of BP through the 2000 acquisition of ARCO. It employs over 1,100 staff and in total the divested business employs approximately 1,750 staff.
- The transaction includes the refinery and integrated terminals and pipelines, as well as marketing agreements with about 800 retail sites in Southern California, Arizona and Nevada.
- The refinery is located on 650 acres in Los Angeles County, near the Long Beach and Los Angeles Harbors. The

refinery began operations in 1938. It processes crude oil from Alaska's North Slope, the Middle East and West Africa. Processing equipment includes the largest fluid catalytic cracker in California, two cokers and distillate hydrocracking.

- BP's 51 percent interest in a nominal 400 megawatt cogeneration facility located at the refinery is included in the sale.
- BP's Wilmington Coke Calciner located about five miles from the refinery is also part of the sale. The plant occupies about 17 acres. The plant employs approximately 40 people and produces 350,000 metric tons of calcinated coke per year.
- Logistics assets included in the sale include ownership of Berth 121 facility improvements and equipment, Marine Terminals 2 and 3 and the LA basin pipelines system that moves crude, products and intermediates to and from the refinery.
- Terminals included in the sale are Carson Crude, East Hynes, West Hynes, Hathaway, Carson Products, Colton, Vinvale and San Diego.
- BP announced plans to divest its Carson, California and Texas City, Texas refineries in February 2011 as part of a strategic refocusing of the company's global refining portfolio. BP completed the sale of Texas City to Marathon Petroleum Corporation on February 1st.
- BP is completing a number of major investments in its other US refineries, including a large investment program to transform its 413,000 bpd capacity Whiting, Ind., refinery to process heavy, sour crudes, expected to come on stream in the second half of this year; a recently-completed clean diesel upgrading project at its 234,000 bpd Cherry Point, Wash., refinery; and the recent start-up of a continuous catalytic reformer to the 160,000 bpd capacity Toledo, Ohio, refinery (a 50:50 joint venture with partner Husky Energy Inc.).

## Cautionary Statement

This press release contains certain forward-looking statements, including upgrades and anticipated timing of its Whiting and Cherry Point refineries and other statements which are generally, but not always, identified by the use of words such as 'want', 'intended to', 'expected to', and similar expressions. Forward-looking statements involve risks and uncertainties because they depend on circumstances that will or may occur in the future. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including general economic conditions; the actions of regulators and other factors discussed in BP's First Quarter Results 2013 (SEC File No. 13794367) and, 2012 Annual Report and Form 20F as filed with the United States Securities and Exchange Commission.

## Further information:

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**Economic Impact Assessment for Rule 474****10 Refineries with Current Fair Market Values and Adjusted Base Year Values****Fixtures  
Market Value and Adjusted Base Year Value**

<b>Refinery A</b>					
	Fixtures				
	2009	2010	2011	2012	2013
Current Market Value	1,880,122,646	1,887,388,187	1,679,071,617	1,595,492,029	1,359,876,090
Current Adjusted Base Year Value	<u>1,895,202,435</u>	<u>2,019,590,926</u>	<u>2,047,580,436</u>	<u>1,968,969,582</u>	<u>2,030,485,296</u>
Adjusted Base Year Value > Market Value	15,079,789	132,202,739	368,508,819	373,477,553	670,609,206

<b>Refinery B</b>					
	Fixtures				
	2009	2010	2011	2012	2013
Current Market Value	2,061,450,203	1,732,213,864	1,501,047,975	1,467,055,023	1,437,067,764
Current Adjusted Base Year Value	<u>2,268,184,680</u>	<u>2,338,828,060</u>	<u>2,353,095,330</u>	<u>2,160,958,795</u>	<u>2,133,967,819</u>
Adjusted Base Year Value > Market Value	206,734,477	606,614,196	852,047,355	693,903,772	696,900,055

<b>Refinery C</b>					
	Fixtures				
	2009	2010	2011	2012	2013
Current Market Value	1,332,461,979	1,139,931,321	1,082,912,858	1,019,025,632	1,011,250,213
Current Adjusted Base Year Value	<u>1,396,924,823</u>	<u>1,319,486,606</u>	<u>1,334,919,321</u>	<u>1,372,911,135</u>	<u>1,376,130,580</u>
Adjusted Base Year Value > Market Value	64,462,844	179,555,285	252,006,463	353,885,503	364,880,367

