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August 1, 2018

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary Pennsylvania Public Utility Commission Commonwealth Keystone Building 400 North Street, 2nd Floor North P.O. Box 3265 Harrisburg, PA 17105-3265

Re: Giant Eagle, Inc., et al. v. Laurel Pipe Line Company, L.P.

Docket No. C-2018-3003365

Dear Secretary Chiavetta:

Enclosed please find the Preliminary Objections of Laurel Pipe Line Company, L.P. to the Complaint of Giant Eagle, Inc., et al. in the above-referenced proceeding. Copies will be provided as indicated.

Respectfully submitted,

Anthony D. Kanagy

ADK/skr Enclosure

cc: Honorable Eranda Vero

Certificate of Service

CERTIFICATE OF SERVICE (Docket No. P-2018-3003368)

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST CLASS MAIL

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Anthony D. Kanagy

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Giant Eagle, Inc.; Guttman Energy, Inc.; Lucknow-Highspire Terminals, LLC; Monroe Energy, LLC; Philadelphia Energy Solutions Refining and Marketing, LLC; and Sheetz, Inc.

Docket No. C-2018-3003365

Complainants,

٧.

Laurel Pipe Line Company, L.P.

Respondent.

NOTICE TO PLEAD

YOU ARE HEREBY ADVISED THAT, PURSUANT TO 52 PA. CODE § 5.101, YOU MAY FILE AN ANSWER TO THE ENCLOSED PRELIMINARY OBJECTIONS WITHIN TEN (10) DAYS OF THE DATE OF SERVICE HEREOF. YOUR ANSWER TO THE PRELIMINARY OBJECTIONS MUST BE FILED WITH THE SECRETARY OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION, P.O. BOX 3265, HARRISBURG, PA 17105-3265. A COPY SHOULD ALSO BE SERVED ON THE UNDERSIGNED COUNSEL.

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BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Giant Eagle, Inc.; Guttman Energy, Inc.; Lucknow-Highspire Terminals, LLC; Monroe Energy, LLC; Philadelphia Energy Solutions Refining and Marketing, LLC; and Sheetz, Inc.

Docket No. C-2018-3003365

Complainants,

v.

Laurel Pipe Line Company, L.P.

Respondent.

PRELIMINARY OBJECTIONS OF LAUREL PIPE LINE COMPANY, L.P. TO THE COMPLAINT OF GIANT EAGLE, INC., ET AL.

AND NOW, comes Laurel Pipe Line Company, L.P. ("Laurel") and hereby files Preliminary Objections, pursuant to the regulations of the Pennsylvania Public Utility Commission ("Commission") at 52 Pa. Code § 5.101, and respectfully requests that the Formal Complaint filed by Giant Eagle, Inc. ("Giant Eagle") Guttman Energy, Inc. ("Guttman"), Lucknow-Highspire Terminals, LLC ("LHT"), Monroe Energy, LLC ("Monroe"); Philadelphia Energy Solutions Refining and Marketing, LLC ("PESRM"), and Sheetz, Inc. ("Sheetz") (collectively the "Complainants") be dismissed. In support thereof, Laurel states as follows:

I. <u>BACKGROUND</u>

1. Laurel is a certificated common carrier pipeline and public utility whose intrastate service is subject to the jurisdiction of the Commission. Laurel is a Delaware Limited Partnership formed for the purpose of transporting petroleum and petroleum products through pipelines. Laurel owns and operates pipelines in Pennsylvania and New Jersey that form a single

pipeline system extending from Eagle Point, New Jersey to Midland, Pennsylvania.¹ Current Pennsylvania operations consist of owning and operating approximately 350 miles of 12-inch to 24-inch pipeline and related facilities for the transportation of petroleum products for customers at 14 delivery points. Under this current configuration, Laurel already provides both intrastate and interstate service on its pipeline in Pennsylvania; Laurel provides intrastate service pursuant to its Commission-approved tariff, and Laurel provides interstate service pursuant to the existing, Commission approved capacity agreement with its affiliate, Buckeye Pipe Line Company, L.P. ("Buckeye").

