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December 4, 2017

**Via Hand Delivery**

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
PO Box 3265  
Harrisburg, PA 17105-3265

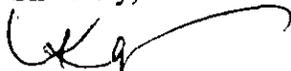
Re: Application of Laurel Pipeline Company, L.P. for All Necessary Authority,  
Approvals, and Certificates of Public Convenience to Change the Direction of  
Petroleum Products Transportation Service to Delivery Points West of Eldorado,  
Pennsylvania, Docket No. A-2016-2575829

Laurel Pipe Line Company, L.P. – Pipeline Capacity Agreement with Buckeye Pipe Line  
Company, L.P., Docket No. G-2017-2587567

Dear Secretary Chiavetta:

On behalf of Husky Marketing and Supply Company enclosed for filing please find its Main Brief with regard to the above referenced matter. Please note the Main Brief contains Highly Confidential information and should be handled accordingly. I have also provided a Public Version of the Main Brief. Hard copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Karen O. Moury  
KOM/lww

Enclosure

cc: Hon. Eranda Vero w/enc.  
Cert. of Service w/enc.

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Laurel Pipe Line Company, :  
 L.P. for All Necessary Authority, :  
 Approvals, and Certificates of Public : Docket No. A-2016-2575829  
 Convenience To Change the Direction of :  
 Petroleum Products Transportation Service :  
 to Delivery Points West of Eldorado, :  
 Pennsylvania :  
 :  
 :  
 Laurel Pipe Line Company, L.P. - Pipeline : Docket No. G-2017-2587567  
 Capacity Agreement with Buckeye Pipe :  
 Line Company, L.P. :

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**MAIN BRIEF OF  
HUSKY MARKETING AND SUPPLY COMPANY**

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**PUBLIC VERSION**

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Dated: December 4, 2017

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Husky Supply and Marketing Company

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## I. INTRODUCTION

Husky Marketing and Supply Company ("HMSC") supports the Application of Laurel Pipeline Company, L.P. ("Laurel"), which is responsive to market forces and would enable the movement of competitively-priced refined petroleum products from refineries in the Midwestern United States ("Midwest") to consumers in Western and Central Pennsylvania. Laurel's proposed reversal of a segment of its pipeline in Pennsylvania is a market-driven solution to disruptive changes taking place in the petroleum products industry. These events include growing access by Midwest refineries to abundant, cost advantaged crude supply; the declining volumes of products being transported from the East, with supply and demand dynamics pushing Midwest products eastward; and the continued investments in Midwest refineries, contrasted with the closure of and lack of investment in East Coast refineries.

Importantly, the market-based solution proposed by Laurel provides an opportunity for Pennsylvania consumers to benefit at the gasoline pumps from lower-priced crude oil that is available to Midwest refineries. As a marketer, HMSC is a consistent low poster of rack prices for significant volumes of gasoline shipped from the Midwest into Pittsburgh and has made long-term commitments to shipping cost-advantaged petroleum products from the Midwest refineries into Western and Central Pennsylvania. Under widely accepted economic theories of supply and demand, enhanced access to lower-cost Midwest supplies by the Pittsburgh area would cause consumer prices to fall.

HMSC respectfully requests that the Pennsylvania Public Utility Commission ("Commission" or "PUC"), permit Laurel — either by declaring that no certificate of public convenience is required by Laurel or by granting a certificate of public convenience to Laurel — to reverse flow on part of Laurel's pipeline system as described in Laurel's Application. In doing so, the Commission would be allowing the petroleum products market to function in a manner that

is consistent with this Commission's efforts to facilitate the development of robust competition in the energy and transportation industries. As stated by the HMSC witness, Jerome P. Miller, during this proceeding, HMSC is not trying to use legal maneuvers to block competitors from participating in the market or seeking a political solution to protect its business interests. To the contrary, HMSC simply wants to compete in the market on its merits and is investing millions of dollars in the market to enable it to do so.

## **II. STATEMENT OF THE QUESTIONS INVOLVED**

- A. Whether And What PUC Approvals Are Required And Within The Commission's Regulatory Jurisdiction.

*Suggested Answer:* No.

- B. Assuming PUC Approval Is Required And Within Its Jurisdiction, Whether The Proposed Reversal Is Necessary Or Proper For The Convenience, Accommodation Or Safety Of The Public And Therefore Is In The Public Interest.

*Suggested Answer:* Yes.

- C. Whether The Proposed Capacity Use Agreement Is Reasonable, And In The Public Interest.

*Suggested Answer:* Yes.

## **III. PROCEDURAL HISTORY**

HMSC incorporates Section III of Laurel's Main Brief.

## **IV. STATEMENT OF FACTS**

HMSC incorporates Section IV of Laurel's Main Brief. In addition, HMSC emphasizes the following facts: HMSC is the ultimate subsidiary of Husky Energy, Inc. ("Husky"), which is one of Canada's largest integrated energy companies and is headquartered in Calgary, Alberta. HMSC St. 1-R at 3. Husky operates in Canada, the United States and the Asia Pacific Region with Upstream and Downstream business segments. HMSC St. 1-R at 3. In Canada, Husky's retail distribution network includes the wholesale, commercial and retail marketing of refined petroleum products. HMSC St. 1-R at 3.

Husky is a leading integrated refiner and marketer of petroleum products. HMSC St. 1-R at 4. Husky has the largest refining capacity in the state of Ohio with its 100 percent ownership of the Lima Refinery, located in Lima, Ohio (the "Lima Refinery") and its 50 percent ownership interest in the Husky-BP Toledo Refinery (a 50:50 joint venture with partner BP Products North America), located in Toledo, Ohio (the "Toledo Refinery") (the Lima Refinery and the Toledo Refinery collectively referred to as the "Refineries"). HMSC St. 1-R at 3-4. More recently, Husky also acquired a refinery in Superior, Wisconsin. Tr. 1176. Husky sources the crude oil that supplies these refineries from Canadian and domestic United States sources, with approximately 70 percent being domestic supply. While Husky also has the capability to source foreign supply, the price difference between West Texas Intermediate ("WTI") and Brent crude oils make it non-economic for Husky to source the foreign-based Brent Crude. Tr. 1176-1177.

Headquartered in the United States, HMSC sells refined products from the Refineries across the Midwest with distribution outlets in Ohio, Indiana, Michigan and Pennsylvania. HMSC St. 1-R at 4, 5. As a fuel marketer in Western Pennsylvania, HMSC supplies significant volumes of gasoline to Pittsburgh, including the current summer product specification of 7.8 psi Reid Vapor Pressure ("RVP") gasoline for the seven counties in the Pittsburgh area (Allegheny, Armstrong, Beaver, Butler, Fayette, Washington, and Westmoreland). HMSC St. 1-R at 4. Because similar low-RVP requirements have existed in Detroit, Cincinnati and Dayton metropolitan areas, the Refineries have produced fuel meeting these specifications in prior years. HMSC St. 1-R at 4. The Refineries are capable of producing gasoline that meets the low-RVP specification for Western Pennsylvania and other remaining low-RVP areas. HMSC St. 1-R at 4.

Long-developing changes in crude petroleum supplies for refineries and the petroleum products market have generally increased the volumes and decreased the relative price of

Midwestern product supplies. *See* HMSC St. 1-R at 6-7, 8. Through its proposal (known as “Broadway II” or the “Laurel reversal”) to reverse flow on part of the Western Pennsylvania portion of its pipeline system, Laurel would allow petroleum products to move in an eastbound direction from Pittsburgh to the Altoona destination point known as “Eldorado.” *See* HMSC St. 1-R at 2-3, 6, 8, 9. Eldorado, which is close to Altoona as a destination, would have service from both the east and west. HMSC St. 1-R at 2; Tr. 1179-1180. However, that destination is also important for areas in Central Pennsylvania. Because of geography and mountains, a corridor exists that allows product to move by truck from Eldorado up to Williamsport, Pennsylvania, and all the way down into West Virginia and Frederick, Maryland. Tr. 1180. In addition, HMSC would be able to supply product by truck to points east of Altoona, including Harrisburg. Tr. 1208.

HMSC has entered into various transportation services agreements (some with minimum committed volumes) to move products from its refineries into various markets, including markets in Pennsylvania. HMSC St. 1-R at 5. To this extent, HMSC has entered into a ten-year transportation services agreement (“TSA”) with Laurel to move refined products on the segment of pipeline that is the subject of the Application. Through this investment, HMSC has demonstrated a long-term commitment to the region that is impacted by the Application. HMSC St. 1-R at 5. As stated by HMSC witness Miller: “We want to compete.” Tr. 1255.

**V. BURDEN OF PROOF**

HMSC incorporates Section V of Laurel’s Main Brief.

**VI. SUMMARY OF ARGUMENT**

Laurel’s proposal to reverse the direction in which petroleum products flow on a segment of its Pennsylvania pipeline does not require Commission approval. Under the clear terms of Laurel’s certificate of public convenience, no limitations exist regarding the direction for transporting supply. Moreover, Laurel’s partial reversal would not result in an abandonment of

service to any end users of petroleum products. Therefore, Laurel should be permitted the desired flexibility to change the direction in which products flow on its asset in response to market forces and existing economic conditions.

The East Coast refineries are shipping declining volumes on this portion of the pipeline, while Midwest refineries have been moving higher volumes of products into Pittsburgh and have expressed a strong desire to expand into Central Pennsylvania. HMSC is among the shippers who made a binding commitment for the reversal of a portion of the Laurel pipeline to facilitate the transportation of refined petroleum products from Pittsburgh to Central Pennsylvania, in response to the open season hosted by Buckeye Partners, L.P. in October 2016. Specifically, HMSC is committed under the TSA to shipping a certain number of barrels of refined products under the segment of the pipeline that is the subject of the Application.

Regulatory approval and the attendant protracted litigation for pipeline reversals would unnecessarily constrain Pennsylvania's energy infrastructure. Deferring to the market to determine the appropriate direction in which products should flow on Laurel's pipeline would be consistent with the Commission's stated policies for the electric, natural gas and transportation industries. The Commission has expressly recognized the importance of facilitating competition and free markets, which ultimately benefit consumers.

To the extent that the Commission finds that regulatory approval is required, it should apply the general public benefits test and conclude that the proposed reversal of the Laurel pipeline is in the public interest since it would enable the movement of competitively-priced refined products (including low RVP gasoline) from Midwest refineries to consumers in Western and Central Pennsylvania. Through Laurel's project, HMSC would be able to compete in this market that stands to benefit from a situation where refiners in the Midwest have gained access to an abundance

of lower-priced crude petroleum supplies, which have allowed for expansion of the petroleum products market and decreased the relative price of Midwestern products. Under widely accepted economic theories of supply and demand, enhancing access to lower-cost Midwest supply into the Pittsburgh area is expected to place downward pressure on consumer prices.