<b>Refinery D</b>					
	Fixtures				
	2009	2010	2011	2012	2013
Current Market Value	1,163,881,804	1,109,118,357	1,114,109,115	1,071,086,534	1,087,148,510
Current Adjusted Base Year Value	<u>1,271,901,010</u>	<u>1,325,751,649</u>	<u>1,376,123,449</u>	<u>1,361,932,926</u>	<u>1,400,580,867</u>
Adjusted Base Year Value > Market Value	108,019,206	216,633,292	262,014,334	290,846,392	313,432,357

<b>Refinery E</b>					
	Fixtures				
	2009	2010	2011	2012	2013
Current Market Value	2,567,404,620	1,073,496,817	1,545,427,619	2,076,833,981	1,491,566,803
Current Adjusted Base Year Value	<u>1,668,258,605</u>	<u>1,744,426,448</u>	<u>1,785,889,066</u>	<u>1,844,834,284</u>	<u>1,873,902,761</u>
Adjusted Base Year Value > Market Value		670,929,631	240,461,447		382,335,958

## Economic Impact Assessment for Rule 474

### 10 Refineries with Current Fair Market Values and Adjusted Base Year Values

#### Fixtures Market Value and Adjusted Base Year Value

Refinery F					
	Fixtures				
	2009	2010	2011	2012	2013
Current Market Value	3,332,322,123	770,703,336	972,468,868	1,831,238,968	1,116,489,844
Current Adjusted Base Year Value	<u>1,024,434,550</u>	<u>1,095,349,620</u>	<u>1,111,470,031</u>	<u>1,150,061,621</u>	<u>1,168,955,989</u>
Adjusted Base Year Value > Market Value		324,646,284	139,001,163		52,466,145

Refinery G					
	Fixtures				
	2009	2010	2011	2012	2013
Current Market Value	731,794,729	890,531,323	1,248,700,977	1,373,985,234	1,052,965,123
Current Adjusted Base Year Value	<u>612,797,999</u>	<u>1,472,028,746</u>	<u>1,491,599,252</u>	<u>1,539,161,819</u>	<u>1,564,026,688</u>
Adjusted Base Year Value > Market Value		581,497,423	242,898,275	165,176,585	511,061,565

Refinery H					
	Fixtures				
	2009	2010	2011	2012	2013
Current Market Value	695,911,963	678,646,696	617,298,912	606,173,986	530,401,266
Current Adjusted Base Year Value	<u>717,588,283</u>	<u>738,919,289</u>	<u>743,612,902</u>	<u>757,452,420</u>	<u>748,369,214</u>
Adjusted Base Year Value > Market Value	21,676,320	60,272,593	126,313,990	151,278,434	217,967,948

Refinery I					
	Fixtures				
	2009	2010	2011	2012	2013
Current Market Value	1,057,579,171	969,147,777	893,097,601	829,822,975	848,593,083
Current Adjusted Base Year Value	<u>941,423,513</u>	<u>958,968,776</u>	<u>953,198,497</u>	<u>972,895,994</u>	<u>993,835,283</u>
Adjusted Base Year Value > Market Value			60,100,896	143,073,019	145,242,200

Refinery J					
	Fixtures				
	2009	2010	2011	2012	2013
Current Market Value	3,098,233,939	1,288,224,045	2,005,502,652	3,298,620,241	0
Current Adjusted Base Year Value	<u>4,332,613,560</u>	<u>3,902,234,307</u>	<u>3,636,891,724</u>	<u>2,890,193,265</u>	<u>0</u>
Adjusted Base Year Value > Market Value	1,234,379,621	2,614,010,262	1,631,389,072		

**Economic Impact Assessment for Rule 474**

**10 Refineries with Current Fair Market Values and Adjusted Base Year Values**

**Land and Improvements  
Market Value and Adjusted Base Year Value**

<b>Refinery A</b>					
Land and Improvements					
	2009	2010	2011	2012	2013
Current Market Value	242,152,633	269,717,215	260,130,901	256,328,417	173,478,961
Current Adjusted Base Year Value	<u>227,072,844</u>	<u>237,433,630</u>	<u>239,220,840</u>	<u>244,005,239</u>	<u>248,885,338</u>
Adjusted Base Year Value > Market Value					75,406,377

