

**MARINER EAST I
PROPOSED SETTLEMENT AGREEMENT BY AND BETWEEN
WEST GOSHEN TOWNSHIP, SUNOCO PIPELINE, LP
AND THE CONCERNED CITIZENS OF WEST GOSHEN TOWNSHIP**

FACT SHEET

Executive Summary

Township special counsel recommend that the West Goshen Township Board of Supervisors approve the settlement that has been negotiated with Sunoco Pipeline, LP and the Concerned Citizens of West Goshen Township and conclude the litigation pending before the Public Utility Commission. The settlement has significant benefits for the residents of the Township that cannot be obtained by litigation, and therefore should be approved.

Why do we recommend this settlement?

- a. The settlement commits Sunoco Pipeline, LP to limiting its pump station operation to the present site on Boot Road. Except for a valve station installation, Sunoco Pipeline, LP agrees not to build any above ground facilities on the additional four acres it purchased for the purpose of constructing and operating a new pump station. A Restrictive Covenant on the land will be recorded to enforce this commitment.
- b. A nationally recognized pipeline safety expert retained by the Township has evaluated the Mariner East 1 project and proposed various safety improvements which Sunoco Pipeline, LP has agreed to implement. The expert has opined that the project exceeds federal pipeline safety standards and meets the new Integrity Management guidance that the federal government has developed for similar repurposed pipeline operations.
- c. The safety expert concluded:

“It is . . . Accufacts’ opinion that Sunoco, on the Mariner East pipeline segment that could affect the Township, is exceeding federal pipeline safety regulations in utilizing additional integrity management approaches, prudent pump station design, mainline valve placement and actuation, pipeline monitoring, as well as control room procedures, automatic release detection safety systems, and emergency notification protocols that reflect the level of respect that transporting HVL [High Volatile Liquids] should require in a prudent pipeline operation. While these efforts cannot guarantee against a release, they reflect a safety attitude that applies up to date steps to avoid a release and respect for the consequences a material release could produce, especially rupture. Accufacts concludes that the Mariner East phase 1 project, with the enhancements discussed above, meets or exceeds the prudent technical approach commensurate with the safe transportation of HVL.”

- d. The Public Utility Commission has made it clear that siting, environmental and safety concerns will not be heard in the case filed by Sunoco Pipeline, LP to override local zoning, land development and building codes.
- e. Efforts to argue that Sunoco Pipeline, LP is not a public utility or that it lacks necessary service rights will not be successful before the Public Utility Commission or on appeal.
- f. The Township's safety expert does not recommend a safety complaint against Sunoco Pipeline, LP, or that the Township seek any significant further improvements in the Mariner East 1 project at this time.

The points summarized above are presented with more detail as follows.

Procedural Posture of the Public Utility Commission Proceeding: *Petition of Sunoco Pipeline, L.P., for a Finding that the Situation of Structures to Shelter Pump Stations and Valve Control Stations is Reasonably Necessary for the Convenience or Welfare of the Public*, Docket No. P-2014-2411966.

Two years ago, Sunoco Pipeline LP launched Mariner East, a project to repurpose part of its oil pipeline network in Pennsylvania. Instead of carrying refinery products from its Marcus Hook refinery located in Pennsylvania and Delaware westward, the system would carry propane, ethane and other natural gas liquids derived from the Marcellus Shale region eastward to Marcus Hook.

In March 2014, in furtherance of its Mariner East 1 project, Sunoco Pipeline LP petitioned the Pennsylvania Public Utility Commission ("PUC" or "Commission") to exempt eighteen new or expanded pump stations and a number of valve stations from local zoning and land development regulations. The petition contemplated the construction and operation of a new pump station on land acquired by Sunoco Logistics, LP, located adjacent to its existing Boot Road pump station.

The project as proposed by Sunoco Pipeline, LP in March 2014, was limited to interstate transportation. Concerned Citizens of West Goshen Township ("Concerned Citizens") and other parties to the proceeding filed preliminary objections on the grounds that an interstate oil pipeline is not a "public utility" under Pennsylvania law, and thus does not qualify for a PUC ruling to override local zoning, land development and building regulations. West Goshen Township and other parties intervened.

In May 2014, Sunoco Pipeline, LP filed an amended petition stating that Sunoco Pipeline, LP plans to offer both intrastate and interstate service on Mariner East. Concerned Citizens and others renewed their preliminary objections.

On July 30, 2014, the Administrative Law Judges recommended dismissing Sunoco Pipeline, LP's petition. Sunoco Pipeline, LP filed exceptions, and in response, the Township joined Concerned Citizens and others in reasserting the defects in Sunoco Pipeline, LP's claims for the Mariner East project.