## **VII. ARGUMENT**

### **A. Whether PUC Approval Is Required For The Reversal.**

HMSC agrees with Laurel that Commission approval is not required for the reversal of the segment of pipeline between Pittsburgh and Eldorado. Laurel merely desires flexibility to change the direction in which petroleum products flow over its asset in order to respond to market conditions. As nothing in Laurel's certificate of public convenience requires it to provide transportation services in a particular direction, and Laurel's proposal will not result in any abandonment of service to any end users of petroleum products, market conditions rather than regulatory approval should govern Laurel's business decision for how to best use its asset.

1. Nothing in the certificate of public convenience specifies the direction in which products must flow.

Importantly, nothing in Laurel's certificate of public convenience issued in 1957 specifies the direction in which petroleum products must flow or limits Laurel from using its asset in a way that is consistent with current economic conditions. Laurel St. 9-R at 4-5. Under the express terms of the certificate, Laurel is authorized to provide petroleum products transportation service "in and across" Pennsylvania and is certificated to operate in either direction. Although the Commission may impose conditions on certificates that limit the scope of the service, Laurel's certificate does not contain a condition requiring Laurel to provide transportation services solely from east to west. Laurel St. 9-RJ at 2. Had the Commission desired to limit Laurel to providing transportation

services in only one direction, it could have done so by imposing this condition.<sup>1</sup> However, it did not do so. Therefore, the Indicated Parties' attempts to use extraneous documents to imply a condition in Laurel's 1957 certificate that is not explicitly imposed by the certificate is incorrect and should be rejected. *See* Indicated Parties St. 3 at 5-7.

If the Commission accepts the Indicated Parties' arguments concerning implied limitations on the ability of Laurel to change the direction in which products flow on its pipeline, the result is that the public would not be able to readily determine the scope of a utility's certificated authority by examining the certificate of public convenience. It should not be necessary, as suggested by the Indicated Parties, for the public to review the utility's application, the entire record in the proceeding and the Commission's certificate order to determine if any limitations or conditions on service exist. Laurel St. 9-RJ at 3. Rather, any interested party should be able to review the utility's certificate to determine if the Commission has imposed any limits or conditions on service. Here, a review of the plain language of Laurel's certificate supports the conclusion that no restrictions or conditions were imposed concerning the direction in which products must flow, and Commission approval to reverse that direction is therefore not necessary. Laurel St. 1 at 6-7.

2. Laurel is not proposing to stop any product delivery service.

Moreover, as explained by Laurel witness Glen R. Thomas, Laurel is not proposing to stop any product delivery service on the pipeline. Customers will still be able to ship product on the pipeline under tariffed rates and no delivery points will be eliminated. Laurel St. 9-R at 3. Laurel, like most other oil pipelines, does not provide service to end use customers. Petroleum products are delivered to terminal facilities and then transported to end users by truck. As a result, Laurel's proposed change in direction of service will not result in any change or abandonment of service to

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<sup>1</sup> *See Application of Interstate Energy Company*, Docket No. 97032, 1973 Pa. PUC LEXIS 74 (Order entered February 6, 1973) (Commission imposed condition limiting the use of the public utility's certificated service).

any end users of petroleum products. Nor will it result in any abandonment of service to any terminal facility or to any origin point. An electric or gas utility that changes the direction that a commodity flows over its facilities would not be required to seek abandonment approval. An oil pipeline should be treated no differently. Laurel St. 9-RJ at 4-5.

3. The reversal is responsive to market conditions, which should drive the business decision concerning the use of Laurel's asset.

Absent any legal need for regulatory approval for the reversal, market conditions should drive the business decision concerning the use of Laurel's asset. As Laurel witness Thomas explained, "Laurel is seeking approval to allow flows in either direction without Commission approval every time economic conditions dictate a change in flow...this flexibility in the pipeline infrastructure represents an important energy policy for Pennsylvania that the Commission should embrace." Laurel St. 9-R at 5. He added that "[c]onstraining Pennsylvania's energy infrastructure with regulatory approvals that are not legally required is the antithesis of the policy that the Commission should be promoting right now." Laurel St. 9-R at 10. To interpret Laurel's certificate as requiring Commission approval and all the attendant litigation in order to change the flow of a pipeline "is exactly the wrong message and the wrong policy." *Id.* To the contrary, "[t]he Commission should be building a rock solid foundation for a world class energy industry. Flexible pipeline infrastructure is indeed the keystone to that foundation." Laurel St. 9-R at 10.

Laurel witness Thomas also correctly observed that a flow reversal should not be considered a permanent change. Economic conditions can change and pipelines should be able to respond accordingly. As in the case with Laurel, current economic conditions are dictating that product should be flowing from west to east on a segment of the pipeline. If and when economic conditions favor east to west shipping on Laurel, it is reasonable to expect Laurel to be an economically rational actor and resume east to west shipping. Laurel St. 9-R at 10.

Notably, if the Commission finds that its approval is unnecessary for pipeline flow reversals, Laurel would be able to change the direction of this segment of the pipeline again in the future, thereby removing the opportunity for HMSC to utilize the pipeline to Altoona for delivering products to Western and Central Pennsylvania. Notwithstanding the possible adverse effect of such a future reversal on HMSC's business interests, HMSC witness Miller stressed the importance of competition in this industry. Specifically, he described the reversal as being responsive to evolving market conditions and demand across the region, particularly with large price differentials between WTI crude and Brent crudes. Tr. 1179, 1245-1246, 1254. He further explained that "the Laurel reversal provides a market solution to the fact that Midwest refineries have lower price feedstock costs, which represent our largest cost to operate," and the huge investments in refineries in the Midwest compared to the closures that have occurred on the East Coast. Tr. 1249-1250.

Under existing economic conditions, the volumes shipped from the East Coast refineries to Pittsburgh on the Laurel pipeline "exhibit a clear downward trend consistent with broad market forces." Laurel St. 5-RJ at 2. This decline is "not surprising since Midwestern refiners produce product at a lower cost, which will necessarily reduce the desire to transport refined product from the East. As these lower cost suppliers push out higher cost suppliers, this will bring lower prices to the consumers of Pennsylvania." Laurel St. 5-RJ at 3. The commercial basis for the Broadway II project that comprises the proposed reversal is that "these supply and demand dynamics are pushing Midwest production eastward, displacing East Coast production in Western and Central Pennsylvania." Laurel St. 5-RJ at 7. Rather than succumbing to the pleas of special interests to pick winners, "the Commission should seek to facilitate the flow of petroleum products in a manner

that complements and coordinates market forces that naturally bring goods and services to their highest and best use in society.” Laurel St. 5-RJ at 24.

In support of allowing the market to dictate the flow of products on Laurel’s pipeline, Laurel witness Thomas noted the key fundamental differences between Laurel and traditional fixed utilities. Whereas traditional fixed utilities are granted a monopoly service territory, Laurel does not enjoy any monopoly status. Further, while traditional fixed utilities provide service directly to end-use customers, Laurel does not. Additionally, contrasted with Laurel that faces significant competition for alternative petroleum products transportation methods, traditional fixed utilities are insulated from competition (at least for distribution services). Laurel St. 9-RJ at 6. All of these differences, particularly the fact that Laurel is not insulated from competitive forces by virtue of holding a certificate of public convenience, weigh in favor of Laurel having the flexibility to use its asset in a way that is consistent with its certificate and is responsive to market conditions.

Indeed, the Commission has recognized that when differences exist between fixed utilities, different regulatory outcomes are warranted. For instance, the Commission has recognized these differences in establishing main extension policies.<sup>2</sup> Similarly, the Commission has distinguished between natural gas and water services in setting rates for gas customers who have readily available competitive alternatives, as compared to water service being a basic human need without alternatives.<sup>3</sup> As Laurel witness Thomas observed, “[a]s is the case for natural gas consumers, petroleum products shippers (whether they be wholesalers, retailers or marketers) and consumers have numerous alternatives to transport and/or access petroleum products supplies.” Laurel St. 9-

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<sup>2</sup> See, e.g., *Re Line Extensions*, Docket No. L-930089, 1996 Pa. PUC LEXIS 162, at \*8-11 (Order entered October 7, 1996); *Investigation into the Bypass of Gas Utilities by Gas Suppliers*, Docket No. I-880078, 1988 Pa. PUC LEXIS 139, at \*3 (Order entered February 25, 1988).

<sup>3</sup> See, e.g., *Pa. PUC, Office of Consumer Advocate, Office of Small Business Advocate v. Columbia Gas of Pennsylvania, Inc.*, Docket Nos. R-2014-2407345, C-2014-2410197, C-2014-2415136, 2014 Pa. PUC LEXIS 691, at \*28-32 (Order entered October 23, 2014).

RJ at 7. Since Laurel faces significant competition from these alternatives to transport petroleum products in and across Pennsylvania, “it is entirely appropriate for this Commission to recognize that oil pipeline companies, such as Laurel, should not be regulated under the same standards applicable to fundamentally different fixed utilities.” Laurel St. 9-RJ at 7-8.

Moreover, the notion of allowing the competitive market to drive business decisions made by entities subject to Commission oversight is consistent with the Commission’s stated policies for the electric, natural gas and transportation industries. The Commission has expressly recognized the importance of facilitating competition and free markets, which ultimately benefit consumers.<sup>4</sup> Aligned with the Commission’s views regarding reliance on competitive markets to deliver benefits to consumers, HMSC witness Miller emphasized a desire to compete. He explained that HMSC is not seeking a legal maneuver to avoid competition or requesting a political solution to preserve its ability to cost-effectively supply petroleum products. He said simply: “We want to compete on our merits, and we’re investing to do that.” Tr. 1255.

The Commission should follow the precedent it has established in the transportation and energy industries and rely on market forces to determine the direction in which petroleum products flow on a pipeline. Particularly when Laurel’s certificate of public convenience does not specify a particular direction in which products must flow and no end users of petroleum products would lose access to those products, it is appropriate to defer to the competitive market in matters involving the use of this Laurel asset. Notably, the repurposing of pipeline is common in the industry to respond to underutilization or other market forces. See HMSC Ex. JPM-4 at 9.