<b>Refinery B</b>					
Land and Improvements					
	2009	2010	2011	2012	2013
Current Market Value	338,981,585	358,525,175	353,147,520	347,270,684	329,279,661
Current Adjusted Base Year Value	<u>229,737,725</u>	<u>229,193,212</u>	<u>230,919,000</u>	<u>235,537,350</u>	<u>240,248,089</u>
Adjusted Base Year Value > Market Value					

<b>Refinery C</b>					
Land and Improvements					
	2009	2010	2011	2012	2013
Current Market Value	327,519,642	343,671,289	338,565,364	334,496,454	351,523,464
Current Adjusted Base Year Value	<u>263,056,798</u>	<u>262,433,348</u>	<u>264,409,466</u>	<u>269,697,649</u>	<u>275,091,597</u>
Adjusted Base Year Value > Market Value					

<b>Refinery D</b>					
Land and Improvements					
	2009	2010	2011	2012	2013
Current Market Value	260,558,100	275,013,163	269,490,803	265,963,169	204,858,509
Current Adjusted Base Year Value	<u>280,049,795</u>	<u>279,386,057</u>	<u>281,489,824</u>	<u>285,538,938</u>	<u>292,861,986</u>
Adjusted Base Year Value > Market Value	19,491,695	4,372,894	11,999,021	19,575,769	88,003,477

<b>Refinery E</b>					
Land and Improvements					
	2009	2010	2011	2012	2013
Current Market Value	315,932,936	315,184,155	317,551,471	323,905,599	330,386,751
Current Adjusted Base Year Value	<u>254,857,798</u>	<u>279,130,902</u>	<u>281,231,913</u>	<u>285,919,612</u>	<u>293,965,372</u>
Adjusted Base Year Value > Market Value					

**Economic Impact Assessment for Rule 474**

**10 Refineries with Current Fair Market Values and Adjusted Base Year Values**

**Land and Improvements  
Market Value and Adjusted Base Year Value**

<b>Refinery F</b>					
Land and Improvements					
	2009	2010	2011	2012	2013
Current Market Value	240,773,600	243,202,949	242,011,656	246,851,871	251,772,730
Current Adjusted Base Year Value	<u>352,166,173</u>	<u>372,352,043</u>	<u>376,147,637</u>	<u>383,670,590</u>	<u>391,343,976</u>
Adjusted Base Year Value > Market Value	111,392,573	129,149,094	134,135,981	136,818,719	139,571,246

<b>Refinery G</b>					
Land and Improvements					
	2009	2010	2011	2012	2013
Current Market Value	254,005,577	253,403,576	255,311,692	260,417,915	265,626,264
Current Adjusted Base Year Value	<u>177,502,453</u>	<u>177,081,731</u>	<u>178,415,207</u>	<u>181,983,460</u>	<u>185,855,911</u>
Adjusted Base Year Value > Market Value					

<b>Refinery H</b>					
Land and Improvements					
	2009	2010	2011	2012	2013
Current Market Value	123,029,467	129,779,944	129,598,407	126,531,495	94,122,043
Current Adjusted Base Year Value	<u>122,951,625</u>	<u>122,660,221</u>	<u>123,583,847</u>	<u>126,125,957</u>	<u>127,376,123</u>
Adjusted Base Year Value > Market Value					33,254,080

<b>Refinery I</b>					
Land and Improvements					
	2009	2010	2011	2012	2013
Current Market Value	71,344,936	88,403,885	89,743,429	88,636,104	75,605,291
Current Adjusted Base Year Value	<u>92,326,531</u>	<u>92,107,699</u>	<u>92,801,266</u>	<u>110,278,599</u>	<u>112,484,172</u>
Adjusted Base Year Value > Market Value	20,981,595	3,703,814	3,057,837	21,642,495	36,878,881