2. On November 14, 2016, Laurel filed an Application with the Commission at Docket No. A-2016-2575829. The Application sought all necessary, authority, approvals and Certificates of Public Convenience, to the extent required, authorizing Laurel to change the direction of its petroleum products transportation service over the portion of its system west of Eldorado, Pennsylvania, and confirming that Laurel may, in its discretion, reinstate the current direction of service in the future without further Commission approval. On February 6, 2017, Laurel filed a Capacity Agreement at Docket No. G-2017-2857567, between Laurel and its affiliate, Buckeye. In this consolidated proceeding, Laurel set forth a proposal to reverse the direction of its petroleum products transportation service between Eldorado and Pittsburgh, such that products would only flow from the west to the east post-reversal.

¹ Laurel's pipeline system also currently transports petroleum products to locations throughout Pennsylvania. This transportation service is provided by Buckeye, pursuant to FERC-approved tariffs and a Commission-approved pipeline capacity agreement under which Laurel provides capacity to Buckeye for its interstate service. See Laurel Pipe Line Company, L.P. – Pipeline Capacity Agreement with Buckeye Pipeline Company, L.P., Docket No. G-00940417 (Dec. 15, 1994), as amended by, Laurel Pipe Line Company, L.P. – Amendment to Pipeline Capacity Agreement with Buckeye Pipeline Company, L.P., Docket No. G-00940417 (May 4, 2015).

- 3. On March 21, 2018, the Administrative Law Judge Eranda Vero issued the *Recommended Decision*.² Judge Vero recommended that the Commission deny Laurel's Application and also deny the proposed Capacity Agreement as moot.
- 4. On April 30, 2018, Laurel and Buckeye filed a Petition for Declaratory Order at FERC at Docket No. OR18-22-000 (the "PDO"). In the PDO, Laurel and Buckeye sought FERC approval of certain characteristics of a proposed joint contract rate for interstate petroleum products transportation service on Buckeye's and Laurel's pipelines. Buckeye and Laurel proposed to initiate a joint rate for interstate petroleum products transportation service for the shipment of products from origin points in Michigan, Ohio, and Pennsylvania to destination points in Ohio and Pennsylvania.
- 5. On June 25, 2018, Laurel and Buckeye posted on their automated pipeline scheduling system known as "T-4," which notified shippers that a temporary outage to conduct scheduled maintenance and a hydro test would commence on August 20, 2018.
- 6. On July 9, 2018, Laurel issued an update to the June 25 T-4 Notice that indicated the scheduled maintenance and hydro test outage would commence on August 17, 2018, and the out of service period was then estimated to be thirteen (13) days long.
- 7. On July 12, 2018, the Commission issued the *Final Order*³ in the prior Laurel Application proceeding. The Commission adopted the recommendations of Judge Vero, except with respect to the *Recommended Decision*'s disposition of Laurel's certificate authority.
- 8. Also on July 12, 2018, the Complainants filed the above-captioned Formal Complaint. Simultaneously therewith, Complainants filed a Petition for Interim Emergency

² Application of Laurel Pipe Line Company, L.P., Docket Nos. A-2016-2575829 and G-2017-2587567 (Recommended Decision dated March 23, 2018) ("Recommended Decision").

³ Application of Laurel Pipe Line Company, L.P., Docket Nos. A-2016-2575829 and G-2017-2587567 (Opinion and Order entered July 12, 2018) ("Final Order").

Relief, which was docketed at Docket No. P-2018-3003368. The issues raised in the Complaint pertain to: (i) a proposed temporary outage on Laurel's pipeline system to conduct certain maintenance and testing activities pursuant to federal pipeline safety standards; and (ii) Laurel's proposed initiation of bidirectional service—*i.e.* initiating eastbound interstate service, while maintaining westbound intrastate service.

- 9. On July 23, 2018, a Hearing was held regarding the Petition for Interim Emergency Relief. At the hearing, the parties entered into the record a Stipulation and Settlement that resolved the issues related to the Petition for Interim Emergency Relief ("Settlement"). The Settlement was approved by written Order issued by Judge Vero on July 27, 2018.
- 10. Laurel herein files these Preliminary Objections to the Complaint. For the reasons explained below, Laurel respectfully requests that the Complaint be dismissed in its entirety as against Laurel for lack of Commission jurisdiction pursuant to Section 5.101(a)(1) of the Commission's regulations, 52 Pa. Code § 5.101(a), and for legal insufficiency pursuant to Section 5.101(a)(4) of the Commission's regulations, 52 Pa. Code § 5.101(a)(4).

