Remarks by Christopher Ruggiero – Vice President and General Counsel – Monroe Energy, LLC
Senate Majority Policy Committee Hearing – December 12, 2017

Chairman Argall and members of the Senate Majority Policy Committee...

Good morning, and thank you for holding this hearing, and for inviting me to participate. My name is Chris Ruggiero, Vice President and General Counsel of Monroe Energy LLC. Monroe owns and operates a refinery located in Trainer, Pennsylvania. It is one of the longest operating refineries in the United States, having seen both world wars, the Great Depression, economic booms and hard times, all while providing hundreds of men and women that walk through our gates every day an opportunity to provide for their families. Today, the refinery directly employs about 500 people, and indirectly supports roughly 10,000 jobs across Pennsylvania, including many held by members of the United Steelworkers and the Philadelphia Building Trades. The other local refinery, Philadelphia Energy Solutions, supports roughly twice that number. Together, we are talking about 30,000 Pennsylvania jobs supported by these refineries. Facilities like ours are filled with highly skilled and energetic people who work hard every day to ensure that our Commonwealth – in fact, our nation – has the energy it needs to compete globally – all while working safely and protecting our environment.

Just a few months ago, the devastating effects of the Gulf Coast hurricanes left many pipelines and refineries in that region offline for weeks. Pennsylvania refineries came through to supply our nation with refined petroleum products, demonstrating how we here in the Northeast play a critically important role in maintaining U.S. national energy security.

But this is not the only example. In 2012, after Hurricane Sandy left millions without power and fuel in New York, Monroe Energy received a call for support. We transported finished products to the New York Port Authority so that they could fuel their vehicles and effectively conduct relief and recovery efforts.

We're here today because Buckeye, the owners of the Laurel Pipeline, have submitted an application to reverse a portion of that pipeline. For about 60 years, Laurel has been transporting finished fuel products, made by our Southeastern Pennsylvania refineries, westward into the greater Pittsburgh region. During that time, Laurel has always flowed in a westerly direction; today it is the only remaining refined products pipeline running from Eastern Pennsylvania to the West. Buckeye's application to the PUC seeks to reverse the pipeline between Pittsburgh and Altoona, effectively cutting off Pennsylvania refineries from the Pittsburgh market and making consumers in the western part of our Commonwealth entirely dependent on refineries from Ohio and points further west and south.

Buckeye proudly advocates on behalf of these out–of–state refiners, claiming that the crude oil they use will somehow lead to lower prices for consumers in Pennsylvania. But both the facts and even a basic understanding of how economic competition works shows such claims to be faulty.

Make no mistake – Buckeye's proposed reversal of Laurel will do absolutely nothing in the way of introducing some new, less expensive supply source from the Midwest into Pittsburgh and Western Pennsylvania. These allegedly more attractive products already have access into Pittsburgh today – via several different pipelines. And despite this access, the market data clearly show that eight to nine months out of each year, Western Pennsylvania fuel marketers like Sheetz, Gulf, Giant Eagle and others choose to buy fuel supplied by Philadelphia-area refineries – because it is cheaper – and Pennsylvania consumers win.

You see, consumers benefit from a market structure in which fuel marketers have the choice of purchasing the most competitively priced products wherever they exist – from Pennsylvania refineries to the east, or out-of-state refineries in the Midwest? That market structure exists for Pittsburgh today, and a reversal of the Laurel Pipeline will eliminate it.

Having diverse supply options, such as currently exist today, is what ultimately provides real benefits to consumers. Genuine competition drives prices lower, while fewer options lead to higher prices.

In a Pittsburgh Post-Gazette article from May 8th, Rob Smith a director at IHS Markit, stated that having access to two markets has given the region (Pittsburgh) some insulation from price spikes and supply disruptions that would be eroded by reliance on a single market.

And OPIS Co-Founder Ben Brockwell recently spoke to a meeting of the Pennsylvania Petroleum Association, stating "...Buckeye Partners intends to reverse a portion of its Laurel Pipeline flowing between Pittsburgh and Altoona, PA, which would force Philadelphia Area refiners out of the marketplace and raise prices for consumers."

To be clear – Buckeye does not want to reverse the Laurel because it will be good for Pennsylvania. It wants to reverse the pipeline because it will be good for Buckeye – in the way of substantially more revenue for shipping these fuels on a federally regulated tariff from Ohio into Pennsylvania than it does today on a PUC tariff from Philadelphia to Pittsburgh.

Buckeye's Vice President Bill Hollis has even stated, quote "Pipeline tariffs for the planned reversal from Pittsburgh to Altoona will be higher than the tariffs for shipping products from Philly." Mr. Hollis also expressed that their Midwest customers are seeking additional outlets for their growing production of gasoline and diesel fuel and that while they don't have current plans for a full reversal of Laurel all the way to Philadelphia, it has been discussed. Such a move would cut off Pennsylvania refiners from even more Pennsylvania markets, hurting their ability to sell their products at an economic price and making even more Pennsylvania consumers hostage to out-of-state refiners' pricing.

Buckeye also claims that shipments on the Laurel line from East Coast refiners to the Pittsburgh region have fallen dramatically. But this is simply not the case - since purchasing the Trainer refinery and restoring operations in September of 2012, Monroe Energy's volumes on the Laurel Pipeline have remained fairly consistent. Remember, eight to nine months out of the year, most of Pittsburgh supply is provided via Laurel from Pennsylvania refineries.

Finally, Buckeye suggests that a Laurel reversal won't harm Pennsylvania refiners. They say that we will simply take the products we currently move to Pittsburgh and instead sell them into New York Harbor, or into Buffalo. But as you might guess, it's not that simple. If it were, we'd be moving more products into those markets today. But moving more volumes into New York Harbor would mean putting our products on barges, as pipeline capacity from our refinery in that direction is constrained; barge transportation is much more expensive than pipelines, and would drive down our already-thin margins that are part and parcel of Northeast refining. As for Buffalo and other upstate New York markets which Buckeye helpfully suggest for us, these markets are already saturated and won't economically take any more supply.

In closing, Buckeye would like you to believe that this is a complicated issue. But it's really not. Simply ask yourselves why have a group of large, well-recognized Pennsylvania companies such as Monroe, Sheetz, Gulf, Giant Eagle, Philadelphia Energy Solutions and Guttman Energy banded together in opposition to Buckeye's proposal? These are companies that represent every facet of the fuel production and supply chain, and in some cases, companies that are even in competition with one another. Yet on this question of the Laurel Pipeline, they are absolutely united – because they know that a reversal of Laurel would threaten more than just their business – it would threaten consumers, workers, and the Commonwealth as a whole.

Members of the committee, thank you once again for holding this important hearing and for affording me the opportunity to speak here today on this important issue for Pennsylvania. I look forward to answering any questions that you may have.