<b>Refinery J</b>					
Land and Improvements					
	2009	2010	2011	2012	2013
Current Market Value	478,880,444	487,568,230	510,687,115	423,611,808	0
Current Adjusted Base Year Value	<u>336,738,443</u>	<u>331,432,743</u>	<u>331,220,409</u>	<u>240,897,624</u>	<u>0</u>
Adjusted Base Year Value > Market Value					

## Economic Impact Assessment for Rule 474

### 10 Refineries with Current Fair Market Values and Adjusted Base Year Values

#### Total Market Value and Adjusted Base Year Value

	Refinery A				
	Total				
	2009	2010	2011	2012	2013
Current Market Value	2,122,275,279	2,157,105,402	1,939,202,518	1,851,820,446	1,533,355,051
Current Adjusted Base Year Value	<u>2,122,275,279</u>	<u>2,257,024,556</u>	<u>2,286,801,276</u>	<u>2,212,974,821</u>	<u>2,279,370,634</u>
Adjusted Base Year Value > Market Value		99,919,154	347,598,758	361,154,375	746,015,583

	Refinery B				
	Total				
	2009	2010	2011	2012	2013
Current Market Value	2,400,431,788	2,090,739,039	1,854,195,495	1,814,325,707	1,766,347,425
Current Adjusted Base Year Value	<u>2,497,922,405</u>	<u>2,568,021,272</u>	<u>2,584,014,330</u>	<u>2,396,496,145</u>	<u>2,374,215,908</u>
Adjusted Base Year Value > Market Value	97,490,617	477,282,233	729,818,835	582,170,438	607,868,483

	Refinery C				
	Total				
	2009	2010	2011	2012	2013
Current Market Value	1,659,981,621	1,483,602,610	1,421,478,222	1,353,522,086	1,362,773,677
Current Adjusted Base Year Value	<u>1,659,981,621</u>	<u>1,581,919,954</u>	<u>1,599,328,787</u>	<u>1,642,608,784</u>	<u>1,651,222,177</u>
Adjusted Base Year Value > Market Value		98,317,344	177,850,565	289,086,698	288,448,500

	Refinery D				
	Total				
	2009	2010	2011	2012	2013
Current Market Value	1,424,439,904	1,384,131,520	1,383,599,918	1,337,049,703	1,292,007,019
Current Adjusted Base Year Value	<u>1,551,950,805</u>	<u>1,605,137,706</u>	<u>1,657,613,273</u>	<u>1,647,471,864</u>	<u>1,693,442,853</u>
Adjusted Base Year Value > Market Value	127,510,901	221,006,186	274,013,355	310,422,161	401,435,834

	Refinery E				
	Total				
	2009	2010	2011	2012	2013
Current Market Value	2,883,337,556	1,388,680,972	1,862,979,090	2,400,739,580	1,821,953,554
Current Adjusted Base Year Value	<u>1,923,116,403</u>	<u>2,023,557,350</u>	<u>2,067,120,979</u>	<u>2,130,753,896</u>	<u>2,167,868,133</u>
Adjusted Base Year Value > Market Value		634,876,378	204,141,889		345,914,579

**Economic Impact Assessment for Rule 474**

**10 Refineries with Current Fair Market Values and Adjusted Base Year Values**

**Total  
Market Value and Adjusted Base Year Value**

<b>Refinery F</b>					
	2009	2010	Total 2011	2012	2013
Current Market Value	3,573,095,723	1,013,906,285	1,214,480,524	2,078,090,839	1,368,262,574
Current Adjusted Base Year Value	<u>1,376,600,723</u>	<u>1,467,701,663</u>	<u>1,487,617,668</u>	<u>1,533,732,211</u>	<u>1,560,299,965</u>
Adjusted Base Year Value > Market Value		453,795,378	273,137,144		192,037,391

<b>Refinery G</b>					
	2009	2010	Total 2011	2012	2013
Current Market Value	985,800,306	1,143,934,899	1,504,012,669	1,634,403,149	1,318,591,387
Current Adjusted Base Year Value	<u>790,300,452</u>	<u>1,649,110,477</u>	<u>1,670,014,459</u>	<u>1,721,145,279</u>	<u>1,749,882,599</u>
Adjusted Base Year Value > Market Value		505,175,578	166,001,790	86,742,130	431,291,212