II. STANDARD OF REVIEW

- 11. Pursuant to the Commission's regulations, preliminary objections in response to a pleading may be filed on several grounds, including:
 - (1) Lack of Commission jurisdiction or improper service of the pleading initiating the proceeding.
 - (2) Failure of a pleading to conform to this chapter or the inclusion of scandalous or impertinent matter.
 - (3) Insufficient specificity of a pleading.
 - (4) Legal insufficiency of a pleading.

- (5) Lack of capacity to sue, nonjoinder of a necessary party or misjoinder of a cause of action.
- (6) Pendency of a prior proceeding or agreement for alternative dispute resolution.
- (7) Standing of a party to participate in the proceeding.52 Pa. Code § 5.101(a).
- 12. In ruling on preliminary objections, the Presiding Officer must accept as true all well-pled allegations of material facts as well as all inferences reasonably deducible therefrom. Stilp v. Cmwlth., 910 A.2d 775, 781 (Pa. Cmwlth. 2006) (citing Dep't of Gen. Serv. v. Bd. of Claims, 881 A.2d 14 (Pa. Cmwlth. 2005); accord Complaint of Nat'l Fuel Gas Distrib. Corp. and Petition for an Order to Show Cause, Docket No. P-00072343 (December 26, 2007). However, the Presiding Officer need not accept as true conclusions of law, unwarranted inferences from facts, argumentative allegations, or expressions of opinion. Stanton-Negley Drug Co. v. Dep't of Pub. Welfare, 927 A.2d 671, 673 (Pa. Cmwlth. 2007). For preliminary objections to be sustained, it must appear with certainty that the law will permit no recovery, and any doubt must be resolved in favor of the non-moving party. Stilp, at 781.

III. PRELIMINARY OBJECTION: THE COMMISSION LACKS JURISDICTION TO GRANT THE RELIEF REQUESTED

- A. <u>PRELIMINARY OBJECTION No. 1</u> The Commission Lacks Jurisdiction Over An Initiation Of Interstate Service That Does Not Involve The Abandonment of Intrastate Service.
- 13. Laurel incorporates by reference Paragraphs 1 through 12 as if fully set forth herein.
 - 14. Section 104 of the Public Utility Code states:

The provisions of this part, except when specifically so provided, shall not apply, or be construed to apply, to commerce with foreign nations, or among the several states, except insofar as the same

may be permitted under the provisions of the Constitution of the United States and the acts of Congress.

66 Pa. C.S. § 104.

15. The prior Laurel Application proceeding at Docket Nos. A-2016-2575829 and G-2017-2587567 confirmed that the Commission lacks jurisdiction over a pipeline's proposal to initiate interstate service, where intrastate service over the same facilities continues to be available. Judge Vero explained that the key fact in determining whether the Commission had jurisdiction over Laurel's previously proposed reversal was an "operational sequence" that Laurel would have to follow to effect the reversal. The *Recommended Decision* explained:

It is clear from the parties' respective Briefs that Laurel treats the present proceeding as the application of a pipeline that plans to enter interstate service, while the Indicated Parties view the case as the application of an intrastate pipeline to abandon a portion of its intrastate service to enter interstate service. In simplified terms, the former is a one-step process, whereas the latter is a two-step one. Stated differently, Laurel describes the content of the Application as essentially a change in service (from intrastate to interstate, from westward to eastward) whereas, the Indicated Parties see the application first and foremost as an abandonment of intrastate service for the prospect of offering interstate service. I find that the disposition of the federal preemption issue, as well as of other aspects of the present Application, relies on this distinction.

Recommended Decision, p. 50 (emphasis added).

16. The Commission expressly noted and adopted the above-quoted analysis in the *Final Order*, and explained:

The ALJ initially stated that Laurel describes the Application as a change in service, from intrastate to interstate, from westward to eastward. On the other hand, the Indicated Parties view the Application as an abandonment of intrastate service to offer interstate service. The ALJ also noted that Laurel is currently an intrastate pipeline operating within Pennsylvania and must reverse the flow of product over a portion of its pipeline located between Eldorado and Pittsburgh, Pennsylvania before it can provide interstate service. The ALJ observed that this operational fact can

guide the Commission on the disposition of the federal preemption issue and the overall disposition of Laurel's Application.