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<sup>4</sup> See *Final Rulemaking Amending 52 Pa. Code Chapters 1, 3, 4, 23 and 29 to Reduce Barriers to Entry for Passenger Motor Carriers*, Docket No. L-2015-2507592 (Order entered October 27, 2016); *Natural Gas Retail Markets Investigation*, Docket No. I-2013-2381742 (Order entered December 18, 2014); *Electric Retail Markets Investigation*, Docket No. I-2011-2237952 (Order entered February 15, 2013).

**B. If PUC Approval Is Required, What Standard Should Apply In Determining Whether The Reversal Is In The Public Interest?**

If the Commission determines that its approval is required for Laurel to change the direction of product flow on its asset in response to changing market conditions and the current economic environment, the appropriate standard to apply is a general public benefits test rather than a traditional abandonment analysis.<sup>5</sup> Even though the *Sunoco* case involved an actual abandonment as the transportation of gasoline was ending, unlike Laurel's application in this case, the Commission did not apply the traditional abandonment analysis that is used in natural gas, electric and water utility proceedings. When certificates are granted to natural gas, electric and water utilities, they specify well-defined geographic service territories. In exchange for obtaining an exclusive service territory, the utility agrees to provide service to all who can economically be provided service (and correspondingly not to abandon that service without prior Commission approval) and to charge for service under tariff rates. Laurel St. 9-R at 5-6.

By contrast, common carriers like Laurel are subject to competition from alternative means of transportation and are not required to provide service to specific customers. Consumers may choose among competing common carriers. As explained by Laurel witness Thomas, customers are not assigned to a specific common carrier and no customer is entitled to service from a specific common carrier. Laurel St. 9-R at 6. Laurel has no certificated monopoly service territory and is open to competing means of moving petroleum. Laurel St. 9-R at 7. Indeed, Buckeye or another carrier could build a new pipeline to feed into Pittsburgh from the East, North and/or South. Therefore, the appropriate standard of review is one that recognizes the nature of common carrier service and applies a general public benefits test as the Commission did in the *Sunoco* decision.

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<sup>5</sup> See *Application of Sunoco Pipeline, L.P.*, Docket Nos. A-2013-2371789, P-2013-2371775 (Order entered August 29, 2013).

**C. Whether The Proposed Reversal Is Necessary Or Proper For The Convenience, Accommodation Or Safety Of The Public And Therefore Is In The Public Interest.**

1. What are the Alleged Benefits of the Proposed Reversal?

a. *Increased Utilization of Laurel's Pipeline between Eldorado and Pittsburgh.*

**The industry is seeing a continuing trend of large volumes of product movements from the Midwest to the East, with the expectation that they will continue to be price-advantaged and competitive.** HMSC St. 1-R at 8; Laurel St. No. 1 at 17. HMSC views Broadway II as a market-driven solution to the disruptive changes taking place in market. Tr. 1179. These events include growing access by Midwest refineries to abundant, cost advantaged crude supply; the declining volumes of products being transported from the East, with supply and demand dynamics pushing Midwest products eastward; and the continued investments in Midwest refineries, contrasted with the closure of and lack of investment in East Coast refineries. HMSC Ex. JPM-4 at 1; Laurel St. 7-RJ at 2-3, 7, 17; HMSC Ex. JPM-3 at 11; HMSC St. 1-RJ at 5-9; Tr. 1249-1250. In particular, HMSC has pointed to the lower cost of WTI crude, which is currently \$6.76 cheaper per barrel than Brent crude sourced by the East Coast refineries, and has described this differential as a main driver of its commitment and future economic conditions. Tr. 1254.

Shippers have expressed a strong desire to move what are projected to be generally lower-priced petroleum products from the Midwest into Pennsylvania. HMSC St. 1-R at 6, 9; Laurel St. No. 1 at 16. In fact, Buckeye received sufficient binding commitments from several shippers, which includes the commitment made by HMSC, to move forward with Broadway II. HMSC St. 1-R at 7; Laurel St. No. 2 at 9-10. Over the last two years, most notably with the opening of Sunoco's Allegheny Access pipeline in late 2015, the movement of Midwest supply into Pittsburgh has increased substantially. HMSC St. 1-RJ at 10. Specifically, recent expansions have allowed consumers in Pittsburgh to access approximately 207,000 barrels per day of Midwestern supply

via a combination of Marathon's pipeline which has a capacity of 32,000 barrels per day, Sunoco's Allegheny Access pipeline which has a capacity of 85,000 barrels per day, and Buckeye's pipeline, including the Broadway I expansion, which has a capacity of 90,000 barrels per day. HMSC St. 1-R at 6, 7; Laurel St. No. 5 at 17. Indeed, 18 months after Allegheny Access came on line, 65 percent of the volume of the East Coast refineries shipped into Pittsburgh was replaced with supply from Midwest refineries. Tr. 1249. During that time, East Coast supply has dropped from 100,000 to 40,000 barrels per day. HMSC St. 1-RJ at 10. HMSC witness Miller described these trends as "compelling," noting his expectation they will continue as the market rationalizes. *Id*; Tr. 1254.

**Those trends and HMSC's expectation is being backed by significant investment by HMSC so that it can compete.** As explained by Mr. Miller, HMSC made a commitment to the Sunoco Allegheny Access pipeline in the amount of *BEGIN HIGHLY CONFIDENTIAL* [REDACTED] *END HIGHLY CONFIDENTIAL* in transportation costs over a ten year period. Tr. 1198. On top of that investment is the *BEGIN HIGHLY CONFIDENTIAL* [REDACTED] *END HIGHLY CONFIDENTIAL* commitment in transportation costs over a ten year period to the Laurel reversal. Tr. 1198. Further, HMSC recognizes the need to secure its place in the competitive market, which is why Husky is investing hundreds of millions of dollars in the Lima Refinery to make it more modern and more efficient. Tr. 1246, 1248. In short, HMSC witness Miller testified that with these commitments, HMSC is "putting our money where our mouth is." Tr. 1254.

It is also noteworthy that contrary to the huge amounts of investments in the refineries in the Midwest, a number of East Coast refineries have closed and continue to struggle. HMSC's witness has not observed any efforts underway by the East Coast refineries to make themselves more efficient or to sustain themselves for the future. Explaining that refining is a very difficult industry involving high temperatures, high pressures and high volumes, which cause equipment to

wear out quickly, Mr. Miller also stressed the importance of access to lower price feedstock costs to a refinery's ability to successfully compete in the market. Tr. 1249-1250. *See also* HMSC Ex. JPM-3 at 11; HMSC Ex. JPM-4 at 3-5.

**With these investments made, Broadway II would enhance HMSC's ability to compete in Western Pennsylvania and would give it an opportunity to compete in Central Pennsylvania.** Importantly, HMSC's ability to sell product in any market includes not only the pipeline, but what can be put through the terminals. Tr. 1181. Customers may want to go to certain terminals, and may not want to go to other terminals for various reasons, such as the location and/or size of the terminal. Tr. 1181. With Broadway II, HMSC would have another pipeline into the Pittsburgh market, and it would also have a much better terminal set where the terminals are larger and in a better location for customers to access. Tr. 1181-1182. Specifically, Broadway II would double HMSC's terminal count and enhance its ability to service Western Pennsylvania. Tr. 1182. Further, by affording pipeline access to Altoona, Broadway II would enable HMSC to sell product in other points of Central Pennsylvania, including by truck from Altoona to Harrisburg. Tr. 1208.

**Beyond Broadway II, those trends are expected to continue.** For example, in March 2017, Wolverine Pipe Line Company ("Wolverine") announced that the new Detroit Metro Access Pipeline ("DMAP") is in service. HMSC St. 1-R at 7. That pipeline originates near Chicago and travels across the state of Michigan to Detroit, and allows refineries in Illinois, Indiana and Michigan with 828,040 barrels per day of crude refining capacity to connect to a source point of the Broadway II Pipeline project. HMSC St. 1-R at 8; HMSC St. 1-RJ at 5; Tr. 1183. This enhanced access to products produced by these refineries will increase the flow capabilities from the Midwest to Western and Central Pennsylvania. HMSC St. 1-R at 8; HMSC St. 1-RJ at 5. Midwest refiners are in the Pittsburgh market now, and HMSC simply wants a fair opportunity to

expand its presence in this market and into Central Pennsylvania to provide products the market is demanding. HMSC St. 1-R at 9-10; HMSC St. 1-RJ at 14; Tr. 1249, 1255.

*b. Increased Supply of Refined Products from the Midwest to Pennsylvania*

**The Midwest refineries would be a reliable and adequate source of petroleum products for Western and Central Pennsylvania.** HMSC St. 1-R at 7-9; HMSC St. 1-RJ at 3. The overall capacity and utilization of the Midwest refineries are increasing. HMSC St. 1-RJ at 5. In fact, two studies prepared for the U.S. Energy Information Administration demonstrate that from 2005 to 2015, Midwest refinery and capacity production, coupled with stagnant to declining demand, have made the region more self-sufficient and less reliant on supply from the Gulf Coast, while the East Coast is largely dependent on supply from the Gulf Coast. HMSC St. 1-RJ at 5-6, 8-9. The first study, “East Coast and Gulf Coast Transportation Fuels Markets,” which reviews Petroleum Administration for Defense District (“PADD”) 1, is HMSC Exhibit JPM-3 (“PADD 1 Study”). The second study, “Midwest and Rocky Mountain Transportation Fuels Markets,” which reviews PADD 2, is HMSC Exhibit JPM-4 (“PADD 2 Study”).

In explaining these trends, the PADD 2 Study notes that “the development of Canadian oil sands crude and the emergence of light, tight crude oil in the United States have provided” Midwest refineries “with access to abundant, cost-advantaged crude supply, providing opportunities to optimize crude slates and expand refinery capacity and utilization.” HMSC Ex. JPM-4 at 1. The PADD 2 Study specifically shows that from 2005 to 2015, refining capacity in the Midwest increased by 323,000 barrels per day, or 9%, and in-region supply has accounted for 84% of the demand, which is an increase of 15%. HMSC St. 1-RJ at 5. As these trends are driven by the proximity of the Midwest to increasing cost-advantaged crude streams from Bakken production

and Western Canada, HMSC witness Miller expects that they will continue over the years and the Midwest region will become balanced to long. HMSC St. 1-RJ at 6; HMSC Ex. JPM-4 at xii.

