

November 15, 2013

Clerk of the Board  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**Re: Comments on Proposed Revisions to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions**

California Air Resources Board:

Inergy West Coast LLC (“Inergy”) appreciates the opportunity to comment on the proposed revisions to the Regulation for the Mandatory Reporting of Greenhouse Gas (“GHG”) Emissions (“MRR”) released October 28, 2013.

Inergy has previously provided input on the importance of ensuring clarity regarding the definition of “product” and related terms.<sup>1</sup> As a natural gas processor, Inergy continues to recommend that the terms used to specify data reporting requirements for natural gas processors be clearly defined to ensure that natural gas processing facility owners and operators have reasonable certainty as to how the MRR may apply to them and that they are equitably treated under both the MRR and the Cap-and-Trade regulations. The recently released revisions to the MRR provide some clarification, however, additional work is necessary in order for reporting entities and third-party verifiers to clearly understand what is required to be reported. To achieve the necessary clarity, Inergy recommends that the California Air Resources Board (“CARB”) further modify the MRR to define “processes” as used in Section 95156(c), or commit to working with stakeholders to develop clear, published guidance identifying the specific “processes” to which CARB is referring.

**The New Term “Processes” in Section 95156(c) Must Be Defined**

The proposed revisions to the MRR include the following changes to Section 95156(c) (the most recent proposed changes are shown using double strikethrough and underline):

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<sup>1</sup> See Inergy Comments on Proposed Revisions to the California Cap on GHG Emissions and Market-Based Compliance Mechanisms and the MRR (October 23, 2013) and Inergy Comments on July 18 Workshop Regarding Proposed Changes to the California GHG Cap-and-Trade Regulation (August 2, 2013).

The operator of a natural gas liquid fractionating facility, ~~or a natural gas processing facility, or an onshore petroleum and natural gas production facility with a gas plant~~ natural gas processing plant that produces-processes less than 25 MMscf per day must report the annual production of the following natural gas liquids in barrels corrected to 60 degrees Fahrenheit:

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As described in earlier comments, Inergy is a natural gas liquids processor. As a natural gas liquids processor, Inergy does not “produce” natural gas from underground sources. The proposed replacement of “produces” with “processes” in Section 95156(c) appropriately recognizes this distinction, and the change should be adopted. It is important that CARB now take the next step and define “processes”.

Natural gas processors may undertake a wide range of activities, some of which may include the processing of natural gas, and others which may not. Inergy previously explained that it processes, stores, or distributes or resells unfractionated gas liquids delivered by others, typically natural gas producers. Processing may be minor, such as drying or odorizing, or it may involve fractionating and reforming natural gas liquids. With respect to the latter category, Inergy may process or fractionate the unfractionated liquids into a variety of “products”, such as methane, ethane, propane, butane, mixed butane, normal butane, isobutene, and natural gasoline. After processing, natural gas generally is delivered by pipeline to a public utility, and liquids are shipped to customers by truck and rail. Inergy may also store gas and liquids for customers, and, from time-to-time, Inergy may purchase a “product” and resell it. Other natural gas liquids processors may undertake similar activities, or they may operate differently.

In light of the potential wide range of activities that natural gas processing facilities may perform, it is critical that CARB clearly and precisely define “processes” and related terms for purposes of reporting requirements in the MRR. For example, are drying, odorizing, or blending considered “processes” for which production must be reported under proposed revised Section 95156(c)? Reporting entities and third-party verifiers should not have to speculate what might be considered a “process” under the MRR, and risk having to prepare multiple iterations of a report or rejection by CARB. Clarification is needed to avoid increased costs and inefficiencies for reporting entities, third-party verifiers, and CARB staff, and to ensure reporting requirements are equitably applied to all natural gas processors across a level playing field.

Inergy recommends that CARB further modify the MRR to define “processes” as used in Section 95156(c), or commit to working with stakeholders to develop clear, published guidance identifying the specific “processes” to which CARB is referring.

Inergy appreciates CARB’s consideration of these comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "A. L. Trowbridge".

Ann L. Trowbridge  
Counsel for Inergy West Coast LLC