Given the applicable preemption law, we also find no merit in Laurel's argument that post-reversal, the service provided over the segment of Laurel between Midland and Eldorado, Pennsylvania will be interstate in nature, because this does not change the fact that the service Laurel proposes to abandon is currently intrastate service subject to our regulation and authority under Section 1102(a)(2) of the Code. Accordingly, we shall adopt the ALJ's decision on this issue and deny Laurel's Exceptions.

Final Order, pp. 20, 25 (emphasis added).

- 17. Laurel's proposed bidirectional service is a one-step process that does not abandon intrastate service, is consistent with the *Recommended Decision* and the *Final Order*, and is outside the scope of the Commission's jurisdiction under Section 104 of the Public Utility Code. 66 Pa. C.S. § 104. Under the bidirectional operation described in the PDO, Laurel is not abandoning westbound intrastate service before initiating eastbound interstate service.⁴
- 18. Complainants' allegations make clear that they seek Commission intervention and regulation of interstate service in violation of Section 104 of the Public Utility Code. Complainants repeatedly lament that the complained of actions by Laurel relate to the initiation of *interstate* service. See, e.g., Complaint, ¶ 1 ("...Laurel's recent proposal to operate the Laurel Pipeline bidirectionally, i.e., providing *intrastate* service from east to west along a portion of that pipeline while also proposing to provide *interstate* transportation service from west to east along the same segment of the pipeline...") (italics indicating emphasis in original) (underline indicating emphasis added)); Complaint, ¶ 2 ("This service interruption is...intended to facilitate *interstate west to east pipeline transportation service*..." (emphasis in original)).

⁴ Laurel's future provision of bidirectional service will also not violate the Public Utility Code because Laurel is not abandoning westbound intrastate service and because the Commission does not have jurisdiction over interstate service under Section 104.

- 19. Moreover, the Complainants admit that the proposed bidirectional service maintains existing westbound intrastate service. Complaint, ¶ 18 ("This new petroleum products service will allegedly involve an expansion of Buckeye's current interstate service from Midwestern origin points to central Pennsylvania and a conversion of the Laurel Pipeline into a bi-directional pipeline, which will continue offering east-to-west intrastate service while simultaneously offering new west-to-east interstate service as part of the proposed Buckeye-Laurel joint tariff movement.") (italics indicating emphasis in original) (underline indicating emphasis added).
- 20. Section 104 of the Public Utility Code, 66 Pa. C.S. § 104, precludes Commission regulation of the Revised Temporary Outage and initiation of bidirectional service because, as the Complainants concede, Laurel is initiating eastbound interstate service while maintaining westbound intrastate service.⁵
- 21. For the reasons explained above, the Commission lacks jurisdiction over the complained of initiation of bidirectional service. Therefore, the Complaint should be dismissed pursuant 52 Pa. Code § 5.101(a)(1).

IV. PRELIMINARY OBJECTION: THE COMPLAINT FAILS TO STATE A CAUSE OF ACTION AGAINST LAUREL

- A. <u>PRELIMINARY OBJECTION No. 2</u> The Complaint Fails to State a Claim Against Laurel Regarding The Initiation Of Bidirectional Service.
- 22. Laurel incorporates by reference Paragraphs 1 through 21 as if fully set forth herein.

Pursuant to England v. Louisiana State Board of Medical Examiners, 375 U.S. 411 (1964), Laurel reserves its right to seek adjudication of the following federal claims in federal court, should state tribunals hold against Laurel on questions of state law, including: (1) the ICA and PHMSA requirements preempt the Commission's ability to preclude Laurel from conducting hydrostatic testing required by federal law for the provision of interstate pipeline service; (2) the ICA preempts the Commission's ability to preclude Laurel from providing interstate pipeline service; and (3) a decision by the Commission that would effectively preclude Laurel from providing interstate pipeline service violates the dormant Commerce Clause of the United States Constitution and the ICA.