**The Midwest refineries have the ability to produce millions of barrels of petroleum products.** HMSC St. 1-R at 8-9; Laurel St. 5 at 15-16. A significant number of complex refineries are located in the Midwest, which are connected to a large number of crude oil sources through various pipeline systems. HMSC St. 1-R at 7. As concluded by the PADD 2 Study, “[r]efining capacity and transportation fuels production in the Midwest...have expanded significantly over the past decade, driven by access to cost-advantaged North American crude streams.” HMSC Ex. JPM-4 at xv. Further, refinery capacity in the Midwest is anticipated to remain constant or increase. HMSC St. 1-R at 7; HMSC St. 1-RJ at 7-8; HMSC Ex. JPM-4. The Midwest refineries are not at risk for supply disruptions due to two large diameter pipelines that transport petroleum products from the United States Gulf Coast to the Midwest. *See* HMSC St. 1-R at 7; HMSC Ex. JPM-4 at xv. Once Broadway II is complete, all of the Midwest refineries — including HMSC’s Refineries — can supply petroleum products to the Western and Central Pennsylvania regions. HMSC St. 1-R at 8-9.

In contrast to the Midwest, East Coast refinery production decreased from 1.7 million barrels per day to 1.3 million barrels per day from 2005 to 2015, and East Coast refinery production accounts for only 20% of the total demand in the region. HMSC St. 1-RJ at 8; HMSC Exhibit JPM-3. In addition, the East Coast market is vulnerable to supply outages due to its reliance on the Colonial Pipeline, which supplies approximately 2 million barrels per day of products to the East Coast. HMSC St. 1-RJ at 8; HMSC Exhibit JPM-3 at 51, 54. Further, PADD 1 is largely dependent upon supply from Gulf Coast refineries and foreign waterborne imports, and more recently upon supply from Midwest refineries. HMSC Ex. JPM-3 at 11. Additionally, the PADD

1 study indicates that East Coast refining capacity has declined by 24% from 1.7 million barrels per day in 2000 to 1.3 million barrels per day in 2015 due to refinery closures, with the total number of operable refineries dropping from 17 to 9 over the same time period. HMSC St. 1-RJ at 8-9; HMSC Ex. JPM-3 at 19. Notably, whereas PADD 2 is projected to be long, PADD 1 is projected to be short. HMSC Ex. JPM-3 at 9-10; HMSC Ex. JPM-4 at 1-3.

**Low-RVP gasoline from the Midwest refineries would be available to consumers in Western Pennsylvania.** The Indicated Parties have raised concerns about the availability of low-RVP gasoline from the Midwest refineries. Gulf St. 1 at 13-14. Their concerns are unfounded. A significant amount of HMSC-marketed gasoline is already sold in the Pittsburgh area, complying with its low-RVP requirements in the summer, and HMSC intends to continue supplying the area. HMSC St. 1-R at 9. Specifically, as a fuel marketer in Western Pennsylvania, HMSC supplies the current summer product specification of 7.8 psi RVP gasoline for the seven counties in the Pittsburgh area (Allegheny, Armstrong, Beaver, Butler, Fayette, Washington, and Westmoreland). HMSC St. 1-R at 9-10. Because similar low-RVP requirements have existed in Detroit, Cincinnati and Dayton metropolitan areas, the Refineries have produced fuel meeting these specifications in prior years. HMSC St. 1-R at 10. The Refineries are capable of producing gasoline that meets the low-RVP specification for Western Pennsylvania and other remaining low-RVP areas. HMSC St. 1-R at 10. In short, low-RVP conventional gasoline is sourced from the Midwest, and is produced and available in the Midwest. HMSC St. 1-R at 10.

*c. Impact on Gasoline Prices in Pennsylvania.*

Midwestern refineries operate more efficiently and less expensively than the East Coast refineries such that access to these refineries would put downward pressure on petroleum products prices in Western and Central Pennsylvania. HMSC St. 1-R at 11. This result is due to the more efficient and less expensive access to an abundance of competitively priced feedstock crudes and

in their utilization and operation. HMSC St. 1-R at 11. The additional eastbound pipeline capacity from the Midwest would provide consumers in Western and Central Pennsylvania increased access to generally lower-priced Midwestern gasoline and petroleum products. HMSC St. 1-R at 6-7. Indeed, Monroe Energy, LLC (“Monroe”) witness Tracy Sadowski projected that the reversal would cause prices to fall. Tr. 1129-1130.

The use of lower priced feedstock crudes by the Midwest refineries — even with transportation costs to supply product to Western and Central Pennsylvania — results in lower prices. Crude barrels are cheaper in the Midwest as compared to the East. HMSC St. 1-RJ at 11. A key reason for this result is the access by the Midwest to cheap crude slates, as shown by the Wood Mackenzie Study that Laurel witness Michael J. Webb attached to his Rejoinder Testimony as Laurel Exhibit MJW-21.

Midwest pricing (based on the Chicago Index) trends towards lower prices than does East Coast pricing (based on the New York Harbor Index). HMSC St. 1-RJ at 11. On average, Chicago has historically been and is currently priced lower than New York Harbor on gasoline. HMSC St. 1-RJ at 11. HMSC expects the difference between Chicago and New York Harbor prices to continue as the Midwest region becomes more self-sufficient, ultimately providing a cheaper barrel into Pittsburgh, as compared to New York. HMSC St. 1-RJ at 11; Tr. 1254.

In fact, as a result of the increase of Midwest supply into Pittsburgh discussed above, Midwest pricing (Chicago Index) now has a stronger influence on Pittsburgh pricing than does East Coast pricing (New York Harbor Index). HMSC St. 1-RJ at 11. In 2014, prior to commissioning of the Allegheny Access pipeline, the Oil Price Information Service (“OPIS”) low prices for Pittsburgh gasoline were 2.53 cents per gallon (“cpg”) over Chicago. HMSC St. 1-RJ at 11. Then in 2015, after the Allegheny pipeline was commissioned, bringing midcontinent

supply in, Pittsburgh gasoline was priced 3.56 cpg under Chicago, which is an over 6 cpg swing in pricing in just one year and benefitted the consumer. HMSC St. 1-RJ at 11.

HMSC is currently providing the Pittsburgh area with competitively-priced supply. HMSC St. 1-R at 10; HMSC St. 1-RJ at 3. The charts in HMSC Ex. JPM-2 show the frequency with which HMSC posted the low gasoline prices at Pittsburgh rack terminals in 2015, 2016 and 2017. HMSC St. 1-R at 12. The source for the rack terminal pricing is OPIS. HMSC St. 1-R at 12. This pricing data demonstrates that HMSC consistently posts the lowest prices for spot sales of gasoline at the Pittsburgh rack terminals. HMSC St. 1-R at 12. By contrast, the eastern suppliers posted the OPIS-low price less frequently for spot gasoline sales over the same period. HMSC St. 1-R at 12.

Specifically, looking at the 2017 YTD (Aug. 2017), the chart demonstrates that HMSC provided the most-competitively priced gasoline product 27% of the time, which is more often than any other marketer. HMSC St. 1-R at 12; HMSC St. 1-RJ at 12-13. The sheer volumes sold by HMSC (which are shown on *HIGHLY CONFIDENTIAL* HMSC Exhibit JPM-5) demonstrate the significance of HMSC posting the most competitively-priced gasoline products 27% of the time in 2017, which is more than any other single marketer. HMSC St. 1-RJ at 12. The OPIS prices for 2015-2017 are shown in HMSC Exhibit JPM-6. HMSC St. 1-RJ at 12-13. In addition, OPIS would exclude HMSC's prices if supply was not being provided. HMSC St. 1-RJ at 13.

As the PADD 1 Study indicates, prices paid by consumers at the gasoline pump are typically set in comparison to prices at other retail outlets or are set a cost plus the desired margin by large chain stores that are focused on selling large volumes of gasoline at low margins. HMSC Ex. JPM-3 at 24. Therefore, it is difficult to make a direct correlation between lower wholesale prices that would be available due to an increase of lower-cost Midwest supplies and the price that

retailers would charge end users. However, Laurel witness Scott T. Jones explained that bringing additional sources of lower cost Midwest supplies to Pittsburgh is the underlying economic motivation of the project and the reason why Pittsburgh consumers are likely to benefit. Laurel St. 7-RJ at 3. As he observed, when “wholesalers of refined products compete with each other for market share, in part by seeking to introduce new, lower cost sources of supply,” the outcome “is to the benefit of retail consumers as competition drives toward marginal costs.” Laurel St. 7-RJ at 4. He went on to explain as follows:

For example, when competition among suppliers leads to the removal of a transportation bottleneck, it benefits suppliers who now have access to the market, but it may harm those suppliers who previously enjoyed preferential access and the resulting higher prices. Consumers benefit when market prices come down.

Laurel St. 7-RJ at 4. He added that the reversal will make it economic for additional sources of supply to reach Pittsburgh and that the addition of new supplies will cause prices to fall. Laurel St. 7-RJ at 8.

Laurel witness Jones also explained that the best evidence that Laurel’s project will increase Pittsburgh’s access to low cost supplies is the commitment of shippers who have signed up for the project. He noted that shippers expect to be able to deliver products to Pittsburgh at costs that are below market prices, as evidenced by the fact that 65 percent of the volume of East Coast refineries was replaced with supply from Midwest refineries 18 months after the Allegheny Access came on line. Tr. 1249. If shippers cannot deliver products at costs below expected Pittsburgh market prices, they will lose money; these are the same economics that motivated shippers to commit to the Allegheny Access project. Laurel St. 7-RJ at 7. Indeed, following a review of information presented by the Indicated Parties, Laurel witness Jones estimated that consumer prices will fall by at least five cents per gallon post-reversal. Tr. 688; Laurel Ex. MGW-23. This projected reduction in prices was corroborated by Monroe witness Sadowski. Tr. 1129-

1130. In summary, Laurel witness Jones concluded that “[a]ll else equal, the lower the cost of the crude oil and the more efficient the transportation and marketing infrastructure, the lower the price of refined products in any given area at any given point in time.” Laurel St. 7-RJ at 17-18.

*d. Impact on National Energy Policy.*

HMSC takes no position on this issue.

*e. Other Benefits.*

To the extent that the Commission determines that its approval is needed for the reversal, the Commission should give substantial weight to HMSC’s discussion in Section VII.A.3, which highlights the importance of allowing the competitive market to drive decisions about the direction in which petroleum products flow on Pennsylvania’s pipeline. Deference to market conditions represents a clear benefit of approval. By contrast, it is not the Commission’s role to cater to the special interests of a few refineries while quashing market forces that are demanding greater access to cost-advantaged Midwest supply.