<b>Refinery H</b>					
	2009	2010	Total 2011	2012	2013
Current Market Value	818,941,430	808,426,640	746,897,319	732,705,481	624,523,309
Current Adjusted Base Year Value	<u>840,539,908</u>	<u>861,579,510</u>	<u>867,196,749</u>	<u>883,578,377</u>	<u>875,745,337</u>
Adjusted Base Year Value > Market Value	21,598,478	53,152,870	120,299,430	150,872,896	251,222,028

<b>Refinery I</b>					
	2009	2010	Total 2011	2012	2013
Current Market Value	1,128,924,107	1,057,551,662	982,841,030	918,459,079	924,198,374
Current Adjusted Base Year Value	<u>1,033,750,044</u>	<u>1,051,076,475</u>	<u>1,045,999,763</u>	<u>1,083,174,593</u>	<u>1,106,319,455</u>
Adjusted Base Year Value > Market Value			63,158,733	164,715,514	182,121,081

<b>Refinery J</b>					
	2009	2010	Total 2011	2012	2013
Current Market Value	3,577,114,383	1,775,792,275	2,516,189,767	3,722,232,049	0
Current Adjusted Base Year Value	<u>4,669,352,003</u>	<u>4,233,667,050</u>	<u>3,968,112,133</u>	<u>3,131,090,889</u>	<u>0</u>
Adjusted Base Year Value > Market Value	1,092,237,620	2,457,874,775	1,451,922,366		

**Economic Impact Assessment for Rule 474**

**10 Refineries with Current Fair Market Values and Adjusted Base Year Values**

**Rule 474 and Rule 461 Values**

<b>Refinery A</b>					
Rule 474 and Rule 461 Values					
	2009	2010	2011	2012	2013
Rule 474 Value	2,122,275,279	2,157,105,402	1,939,202,518	1,851,820,446	1,533,355,051
Rule 461 Value	<u>2,107,195,490</u>	<u>2,124,821,817</u>	<u>1,918,292,457</u>	<u>1,839,497,268</u>	<u>1,533,355,051</u>
Difference	15,079,789	32,283,585	20,910,061	12,323,178	
Percentage Increase in Value	0.72%	1.52%	1.09%	0.67%	

<b>Refinery B</b>					
Rule 474 and Rule 461 Values					
	2009	2010	2011	2012	2013
Rule 474 Value	2,400,431,788	2,090,739,039	1,854,195,495	1,814,325,707	1,766,347,425
Rule 461 Value	<u>2,291,187,928</u>	<u>1,961,407,076</u>	<u>1,731,966,975</u>	<u>1,702,592,373</u>	<u>1,677,315,853</u>
Difference	109,243,860	129,331,963	122,228,520	111,733,334	89,031,572
Percentage Increase in Value	4.77%	6.59%	7.06%	6.56%	5.31%

<b>Refinery C</b>					
Rule 474 and Rule 461 Values					
	2009	2010	2011	2012	2013
Rule 474 Value	1,659,981,621	1,483,602,610	1,421,478,222	1,353,522,086	1,362,773,677
Rule 461 Value	<u>1,595,518,777</u>	<u>1,402,364,669</u>	<u>1,347,322,324</u>	<u>1,288,723,281</u>	<u>1,286,341,810</u>
Difference	64,462,844	81,237,941	74,155,898	64,798,805	76,431,867
Percentage Increase in Value	4.04%	5.79%	5.50%	5.03%	5.94%

<b>Refinery D</b>					
Rule 474 and Rule 461 Values					
	2009	2010	2011	2012	2013
Rule 474 Value	1,424,439,904	1,384,131,520	1,383,599,918	1,337,049,703	1,292,007,019
Rule 461 Value	<u>1,424,439,904</u>	<u>1,384,131,520</u>	<u>1,383,599,918</u>	<u>1,337,049,703</u>	<u>1,292,007,019</u>
Difference					
Percentage Increase in Value					