23. Section 701 of the Public Utility Code also makes clear that a complaint may only be filed once the complained of action or omission has occurred. It states:

The commission, or any person, corporation, or municipal corporation having an interest in the subject matter, or any public utility concerned, may complain in writing, setting forth any act or thing done or omitted to be done by any public utility in violation, or claimed violation, of any law which the commission has jurisdiction to administer, or of any regulation or order of the commission.

66 Pa. C.S. § 701 (emphasis added). The words "any act or thing done or omitted to be done" specifically refer to conduct (or a lack thereof) that has actually occurred.

- 24. The ripeness doctrine is a fundamental prerequisite for a court or administrative body to exercise judicial review and examine the merits of a case. Treski et al. v. Kemper National Insurance Companies, 674 A.2d 1106, 1113 (Pa. Super. 1996) (citing Richard v. Trimbur, 543 A.2d 116 (Pa. 1998)) see also Hovis v. National Fuel Gas Distribution Corporation, Docket No. C-2008-2035033, 2008 Pa. PUC 899, at *6 (Initial Decision dated Nov. 10, 2008), adopted without modification Docket No. C-2008-2035033 (Order entered Feb. 23, 2009) ("Hovis"). To be ripe, an actual case or controversy must exist. Treski, 674 A.2d at 113. "The basic rationale underlying the ripeness doctrine is 'to prevent the courts, through avoidance of premature adjudication, from entangling themselves in abstract disagreements." Philadelphia Entertainment & Development Partners v. City of Philadelphia, 594 Pa. 468, 480, 937 A.2d 385, 392 (Pa. 2007).
- 25. A complaint is properly dismissed where it seeks to prevent events that are speculated to occur in the future. See Hovis, at *6; see also Mid-Atlantic Power Supply Assoc. v. PECO Energy Company, Docket Nos. P-00981615, et al., 1999 Pa. PUC Lexis 23 (Recommended Decision dated Jan. 11, 1999) (finding that the amount of the competitive transition charge to be collected should be challenged when that amount is under review during

reconciliation), *modified on other grounds*, 1999 Pa. PUC LEXIS 30 (Opinion and Order entered May 19, 1999) ("*MAPSA*").

- 26. In *Hovis*, the Commission dismissed a complaint that opposed an alleged abandonment of service. *Hovis*, at *2. The administrative law judge dismissed the complaint because it was not ripe and explained that "[r]espondent has not yet filed an application for abandonment of the subject gas line and therefore, no case or controversy exists at this time." *Id.*, at *6. Indeed, the complaint was not ripe because no "act or thing done or omitted to be done" that allegedly violated the public utility code had occurred.
- 27. Similarly, in *MAPSA*, the administrative law judge rejected claims by the Mid-Atlantic Power Supply Association that PECO would over-collect its stranded cost recovery, through a proposed competitive transition charge. *MAPSA*, at *65-67. In rejecting these claims, the administrative law judge explained:

Not only is there the little matter of lacking evidence, there is the question of ripeness. It appears to me that any complaints as to the amount of CTC collected should be brought when that amount is under review in reconciliation. MAPSA is seeking to prevent events that it speculates will happen in the future, and so this controversy is not properly before the Commission.

Id., at *67 (emphasis added).

- 28. The Complainants allege, *inter alia*, that Laurel's future initiation of bidirectional service, *i.e.* commencing eastbound interstate service and not abandoning westbound intrastate service, will violate the Public Utility Code.
- 29. More specifically, Complainants "believe that their existing east to west intrastate petroleum products service under the bidirectional proposal will be impaired" and ground Count No. 2 of the Complaint, at least in part, in this allegation. See Complaint, ¶ 42 (emphasis added).
 - 30. Complainants' claims regarding the initiation of bidirectional service are not ripe.