2. What are the Alleged Harms of the Proposed Reversal?

*a. Loss of East Coast Supplies to Pittsburgh Market.*

The Indicated Parties have suggested that harm will result due to a loss of East Coast supplies into the Pittsburgh market, citing the elimination of arbitrage opportunities that are currently available to retail suppliers purchasing petroleum products in the wholesale market. Gulf St. 1 at 9. The alleged loss of the arbitrage opportunity in Pittsburgh is speculative and should be disregarded. HMSC St. 1-R at 10-11; HMSC St. 1-RJ at 1-3; Tr. 1249 As HMSC witness Miller made clear, the mere existence of an arbitrage opportunity does not translate into lower gasoline prices for consumers at the pump. Indeed, the EIA studies explain that retail prices are generally set by comparison to prices at other retail outlets. HMSC Ex. JPM-3 at 24. However, the influx of lower-cost product from the Midwest into the Pittsburgh market that would occur as a result of the reversal would make competitively-priced product available to consumers in this market. A

growing reliance on cheaper supply from the Midwest will ensure that the Pittsburgh area remains competitive. HMSC St. 1-RJ at 11. In short, HMSC does not expect the Laurel reversal (and any related loss of East Coast supplies to the Pittsburgh market) to have any adverse effect on the prices in Pittsburgh. *Id.* This expectation is corroborated by Monroe witness Sadowski who projects that prices will fall after the reversal. Tr. 1129-1130.

Importantly, the Indicated Parties have offered no basis for the assertion that the existing arbitrage opportunity in the Pittsburgh area increases the number of competing market participants or provides lower retail prices to end use consumers. Absent this link, HMSC witness Miller explained that “it is clear that a few wholesalers reap these benefits and therefore the loss of such benefits should not drive a decision on whether the Laurel reversal is completed.” HMSC St. 1-RJ at 2.

*b. Loss of Pittsburgh Market for Eastern Refineries.*

Market demands and the declining volumes of barrels being shipped from the East Coast refineries to Pittsburgh are driving the loss of the Pittsburgh market via pipeline for Eastern refineries. By responding to market demand and enabling the movement of competitively-priced refined products from the Midwest to Western and Central Pennsylvania, the Laurel reversal is a market-driven solution that will bring benefits of the lower-cost products to consumers in Western and Central Pennsylvania. It is also important to note that the reversal will not necessarily result in a loss of East Coast supplies in the Pittsburgh market due to opportunities that are available to move product by other means, including trucks and barges. Tr. 1207.

3. Other effects.

HMSC has not identified any other effects that should be addressed.

**D. Analysis Under The Multi-Factor Abandonment Test.**

HMSC agrees with Laurel and incorporates Section VII(D) of Laurel's Main Brief. In addition, HMSC highlights the availability of product exchanges in the event of the reversal of the pipeline. Product exchanges, which are common in the petroleum products industry, are effective in permitting shippers to access markets without physical pipeline connectivity. HMSC St. 1-R at 12-13. For example, HMSC witness Miller explained that HMSC uses product exchanges when it has physical connectivity to Location A but not Location B, and HMSC's counterparty has connectivity to Location B, but not Location A. In this situation, an exchange takes place with offsetting volume plus a differential to account for differences in market value at the respective locations. HMSC St. 1-RJ at 14-16. HMSC witness Miller added that "the way in which an exchange would work between a refiner in Philadelphia and a refiner in Ohio is that the two entities would agree to compensation that would equalize the value difference between the two locations; this is known as a location differential." HMSC St. 1-R at 13. He emphasized that no obstacles exist to doing an exchange in the Pittsburgh area. Tr. 1195. Additionally, virtual tariffs are an effective mechanism for accessing markets without physical pipeline connectivity. HMSC St. 1-R at 12.

**E. Is The Capacity Use Agreement Reasonable And In The Public Interest?**

Yes; HMSC agrees with Laurel and incorporates Section VII(E) of Laurel's Main Brief.

**F. Does the Proposed Reversal Raise Any Pipeline Safety Issues to be Addressed by the Commission?**

No; HMSC agrees with Laurel and incorporates Section VII(F) of Laurel's Main Brief.

**G. Other Issues**

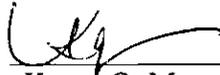
HMSC is not raising any other issues.

**VIII. CONCLUSION**

HMSC respectfully requests that the ALJ and the Commission (1) permit Laurel — either by declaring that no certificate of public convenience is required by Laurel or by granting a

certificate of public convenience to Laurel — to (a) reverse flow on part of the Western Pennsylvania portion of its pipeline system to allow petroleum products to move in an eastbound direction to the Altoona destination point known as “Eldorado” and (b) to file tariff supplements in the form set forth in Attachment C to the Application, to become effective upon at least one day’s notice; and (2) approve the subject Affiliated Interest Capacity Agreement.

Respectfully submitted,



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Dated: December 4, 2017

Counsel for Husky Supply and Marketing Company

## **Appendix A**

### **Proposed Findings of Fact**

1. Husky Marketing and Supply Company (“HMSC”) presented the testimony of Jerome P. Miller. HMSC St. 1-R; HMSC St. 1-RJ; Tr. 1172-1291.
2. Mr. Miller sponsored six exhibits (JPM-1 through JPM-6), all of which were admitted into the record. HMSC St. 1-R; HMSC St. 1-RJ; Tr. 1174-1175.
3. Mr. Miller is the Vice-President of HMSC, and is also the Vice-President, U.S. Refining – Downstream for Husky Lima Refining Company. He has been in his current position since 2015. HMSC St. 1-R at 1-2; HMSC St. 1-RJ at 1; Tr. 1175-1176.
4. Mr. Miller is responsible for leading all activities at the 165,000 bpd Lima Refinery, including 480 employees and 515 permanent contractors. In this role, he has general supervision of all aspects of the refinery, including safety-environment, production, asset management, labor relations related to a collective bargaining agreement covering 220 United Steel Workers, technical services, operations and support services. HMSC St. 1-R at 1.
5. Mr. Miller graduated from the University of Pittsburgh with a Bachelor of Science degree in 1988 and earned a Master of Business Administration from Pennsylvania State University in 2002. From 1988 to 1993, he served in active duty as a United States Army Infantry Officer and served in the reserves through 2009, retiring with the rank of Lieutenant Colonel, Pennsylvania Army National Guard. During his tenure in the United States Army, he was an Army Ranger. Upon the conclusion of active duty in the United States Army, he was employed by PepsiCo, Inc. – Frito Lay Division in Williamsport, Pennsylvania from 1993 to 1997 as a Senior Operations and Logistics Manager. From 1997 to 2003, he was the Director of Retail Marketing for United Refining Company in Warren, Pennsylvania. Remaining with United Refining Company in Warren, Pennsylvania, he moved into Crude Oil Trading and Scheduling in 2003 and became Director of Light Products Supply, Distribution and Light Products Trading in 2005. He began his employment with HMSC, the ultimate subsidiary of Husky Energy Inc. (Columbus, Ohio) in February 2008, where he served as General Manager of U.S. Refined Products and New Ventures until 2015. HMSC St. 1-R at 1-2.
6. HMSC is the ultimate subsidiary of Husky Energy Inc. (together with its affiliates and subsidiaries, “Husky”), which is one of Canada’s largest integrated energy companies and is headquartered Calgary, Alberta. Husky operates in Canada, the United States and the Asia Pacific Region with upstream and downstream business segments. In Canada, Husky’s retail distribution network includes the wholesale, commercial and retail marketing of refined petroleum products. Husky has the largest refining capacity in the state of Ohio with its 100% ownership of the Lima Refinery, located in Lima, Ohio (the “Lima Refinery”) and its 50% ownership interest in the Husky-BP Toledo Refinery (a 50:50 joint venture with partner BP Products North America), located in Toledo, Ohio (the

“Toledo Refinery”) (the Lima Refinery and the Toledo Refinery collectively referred to as the “Refineries). HMSC St. 1-R at 3-4.

7. Husky is a leading integrated refiner and marketer of petroleum products. In 2007 and 2008, Husky purchased the Refineries because it owns significant reserves of crude oil and wanted direct access to large refined product regions, including Pittsburgh. In that regard, Husky owns and operates the Lima Refinery that refines 165,000 barrels-per-day crude oil that provides customers in the Midwestern United States (“Midwest”) with approximately 2 billion gallons of refined petroleum products produced annually, including 3.8 million gallons per day of gasoline, 1.9 million gallons per day of diesel fuel and 1.1 million gallons per day of jet fuel. Husky is also a 50 percent owner of the 160,000 barrel-per-day Toledo Refinery, which produces approximately 3.8 million gallons per day of gasoline, 1.1 million gallons per day of diesel fuel and 750,000 gallons per day of jet fuel. Recently, Husky acquired a refinery in Superior, Wisconsin. HMSC St. 1-R at 4; Tr. 1176.
8. Husky sources the crude oil that supplies the Refineries from Canadian and domestic United States sources, with approximately 70 percent being domestic supply. While Husky also has the capability to source foreign supply, the price difference between West Texas Intermediate (“WTI”) and Brent crude oils make it non-economic for Husky to source the foreign-based Brent Crude. Tr. 1176-1177.
9. Based in the United States, HMSC oversees 100% of the sales, marketing and logistics activities related to the production at the Lima Refinery and is also obligated to purchase and sell 50% of the refined products originating from the Toledo Refinery. Specifically, HMSC sells refined products – gasoline, diesel and jet fuel – from the Refineries across the Midwest with distribution outlets in Ohio, Indiana, Michigan and Pennsylvania. HMSC St. 1-R at 5.
10. As a fuel marketer in Western Pennsylvania, HMSC supplies the current summer product specification of 7.8psi RVP gasoline for the seven counties in the Pittsburgh area (Allegheny, Armstrong, Beaver, Butler, Fayette, Washington, and Westmoreland). Because similar low-RVP requirements have existed in Detroit, Cincinnati and Dayton metropolitan areas, the Refineries have produced fuel meeting these specifications in prior years. The Refineries are capable of producing gasoline that meets the low-RVP specification for Western Pennsylvania and other remaining low-RVP areas. HMSC St. 1-R at 4.
11. As a shipper, HMSC has entered into various transportation services agreements (“TSAs”), including some with minimum committed volumes, to move refined petroleum products from the Refineries into various regions, including Pennsylvania. To this extent, in response to the open season hosted by Buckeye Partners, L.P. in October 2016, HMSC entered into a TSA with Laurel to move refined products on the segment of pipeline that is the subject of this proceeding, which demonstrates a long-term commitment to this region. HMSC St. 1-R at 5.