<b>Refinery E</b>					
Rule 474 and Rule 461 Values					
	2009	2010	2011	2012	2013
Rule 474 Value	1,923,116,403	1,388,680,972	1,862,979,090	2,130,753,896	1,821,953,554
Rule 461 Value	<u>1,923,116,403</u>	<u>1,352,627,719</u>	<u>1,826,659,532</u>	<u>2,130,753,896</u>	<u>1,785,532,175</u>
Difference		36,053,253	36,319,558		36,421,379
Percentage Increase in Value		2.67%	1.99%		2.04%

## Economic Impact Assessment for Rule 474

### 10 Refineries with Current Fair Market Values and Adjusted Base Year Values

#### Rule 474 and Rule 461 Values

Refinery F					
Rule 474 and Rule 461 Values					
	2009	2010	2011	2012	2013
Rule 474 Value	1,376,600,723	1,013,906,285	1,214,480,524	1,533,732,211	1,368,262,574
Rule 461 Value	<u>1,265,208,150</u>	<u>1,013,906,285</u>	<u>1,214,480,524</u>	<u>1,396,913,492</u>	<u>1,368,262,574</u>
Difference	111,392,573			136,818,719	
Percentage Increase in Value	8.80%			9.79%	

Refinery G					
Rule 474 and Rule 461 Values					
	2009	2010	2011	2012	2013
Rule 474 Value	790,300,452	1,143,934,899	1,504,012,669	1,634,403,149	1,318,591,387
Rule 461 Value	<u>790,300,452</u>	<u>1,067,613,054</u>	<u>1,427,116,184</u>	<u>1,555,968,694</u>	<u>1,238,821,034</u>
Difference		76,321,845	76,896,485	78,434,455	79,770,353
Percentage Increase in Value		7.15%	5.39%	5.04%	6.44%

Refinery H					
Rule 474 and Rule 461 Values					
	2009	2010	2011	2012	2013
Rule 474 Value	818,941,430	808,426,640	746,897,319	732,705,481	624,523,309
Rule 461 Value	<u>818,863,588</u>	<u>801,306,917</u>	<u>740,882,759</u>	<u>732,299,943</u>	<u>624,523,309</u>
Difference	77,842	7,119,723	6,014,560	405,538	
Percentage Increase in Value	0.01%	0.89%	0.81%	0.06%	

Refinery I					
Rule 474 and Rule 461 Values					
	2009	2010	2011	2012	2013
Rule 474 Value	1,033,750,044	1,051,076,475	982,841,030	918,459,079	924,198,374
Rule 461 Value	<u>1,012,768,449</u>	<u>1,047,372,661</u>	<u>982,841,030</u>	<u>918,459,079</u>	<u>924,198,374</u>
Difference	20,981,595	3,703,814			
Percentage Increase in Value	2.07%	0.35%			

Refinery J					
Rule 474 and Rule 461 Values					
	2009	2010	2011	2012	2013
Rule 474 Value	3,577,114,383	1,775,792,275	2,516,189,767	3,131,090,889	0
Rule 461 Value	<u>3,434,972,382</u>	<u>1,619,656,788</u>	<u>2,336,723,061</u>	<u>3,131,090,889</u>	<u>0</u>
Difference	142,142,001	156,135,487	179,466,706		
Percentage Increase in Value	4.14%	9.64%	7.68%		

**Economic Impact Assessment for Rule 474**  
**10 Refineries with Current Fair Market Values and Adjusted Base Year Values**

**Tax Effect by Refinery**

<b>Refinery A</b>					
	Estimated Tax				
	2009	2010	2011	2012	2013
Tax on Rule 474 Value	21,222,753	21,571,054	19,392,025	18,518,204	15,333,551
Tax on Rule 461 Value	<u>21,071,955</u>	<u>21,248,218</u>	<u>19,182,925</u>	<u>18,394,973</u>	<u>15,333,551</u>
Tax Effect	150,798	322,836	209,101	123,232	
Percentage Increase in Tax	0.72%	1.52%	1.09%	0.67%	

<b>Refinery B</b>					
	Estimated Tax				
	2009	2010	2011	2012	2013
Tax on Rule 474 Value	24,004,318	20,907,390	18,541,955	18,143,257	17,663,474
Tax on Rule 461 Value	<u>22,911,879</u>	<u>19,614,071</u>	<u>17,319,670</u>	<u>17,025,924</u>	<u>16,773,159</u>
Tax Effect	1,092,439	1,293,320	1,222,285	1,117,333	890,316
Percentage Increase in Tax	4.77%	6.59%	7.06%	6.56%	5.31%