- 31. Laurel does not currently provide bidirectional—*i.e.* both westbound intrastate and eastbound interstate service—service.
- 32. Indeed, as noted above, Complainants admit that their claims specifically relate to a future event and speculative harms. *See* Complaint, \P 42 (indicating their "belief" that their service "will be impaired" by some future event).
- 33. No "act or thing done or omitted to be done" amounting to an alleged violation of the Public Utility Code has actually occurred. Therefore, as in *Hovis*, "no case or controversy exists at this time" with respect to the provision of bidirectional service on Laurel's pipeline system. *See Hovis*, at *6.
- 34. Moreover, as the initiation of bidirectional service constitutes a future event, the Complaint seeks to prevent an event and alleged harms that "it speculates will happen in the future" and, therefore, is not properly before the Commission at this time. *See MAPSA*, at *67.
- 35. Importantly, Complainants have a remedy in the event that Laurel's future provision of bidirectional service is unreasonable: they may file a formal complaint after Laurel initiates bidirectional service. Complainants' claim that Laurel's provision of bidirectional service will violate the Public Utility Code is simply premature.
- 36. For the reasons explained above, the Complainants have failed to state a claim regarding the initiation of bidirectional service, for which the requested relief can be granted. Therefore, the Complaint should be dismissed pursuant 52 Pa. Code § 5.101(a)(4).
 - B. <u>PRELIMINARY OBJECTION No. 3</u> The Complaint Against Laurel Regarding The Temporary Outage That Was Scheduled To Commence August 17, 2018, Is Moot.
- 37. Laurel incorporates by reference Paragraphs 1 through 36 as if fully set forth herein.

38. As noted above, Laurel and the Complainants entered into a Settlement that resolved certain issues related to the Petition for Interim Emergency Relief at Docket No. P-2018-3003368.

39. Paragraph 2 of the Settlement provides that:

Buckeye and/or Laurel will not take any line outage to conduct the proposed hydrostatic testing prior to September 15, 2018, and will not take any line outage to conduct the proposed hydrostatic testing during any subsequent summer (June 1-September 15) period. Buckeye and Laurel agree to use commercially reasonable efforts to complete the proposed hydrostatic testing in thirteen (13) days. In the event that Buckeye and Laurel are not able to complete the proposed hydrostatic testing in thirteen (13) days, they will advise the Petitioners and provide an estimate of when the proposed hydrostatic testing will be completed.

40. Paragraph 5 of the Settlement provides that:

Petitioners[6] in the above-captioned emergency proceeding agree to withdraw their Petition and not file or support directly or indirectly another judicial or Pennsylvania Public Utility Commission petition seeking to prevent or delay the line outage to conduct the proposed hydrostatic testing.

- 41. Count No. 1 of the Complaint is directly related to the temporary outage that was scheduled to take place during the summer, specifically commencing on August 17, 2018. *See* Complaint, ¶¶ 33-38.
- 42. Count No. 2 of the Complaint is also related to the temporary outage that was scheduled to take place during the summer, specifically commencing on August 17, 2018. *See* Complaint, ¶ 43 (roman numerates (ii) and (iii) specifically claiming harms related to the scheduled outage).
- 43. Pursuant to the Settlement, Laurel has agreed that the outage will not commence prior to September 15, 2018, that it will use commercially reasonable efforts to complete the

⁶ The Complainants in the above-captioned proceeding.

hydrostatic testing and maintenance activities within thirteen days, and that if it is not able to complete these activities in thirteen days, it will advise the Complainants and provide an estimated time of completion.⁷ The Complainants have also agreed in the Settlement not to prevent or further delay the line outage to conduct the proposed hydrostatic testing.

44. For the reasons explained above, the relief requested in the Complaint with respect to the temporary outage that was scheduled for August 17, 2018, is moot. Therefore, the Complaint should be dismissed pursuant 52 Pa. Code § 5.101(a)(4).

⁷ Laurel also notes that, to the extent that any allegations or issues raised in the Complaint are applicable to future, possible temporary outages on the Laurel pipeline, those claims are not ripe in addition to being moot. Any temporary outage that occurs will take place on or after September 15, 2018. Clearly, such an outage is a "future event." As explained above, a future event does not constitute "act or thing done or omitted to be done" and, therefore, does not constitute an actual case or controversy. See Hovis, at *6; see also MAPSA, at *67.

V. <u>CONCLUSION</u>

WHEREFORE, Laurel Pipe Line Company, L.P. respectfully requests that the Complaint

be dismissed in its entirety and with prejudice.

Christopher J. Barr, Esquire (DC ID #375372) Jessica R. Rogers, Esquire (PA ID #309842)

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