12. HMSC entered into a 10-year TSA with Sunoco Logistics to move a minimum commitment of barrels per day of refined products into Western Pennsylvania from the Midwest on their Allegheny Access pipeline commissioned in 2015. On or around 2008, HMSC started shipping jet fuel into Pittsburgh, Pennsylvania from the Lima Refinery on an underutilized Buckeye pipeline. HMSC St. 1-R at 5.
13. Long-developing changes in crude petroleum supplies for refineries and the petroleum products market have generally increased the volumes and decreased the relative price of Midwestern product supplies. Continuing trends in petroleum products supplies/demands have generally increased the volumes of petroleum products available from the Midwest, and decreased the price of these products relative to other regions. HMSC St. 1-R at 6-7; Laurel St. 1 at 17.
14. Shippers have expressed a strong desire to move what are projected to be generally lower-priced petroleum products from the Midwest into Pennsylvania. Midwestern refiners and marketers desire access to supply Pennsylvania. HMSC St. 1-R at 6,9; Laurel St. 1 at 16.
15. Midwestern refineries produce product at a lower cost, which necessarily reduces the desire to transport refined product from the East. As these lower cost suppliers drive higher cost suppliers out of the market, this result will bring lower prices to Pennsylvania consumers. Laurel St. 5-RJ at 3.
16. A number of shippers have approached Laurel over the past two years to explore the feasibility of transporting lower-priced Midwestern petroleum products into and across Pennsylvania. This interest was sufficient for Laurel and its affiliates to initiate an open season to solicit binding commitments for firm capacity for eastbound deliveries to Eldorado. Upon conclusion of the open season, Buckeye (Laurel's affiliate) had received sufficient binding commitments from several shippers, which includes the commitment made by HMSC, to move forward with the project. HMSC St. 1-R at 6-7; Laurel St. 2 at 9-10.
17. Through the proposal submitted by Laurel Pipeline Company, L.P. ("Laurel") to reverse flow on part of the Western Pennsylvania portion of its pipeline system (known as "Broadway II" or the "Laurel reversal"), Laurel would allow petroleum products to move in an eastbound direction from Pittsburgh to the Altoona destination point known as "Eldorado." HMSC St. 1-R at 2-3, 6, 8, 9.
18. Eldorado, which is close to Altoona as a destination, will have service from both the east and west. However, that destination is also important for areas in Central Pennsylvania. Because of geography and mountains, a corridor exists that allows product to move by truck from Eldorado up to Williamsport, Pennsylvania, and all the way down into West Virginia and Frederick, Maryland. Tr. 1180. In addition, HMSC would be able to supply product by truck to points east of Altoona, including Harrisburg. HMSC St. 1-R at 2; Tr. 1179-1180, 1208.

19. The Broadway II Project is designed to increase the capacity of Buckeye's pipeline system from source points in Michigan and Ohio to delivery points in Western and Central Pennsylvania, in response to the strong desire of shippers to move what are projected to be generally lower-priced petroleum products from the Midwest into Pennsylvania. Laurel St. 1 at 16. These source points in Michigan and Ohio would allow Midwest refiners to access the Laurel pipeline. HMSC St. 1-R at 6
20. Broadway II is a market-driven solution to the disruptive changes occurring in the market. These events include growing access by Midwest refineries to abundant, cost advantaged crude supply; the declining volumes of products being transported from the East, with supply and demand dynamics pushing Midwest products eastward; and the continued investments in Midwest refineries, contrasted with the closure of and lack of investment in East Coast refineries. HMSC Ex. JPM-4 at 1; Laurel St. 7-RJ at 2-3, 7, 17; HMSC Ex. JPM-3 at 11; HMSC St. 1-RJ at 5-9; Tr. 1179, 1249-1250.
21. Under the express terms of Laurel's certificate of public convenience issued in 1957, Laurel is authorized to provide petroleum products service "in and across" Pennsylvania and is certificated to operate in either direction. Laurel St. 9-R at 2.
22. Nothing in the certificate of public convenience issued to Laurel in 1957 specifies the direction in which petroleum products must flow or limits Laurel from using its asset in a way that is consistent with current economic conditions. Laurel St. 9-R at 4-5.
23. Laurel is not proposing to stop any product delivery service on the pipeline. Laurel's proposed change in direction of service will not result in any change or abandonment of service to any end users of petroleum products. Nor will it result in any abandonment of service to any terminal facility or to any origin point. Laurel St. 9-RJ at 4-5.
24. As an oil pipeline company, Laurel faces significant competition from other alternatives that may be used by wholesalers, retailers, marketers and consumers to transport and/or access petroleum products supplies. Laurel St. 9-RJ at 7.
25. As a common carrier, Laurel is not required to provide service to specific customers. Customers are not assigned to a specific common carrier and no customers is entitled to service from a specific common carrier. Laurel has no certificated monopoly service territory and is open to competing means of moving petroleum. Laurel St. 9-R at 6-7.
26. Volumes shipped from the East Coast refineries to Pittsburgh on the Laurel pipeline exhibit a clear downward trend consistent with broad market forces. Laurel St. 5-RJ at 2.
27. The industry is seeing a continuing trend of large volumes of product movements from the Midwest to the East, with the expectation that they will continue to be price-advantaged and competitive. HMSC St. 1-R at 8; Laurel St. No. 1 at 17.

28. Recent expansions have allowed consumers in Pittsburgh to access approximately 207,000 barrels per day of Midwestern supply via a combination of Marathon's pipeline which has a capacity of 32,000 barrels per day, Sunoco's Allegheny Access pipeline which has a capacity of 85,000 barrels per day, and Buckeye's pipeline, including the Broadway I expansion, which has a capacity of 90,000 barrels per day. HMSC St. 1-R at 6, 7; Laurel St. No. 5 at 17.
29. Over the last two years, most notably with the opening of Sunoco's Allegheny Access pipeline in late 2015, the movement of Midwest supply into Pittsburgh has increased substantially. HMSC St. 1-RJ at 10.
30. Eighteen months after Allegheny Access came on line, 65 percent of the volume of the East Coast refineries shipped into Pittsburgh was replaced with supply from Midwest refineries. Tr. 1249. During that time, East Coast supply has dropped from 100,000 to 40,000 barrels per day. These trends are compelling and are expected to continue as the market rationalizes. HMSC St. 1-RJ at 10; Tr. 1254.
31. HMSC made a commitment to the Sunoco Allegheny Access pipeline in the amount of **BEGIN HIGHLY CONFIDENTIAL** [REDACTED] **END HIGHLY CONFIDENTIAL** in transportation costs over a ten year period. On top of that investment is the **BEGIN HIGHLY CONFIDENTIAL** [REDACTED] **END HIGHLY CONFIDENTIAL** commitment in transportation costs over a ten year period to the Laurel reversal. Tr. 1198.
32. HMSC's ability to sell product in any market includes not only the pipeline, but what can be put through the terminals. Customers may want to go to certain terminals, and may not go to other terminals for various reasons, such as the location and/or size of the terminal. With Broadway II, HMSC would have another pipeline into the Pittsburgh market, and it would also have a much better terminal set where the terminals are larger and in a better location for customers to access. Tr. 1181-1182, 1208.
33. Broadway II would double HMSC's terminal count and enhance its ability to service Western Pennsylvania. Further, by affording pipeline access to Altoona, Broadway II would enable HMSC to sell product in other points of Central Pennsylvania, including by trucking product from Altoona to Harrisburg. Id.
34. HMSC simply wants a fair opportunity to expand its presence in this market and into Central Pennsylvania to compete and provide products the market is demanding. HMSC St. 1-R at 9-10; HMSC St. 1-RJ at 14; Tr. 1249, 1255.
35. Recognizing the need to secure its place in the competitive market, Husky is investing hundreds of millions of dollars in the Lima Refinery to make it more modern and more efficient. Tr. 1246, 1248.
36. Contrary to the huge amounts of investments in the refineries in the Midwest, a number of East Coast refineries have closed and continue to struggle. Tr. 1249-1250; HMSC Ex. JPM-3 at 11; HMSC Ex. JPM-4 at 3-5.

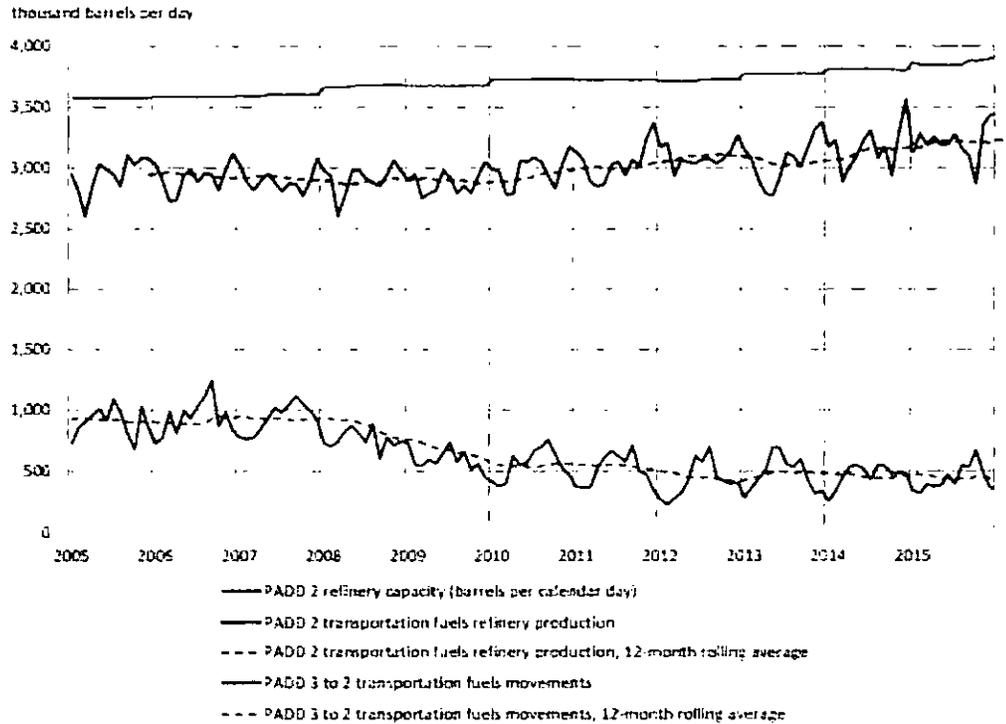
37. The development of Canadian oil sands crude and the emergence of light, tight crude oil in the United States have provided Midwest refineries with access to abundant, cost-advantaged crude supply, providing opportunities to optimize crude slates and expand refinery capacity and utilization. HMSC Ex. JPM-4 at 1.
38. The lower cost of WTI crude, which is currently \$6.76 cheaper per barrel than Brent crude sourced by the East Coast refineries, is a main driver of future economic conditions, as well as HMSC's commitment to the Laurel reversal. Tr. 1254.
39. With the overall capacity and utilization of the Midwest refineries increasing, the Laurel reversal would not test the limits of Midwestern pipeline supply from Midwest refineries. HMSC St. 1-RJ at 4-6.
40. Two studies prepared for the U.S. Energy Information Administration ("EIA"), when reviewed together, demonstrate that from 2005 to 2015, Midwest refinery and capacity production, coupled with stagnant to declining demand, has made the region more self-sufficient and less reliant on supply from the Gulf Coast, while the East Coast is largely dependent on supply from the Gulf Coast. HMSC St. 1-RJ at 5-6.
41. The EIA study named "East Coast and Gulf Coast Transportation Fuels Markets" reviews Petroleum Administration for Defense District ("PADD") 1. HMSC St. 1-RJ at 6; HMSC Ex. JPM-4 ("PADD 1 Study").
42. The EIA study named "Midwest and Rocky Mountain Transportation Fuels Markets" reviews PADD 2. HMSC St. 1-RJ at 6; HMSC Exhibit JPM-4 ("PADD 2 Study").
43. The EIA studies show that from 2005 to 2015, refining capacity in the Midwest increased by 323,000 barrels per day, or 9%, and in-region supply has accounted for 84% of the demand, which is an increase of 15%. As these trends are driven by the proximity of the Midwest to increasing cost-advantaged crude streams from Bakken production and Western Canada, it is expected that they will continue over the years and the Midwest region will become balanced to long. HMSC St. 1-RJ at 6.
44. The chart below from the PADD 2 Study shows the increase in PADD 2 refinery production and a decrease of Gulf Coast barrels into Chicago during this time period. HMSC St. 1-RJ at 6-7; HMSC Ex. JPM-4 at 8.