<b>Refinery C</b>					
	Estimated Tax				
	2009	2010	2011	2012	2013
Tax on Rule 474 Value	16,599,816	14,836,026	14,214,782	13,535,221	13,627,737
Tax on Rule 461 Value	<u>15,955,188</u>	<u>14,023,647</u>	<u>13,473,223</u>	<u>12,887,233</u>	<u>12,863,418</u>
Tax Effect	644,628	812,379	741,559	647,988	764,319
Percentage Increase in Tax	4.04%	5.79%	5.50%	5.03%	5.94%

<b>Refinery D</b>					
	Estimated Tax				
	2009	2010	2011	2012	2013
Tax on Rule 474 Value	14,244,399	13,841,315	13,835,999	13,370,497	12,920,070
Tax on Rule 461 Value	<u>14,244,399</u>	<u>13,841,315</u>	<u>13,835,999</u>	<u>13,370,497</u>	<u>12,920,070</u>
Tax Effect					
Percentage Increase in Tax					

<b>Refinery E</b>					
	Estimated Tax				
	2009	2010	2011	2012	2013
Tax on Rule 474 Value	19,231,164	13,886,810	18,629,791	21,307,539	18,219,536
Tax on Rule 461 Value	<u>19,231,164</u>	<u>13,526,277</u>	<u>18,266,595</u>	<u>21,307,539</u>	<u>17,855,322</u>
Tax Effect		360,533	363,196		364,214
Percentage Increase in Tax		2.67%	1.99%		2.04%

## Economic Impact Assessment for Rule 474

### 10 Refineries with Current Fair Market Values and Adjusted Base Year Values

#### Tax Effect by Refinery

<b>Refinery F</b>					
	Estimated Tax				
	2009	2010	2011	2012	2013
Tax on Rule 474 Value	13,766,007	10,139,063	12,144,805	15,337,322	13,682,626
Tax on Rule 461 Value	<u>12,652,082</u>	<u>10,139,063</u>	<u>12,144,805</u>	<u>13,969,135</u>	<u>13,682,626</u>
Tax Effect	1,113,926			1,368,187	
Percentage Increase in Tax	8.80%			9.79%	

<b>Refinery G</b>					
	Estimated Tax				
	2009	2010	2011	2012	2013
Tax on Rule 474 Value	7,903,005	11,439,349	15,040,127	16,344,031	13,185,914
Tax on Rule 461 Value	<u>7,903,005</u>	<u>10,676,131</u>	<u>14,271,162</u>	<u>15,559,687</u>	<u>12,388,210</u>
Tax Effect		763,218	768,965	784,345	797,704
Percentage Increase in Tax		7.15%	5.39%	5.04%	6.44%

<b>Refinery H</b>					
	Estimated Tax				
	2009	2010	2011	2012	2013
Tax on Rule 474 Value	8,189,414	8,084,266	7,468,973	7,327,055	6,245,233
Tax on Rule 461 Value	<u>8,188,636</u>	<u>8,013,069</u>	<u>7,408,828</u>	<u>7,322,999</u>	<u>6,245,233</u>
Tax Effect	778	71,197	60,146	4,055	
Percentage Increase in Tax	0.01%	0.89%	0.81%	0.06%	

<b>Refinery I</b>					
	Estimated Tax				
	2009	2010	2011	2012	2013
Tax on Rule 474 Value	10,337,500	10,510,765	9,828,410	9,184,591	9,241,984
Tax on Rule 461 Value	<u>10,127,684</u>	<u>10,473,727</u>	<u>9,828,410</u>	<u>9,184,591</u>	<u>9,241,984</u>
Tax Effect	209,816	37,038			
Percentage Increase in Tax	2.07%	0.35%			