Trend: Decline in PADD 3 to PADD 2 transportation fuels shipments

Over the past decade, increased Midwest (PADD 2) refining activity, increased ethanol blending in the gasoline supply, and stagnant demands have led to a decrease in pipeline and waterborne shipments of transportation fuels from the Gulf Coast (PADD 3) into PADD 2.

Figure 7 charts operable refining capacity and transportation fuels production at PADD 2 refineries against movements of transportation fuels from PADD 3 to PADD 2 by pipeline and barge from January 2005 through December 2015.

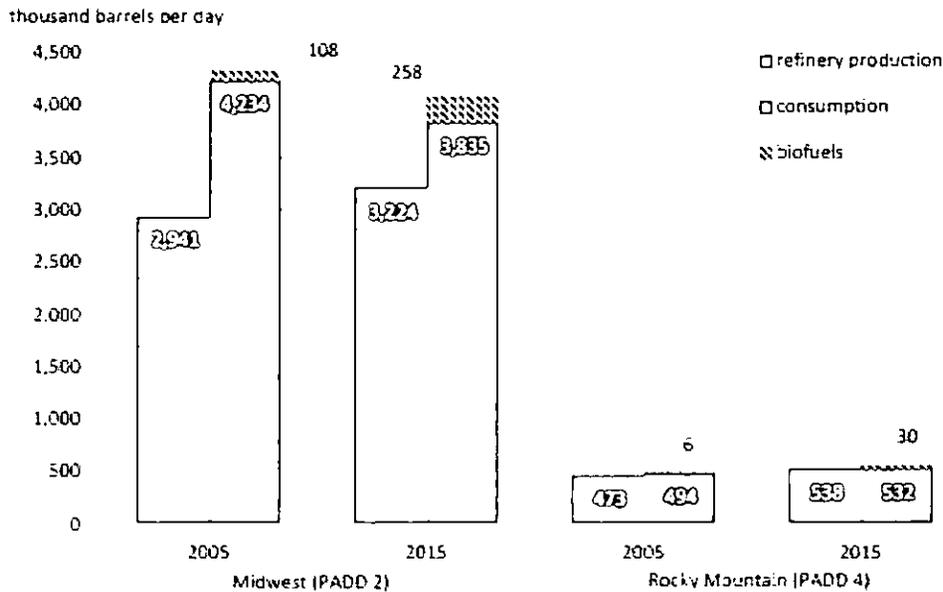
Figure 7. PADD 2 refinery capacity and transportation fuels production vs. PADD 3 to PADD 2 transportation fuel movements, Jan. 2005 to Dec. 2015



Source. U.S. Energy Information Administration, *Petroleum Supply Monthly*

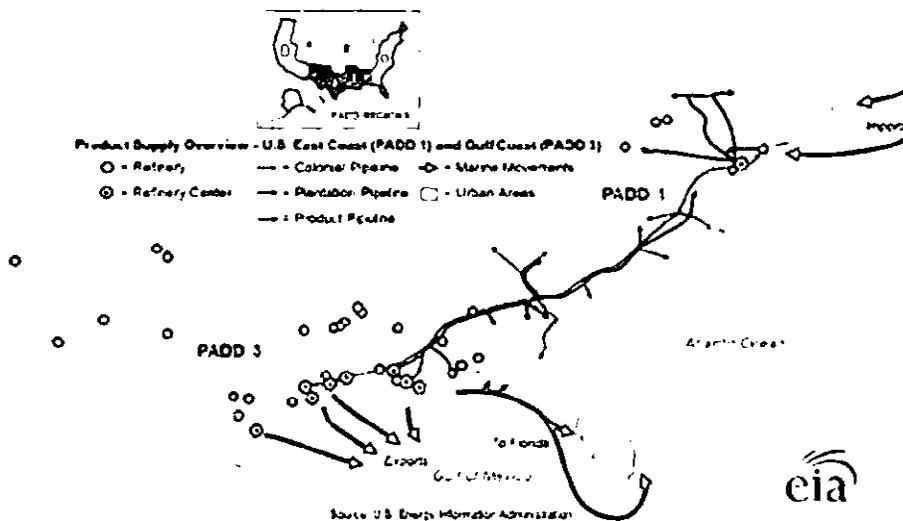
45. For the time period from 2005 to 2015, the chart below from the PADD 2 study shows an increase in production and a decrease in consumption for PADD 2. HMSC St. 1-RJ at 7-8; HMSC Ex. JPM-4 at xii.

Figure 3. PADD 2 and PADD 4 transportation fuels production vs. consumption, 2005 vs. 2015



Source: U.S. Energy Information Administration, *Petroleum Supply Annual*

46. Contrary to the increases in Midwest refinery production, East Coast refinery production decreased from 1.7 million barrels per day to 1.3 million barrels per day from 2005 to 2015, and East Coast refinery production accounts for only 20% of the total demand in the region. In addition, the East Coast market is vulnerable to supply outages due to its reliance on the Colonial Pipeline, which supplies approximately 2 million barrels per day of products to the East Coast. As a result, PADD 1 is largely dependent upon supply from Gulf Coast refineries and foreign waterborne imports, and more recently upon supply from Midwest refineries. In 2014, approximately 2.8 million b/d of transportation fuels were delivered from the Gulf Coast to locations in the East Coast, equal to 58% of the East Coast's total consumption. It is expected that these trends will continue and that the East Coast dependency on long lead time import barrels to balance supply shortages will increase. HMSC St. 1-RJ at 8-9; HMSC Ex. JPM-3 at 11, 15.
47. East Coast refining capacity has declined due to refinery closures, with the total number of operable refineries dropping from 17 to 9 from 2005 to 2015. HMSC St. 1-RJ at 8-9; HMSC Ex. JPM-3 at 11, 19.
48. The chart below from the PADD 1 study shows the East Coast's dependency on Gulf Coast refineries. HMSC St. 1-RJ at 9; HMSC Ex. JPM-3 at 14.



49. The proposed reversal will increase the availability of supply options from the Midwest for the Pittsburgh area. HMSC St. 1-RJ at 10.
50. A significant number of complex refineries are located in the Midwest, which are connected to a large number of crude oil sources through various pipeline systems. Therefore, substantial quantities of gasoline, diesel and jet fuel are produced in the Midwest. Also, two large diameter pipelines transport petroleum products from the United States Gulf Coast to the Midwest. HMSC St. 1-R at 7; Laurel St. 1 at 16.
51. Refining capacity and transportation fuels production in the Midwest have expanded significantly over the past decade, driven by access to cost-advantaged North American crude streams. HMSC Ex. JPM-4 at xv.
52. Midwestern refineries operate more efficiently and less expensively than the East Coast refineries such that access to these refineries would put downward pressure on petroleum products prices in Western and Central Pennsylvania. This result is due to the more efficient and less expensive access to an abundance of competitively priced feedstock crudes and in their utilization and operation. HMSC St. 1-R at 11.
53. Refinery capacity in the Midwest is anticipated to remain constant or increase. HMSC St. 1-R at 7; HMSC St. 1-RJ at 7-8; HMSC Ex. JPM-4.
54. The Midwest refineries are not at risk for supply disruptions due to two large diameter pipelines that transport petroleum products from the United States Gulf Coast to the Midwest. See HMSC St. 1-R at 7; HMSC Ex. JPM-4 at xv.
55. Once Broadway II is complete, all of the Midwest refineries can supply petroleum products to the Western and Central Pennsylvania regions. HMSC St. 1-R at 8-9.
56. Whereas PADD 2 is projected to be long, PADD 1 is projected to be short. HMSC Ex. JPM-3 at 9-10; HMSC Ex. JPM-4 at 1-3.

57. In March 2017, Wolverine Pipe Line Company (“Wolverine”) announced that the new Detroit Metro Access Pipeline (“DMAAP”) is in service, with the first commercial volume of refined petroleum products shipped on March 6, 2017. Wolverine now has nearly 700 miles of pipeline in active service connecting refineries in Joliet and Lemont, Illinois and Hammond, Indiana to terminals in Illinois, Indiana and Michigan, including the new reconnection to Woodhaven in Southwestern Metropolitan Detroit. In addition, through connecting pipelines and terminals, the refinery in Whiting, Indiana will have connectivity to Wolverine. Wolverine will allow the aforesaid refineries with 828,040 barrels per day of crude refining capacity to connect to a source point of the Broadway II Pipeline project. This enhanced access to products produced by Chicago-based refineries will increase the flow capabilities from the Midwest into the Central and Eastern Pennsylvania regions. HMSC St. 1-R at 7-8; HMSC St. 1-RJ at 5; HMSC Ex. JPM-4 at 28, Table 9.
58. Shipments from Midwest refineries would not be limited by existing capacity allocations. The industry is seeing a continuing trend of large volumes of product movements from the Midwest to the east, with the expectation that they will continue to be price-advantaged and competitive. Refineries in the Midwest are capable of producing millions of barrels of petroleum products and once Broadway II is complete can supply petroleum products to the Western and Central Pennsylvania. HMSC St. 1-R at 8-9; Laurel St. No. 5 at 15-16.
59. Midwest refineries can supply the Pittsburgh region with a large number of refined product barrels through barging on the Ohio River. HMSC St. 1-R at 9.
60. Even with higher transportation costs, Midwest barrels into Pittsburgh are cheaper and result in lower prices to consumers. A key reason for this result is the access by the Midwest to cheap crude slates. HMSC St. 1-RJ at 11; Laurel Exhibit MJW-21.
61. Midwest barrels are priced off the Chicago pricing and East Coast barrels are priced off the New York Harbor pricing. On average, Chicago has historically been and is currently priced lower than New York Harbor on regular gasoline, as shown by Argus, one of the leading pricing publications. It is expected that the difference between Chicago and New York Harbor prices will continue as the Midwest region becomes more self-sufficient, ultimately providing a cheaper barrel into Pittsburgh, as compared to New York. HMSC St. 1-RJ at 11.
62. As a result of the increase of Midwest supply into Pittsburgh, Midwest pricing (Chicago Index) now has a stronger influence on Pittsburgh pricing than does East Coast pricing (New York Harbor Index). In 2014, prior to the Allegheny pipeline, the Oil Price Information Service (“OPIS”) low prices for Pittsburgh gasoline was 2.53 cents per gallon (“cpg”) over Chicago. Then in 2015, after the Allegheny pipeline was commissioned, bringing midcontinent supply in, Pittsburgh gasoline was priced 3.56 cpg under Chicago, which is an over 6 cpg swing in pricing in just one year and benefitted the consumer. HMSC St. 1-RJ at 11.

63. The Laurel reversal is not expected to have any adverse effect on the prices in Pittsburgh, which will remain competitive due to the growing reliance on cheaper supply from the Midwest. HMSC St. 1-RJ at 11.
64. Consumer prices are estimated to fall by at least five cents per gallon following the reversal. Tr. 688, 1129-1130; Laurel Ex. MGW-23.
65. The charts in HMSC Ex. JPM-2 show the frequency with which HMSC posted the low gasoline prices at Pittsburgh rack terminals in 2015, 2016 and 2017. The source for the rack terminal pricing is the Oil Price Information Service ("OPIS"). This pricing data demonstrates that HMSC consistently posts the lowest prices for spot sales of gasoline at the Pittsburgh rack terminals. By contrast, the eastern suppliers posted the OPIS-low price less frequently for spot gasoline sales, over the same period. Specifically, looking at the 2017 YTD (Aug. 2017), the chart demonstrates that HMSC provided the most-competitively priced gasoline product 27% of the time, which is more often than any other marketer. HMSC St. 1-R at 12.
66. HMSC's sales volumes when it posted the low gasoline prices at Pittsburgh rack terminals in 2017 were very substantial. On days when HMSC's posted price for gasoline was the OPIS low price, HMSC sold on average **BEGIN HIGHLY CONFIDENTIAL** ██████████ **END HIGHLY CONFIDENTIAL** thousand barrels per day of gasoline. On days when HMSC's posted price for diesel was the OPIS low price, HMSC sold on average **BEGIN HIGHLY CONFIDENTIAL** ██████████ **END HIGHLY CONFIDENTIAL** thousand barrels per day of diesel. HMSC St. 1-RJ at 12; **HIGHLY CONFIDENTIAL** HMSC Ex. JPM-5.
67. The OPIS prices for 2015-2017 are shown in HMSC Ex. JPM-6. OPIS excludes prices if no supply was provided. HMSC St. 1-RJ at 12; Tr. 1190-1191.
68. No link exists between the existing arbitrage opportunity in the Pittsburgh area and lower prices to consumers. An arbitrage opportunity can exist between any two markets. HMSC St. 1-RJ at 2.
69. Prices paid by consumers at the gasoline pump are typically set in comparison to prices at other retail outlets or are set a cost plus the desired margin by large chain stores that are focused on selling large volumes of gasoline at low margins. HMSC Ex. JPM-3 at 24.
70. The additional eastbound pipeline capacity from the Midwest would provide consumers in Western and Central Pennsylvania increased access to generally lower-priced Midwestern gasoline and petroleum products. HMSC St. 1-R at 6-7; Tr. 1129-1130.
71. The influx of lower-cost product from the Midwest into the Pittsburgh market that would occur as a result of the reversal would make competitively-priced product available to consumers in this market. HMSC St. 1-RJ at 11.

72. All else equal, the lower the cost of the crude oil and the more efficient the transportation and marketing infrastructure, the lower the price of refined products in any given area at any given point in time. Laurel St. 7-RJ at 17-18.
73. Product exchanges, which are common in the petroleum products industry, are effective in permitting shippers to access markets without physical connectivity. The way in which an exchange would work between a refiner in Philadelphia and a refiner in Ohio is that the two entities would agree to compensation that would equalize the value difference between the two locations; this is known as a location differential and is a commonly used provision in an exchange agreement. HMSC St. 1-R at 12-13; HMSC St. 1-RJ at 15; Laurel St. 6 at 16.
74. No obstacles exist to the effective use of product exchanges in the Pittsburgh area. HMSC St. 1-RJ at 15; Tr. 1195.
75. Virtual tariffs have become a good mechanism for accessing markets without physical pipeline connectivity, which Buckeye currently offers into the Pittsburgh area. HMSC St. 1-R at 12; HMSC St. 1-RJ at 15.

## **Appendix B**

### **Proposed Conclusions of Law**

1. The proponent of a rule or order carries the burden of proof. 66 Pa. C.S. § 332(a). This must be shown by a preponderance of the evidence. *Samuel J. Lansberry, Inc. v. Pennsylvania Public Utility Commission*, 578 A.2d 600 (Pa. Cmwlth.1990), appeal denied, 602 A.2d 863 (Pa. 1992).
2. Hearsay evidence may not support a finding of fact unless it is corroborated by competent evidence of record. *Walker v. Unemployment Compensation Board of Review*, 367 A.2d 366 (Pa. Cmwlth. 1976).
3. The Applicant has the burden of proving it meets the legal standard for evaluating an application under the Public Utility Code. 66 Pa. C.S. §§ 102, 1101-1103.
4. A certificate of public convenience will be granted "... only if the Commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public." 66 Pa. C.S. § 1103(a).
5. Since the 1957 certificate of public convenience granted to Laurel does not specify the direction in which petroleum products must flow on the pipeline or impose any limitations or conditions upon the direction in which petroleum products must flow, the Commission's approval for Laurel to reverse the flow for a segment of the pipeline is not required.
6. When differences exist between fixed utilities, different regulatory outcomes are warranted. *See, e.g., Re Line Extensions*, Docket No. L-930089, 1996 Pa. PUC LEXIS 162, at \*8-11 (Order entered October 7, 1996; *Investigation Into The Bypass of Gas Utilities by Gas Suppliers*, Docket No. I-880078, 1988 Pa. PUC LEXIS 139, at \*3 (Order entered February 25, 1988).
7. The Commission has distinguished between natural gas and water services in setting rates for gas customers who have readily available competitive alternatives, as compared to water service being a basic human need without alternatives. *See, e.g., Pa. PUC, Office of Consumer Advocate, Office of Small Business Advocate v. Columbia Gas of Pennsylvania, Inc.*, Docket Nos. R-2014-2407345, C-2014-2410197, C-2014-2415136, 2014 Pa. PUC LEXIS 691, at \*28-32 (Order entered October 23, 2014).
8. The Commission has recognized the importance of facilitating competition and free markets in the transportation and energy industries, which ultimately benefits consumers. *See Final Rulemaking Amending 52 Pa. Code Chapters 1, 3, 4, 23 and 29 to Reduce Barriers to Entry for Passenger Motor Carriers*, Docket No. L-2015-2507592 (Order entered October 27, 2016; *Natural Gas Retail Markets Investigation*, Docket No. I-2013-2381742 (Order entered December 18, 2014; *Electric Retail Markets Investigation*, Docket No. I-2011-2237952 (Order entered February 15, 2013).

9. To the extent Commission approval is required, the appropriate standards to apply is a general benefits test rather than a traditional abandonment analysis. *See Application of Sunoco Pipeline, L.P.*, Docket Nos. A-2013-2371789, P-2013-2371775 (Order entered August 29, 2013).
10. The Applicant has carried its burden of proof.
11. The instant affiliated interest agreements between the affiliated interests appears to be reasonable and consistent with the public interest under Section 2102(b) of the Public Utility Code.

## **Appendix C**

### **Proposed Ordering Paragraphs**

THEREFORE, IT IS ORDERED:

1. That upon entry of this Opinion and Order, Laurel Pipeline Company, L.P. shall be permitted to file tariff supplements in the form set forth in Attachment C to the Application, to become effective upon at least one day's notice.
2. That the Affiliated Interest Pipeline Capacity Agreement between Laurel Pipe Line Company, L.P. and Buckeye Pipeline Company, L.P. is hereby approved.
3. That the issues raised by the Bureau of Investigation and Enforcement are deemed satisfied.
4. That the Protest filed by Philadelphia Energy Solutions Refining and Marketing, LLC is dismissed.
5. That the Protest filed by Gulf Operating, LLC is dismissed.
6. That the Protest filed by Sheetz, Inc. is dismissed.
7. That the Protest filed by Monroe Energy, LLC is dismissed.
8. That the Protest filed by Sunoco, LLC is dismissed.
9. That the Protest filed by Giant Eagle, Inc. is dismissed.
10. That the Protest filed by Clean Air Council is dismissed.
11. That upon acceptance and approval by the Commission of the tariff supplements filed by Laurel Pipeline Company, L.P. consistent with this Order, this proceeding shall be marked closed.

## CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of Husky Marketing and Supply Company's Main Brief upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54. Because the Main Brief contains highly confidential information, a redacted copy is being served on those persons who have not signed the stipulated protective agreement.

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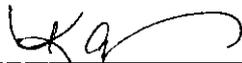
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**NO CONFIDENTIAL MATERIALS**

Dated: December 4, 2017

  
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Karen O. Moury, Esq.

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