<b>Refinery J</b>					
	Estimated Tax				
	2009	2010	2011	2012	2013
Tax on Rule 474 Value	35,771,144	17,757,923	25,161,898	31,310,909	0
Tax on Rule 461 Value	<u>34,349,724</u>	<u>16,196,568</u>	<u>23,367,231</u>	<u>31,310,909</u>	<u>0</u>
Tax Effect	1,421,420	1,561,355	1,794,667		
Percentage Increase in Tax	4.14%	9.64%	7.68%		

**Economic Impact Assessment for Rule 474**  
**10 Refineries with Current Fair Market Values and Adjusted Base Year Values**

**Combined Tax Effect**

	2009	2010	Estimated Tax 2011	2012	2013
Total Combined Rule 474 Tax	171,269,520	142,973,961	154,258,766	164,378,626	120,120,124
Total Combined Rule 461 Tax	<u>166,635,715</u>	<u>137,752,085</u>	<u>149,098,848</u>	<u>160,333,486</u>	<u>117,303,572</u>
Total Tax Effect	4,633,805	5,221,876	5,159,918	4,045,140	2,816,552
Percentage Increase in Tax	2.78%	3.79%	3.46%	2.52%	2.40%

**Proposed Text of**  
**California Code of Regulations, Title 18, Section**  
**474, *Petroleum Refining Properties***

(All of the text below is proposed to be added to the California Code of Regulations)

**474. Petroleum Refining Properties.**

(a) The provisions of this rule apply to the valuation of the real property, personal property, and fixtures used for the refining of petroleum.

(b) General.

(1) The unique nature of property used for the refining of petroleum requires the application of specialized appraisal techniques designed to satisfy the requirements of article XIII, section 1, and article XIII A, section 2, of the California Constitution. To this end, petroleum refineries and other real and personal property associated therewith shall be valued pursuant to the principles and procedures set forth in this section.

(2) Notwithstanding any other provision in this section, any appropriate valuation method described in section 3 of title 18 of this code may be applied in the event of a change in ownership in a petroleum refining property.

(c) Definitions. For the purposes of this section:

(1) "Petroleum refining property" means any industrial plant, including real property, personal property, and fixtures, used for the refining of petroleum, as identified in Standard Industrial Classification (SIC) System Codes 2911 and 2992, or North American Industry Classification System (NAICS) Codes 32411 and 324191.

(2) "Appraisal unit" consists of the real and personal property that persons in the marketplace commonly buy and sell as a unit.

(d) Declines in Value. For the purposes of this section:

(1) Declines in value of petroleum refining properties will be determined by comparing the current lien date full value of the appraisal unit to the indexed base year full value of the same unit.

(2) The land, improvements, and fixtures and other machinery and equipment classified as improvements for a petroleum refining property are rebuttably presumed to constitute a single appraisal unit, except when measuring declines in value caused by disaster, in which case land shall constitute a separate unit.

(3) In rebutting this presumption, the assessor may consider evidence that:

(A) The land and improvements including fixtures and other machinery and equipment classified as improvements are not under common ownership or control and do not typically transfer in the marketplace as one economic unit; or,

(B) When the fixtures and other machinery and equipment classified as improvements are not functionally and physically integrated with the realty and do not operate together as one economic unit.

Note: Authority cited: Section 15606(c), Government Code. Reference: Article XIII Section 1, and Article XIII A, Section 2, California Constitution; Sections 51 and 110.1, Revenue and Taxation Code; and *Western States Petroleum Association v. Board of Equalization* (2013) 57 Cal.4th 401.

## Regulation History

**Type of Regulation:** Property Tax  
**Regulation:** 474  
**Title:** *Petroleum Refining Properties*  
**Preparation:** *Bradley Heller*  
**Legal Contact:** *Bradley Heller*

The Board proposes to re-adopt Rule 474, *Petroleum Refining Properties*, to establish a rebuttable presumption that petroleum refining property (land, improvements, and fixtures) constitutes a single appraisal unit for determining declines in value, except when measuring declines in value caused by disaster.

### Regulation History

December 17-18, 2014	Public Hearing
October 24, 2014:	OAL publication date; 45-day public comment period begins; Interested Parties mailing
September 10, 2013:	Board Meeting, Chief Counsel Matters, Board Authorized Publication. (Vote 5-0)

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Support: None

Oppose: None