While the exceptions were pending, in a separate proceeding, Sunoco Pipeline, LP received a certificate from the Commission to begin eastbound transportation of propane and butane in portions of the system in western Pennsylvania. Sunoco Pipeline, LP applied for certificate rights in one township which the Commission approved. Sunoco Pipeline, LP also filed a rate schedule for intrastate service which the Commission approved.

By Opinion and Order dated October 29, 2014, the Commission overruled the preliminary objections rejecting each of the arguments raised by the Concerned Citizens of West Goshen Township, the Township and other party interveners.

The Township proceeded with written discovery directed to Sunoco Pipeline, LP in July 2014. The interrogatories and document production requests explored all evidence Sunoco Pipeline, LP might have to support its claim that it has a valid certificate granting applicable service rights as a public utility, as well as all information regarding the service to be offered through Mariner East. Sunoco provided answers and produced documents, subject to a confidentiality agreement and protective order, which special counsel has studied carefully.

On behalf of the Township, special counsel retained Accufacts, Inc. and in particular Richard Kuprewicz, its President, to review the safety aspects of the Mariner East 1 project. Mr. Kuprewicz is a nationally recognized expert in gas and liquid pipeline investigation, risk management, operations, maintenance, emergency response and safety. Mr. Kuprewicz currently serves as a member representing the public on the federal Technical Hazardous Liquid Pipeline Safety Standards Committee (“THLPSSC”), a technical committee established by Congress to advise the Pipeline and Hazardous Materials Safety Administration (PHMSA) on pipeline safety regulations. The THLPSSC members are appointed by the Secretary of Transportation. Mr. Kuprewicz is often called in to analyze pipeline safety problems, working for both industry and public bodies.

Mr. Kuprewicz was retained to advise on the safety of the Mariner East 1 project, Sunoco Pipeline, LP’s integrity management program, and its compliance with federal law and regulations. The Township conferred with him regarding key safety concerns such as the age of the pipeline, the proposed plan to reverse the flow and repurpose the pipeline to move propane and ethane, testing protocols, and all aspects of Sunoco Pipeline, LP’s integrity management program.

After considering the Commission’s Order dated October 29, 2014, preliminary information from Mr. Kuprewicz, and the interrogatory answers and documents secured at that time from Sunoco Pipeline, LP, the Township’s special counsel recommended initiating settlement discussions. Counsel contacted Sunoco Pipeline, LP and proceeded with additional confidential discovery focused on safety and Sunoco Pipeline, LP’s public utility status.

Safety Inquiry and Conclusions

Meetings and conference calls were held over period of four months between Mr. Kuprewicz and Sunoco Pipeline, LP engineers, including Sunoco Pipeline, LP’s Vice-President of Engineering and others. Sunoco supplied extensive data, including detailed information about the existing pipeline for the parts of the Mariner East 1 project that had the potential to impact residents of

West Goshen Township. Sunoco provided details as to the proposed design of the Boot Road pump station and the vapor combustion unit (a/k/a “flare”) to be placed there. Sunoco provided the details of the safety practices in its operation, the implementation of pressure tests prior to utilizing the pipeline, and other detailed information. All questions posed by Mr. Kuprewicz were answered by Sunoco Pipeline, LP in detail.

In March 2015, special counsel for the Township received Mr. Kuprewicz’s initial report on the safety of the Mariner East 1 project. His report recommended certain design and operating changes and clarifications in the repurposing and management of the pipeline. He has opined that the safety precautions being taken, with his recommended changes, meet or exceed federal safety regulations.

The safety program, with his recommendations, also exceed the Integrity Management guidelines recently developed by PHMSA, the federal pipeline safety agency, that are not yet officially required.

Mr. Kuprewicz concludes:

“It is . . . Accufacts’ opinion that Sunoco, on the Mariner East pipeline segment that could affect the Township, is exceeding federal pipeline safety regulations in utilizing additional integrity management approaches, prudent pump station design, mainline valve placement and actuation, pipeline monitoring, as well as control room procedures, automatic release detection safety systems, and emergency notification protocols that reflect the level of respect that transporting HVL [High Volatile Liquids] should require in a prudent pipeline operation. While these efforts cannot guarantee against a release, they reflect a safety attitude that applies up to date steps to avoid a release and respect for the consequences a material release could produce, especially rupture. Accufacts concludes that the Mariner East phase 1 project, with the enhancements discussed above, meets or exceeds the prudent technical approach commensurate with the safe transportation of HVL.”

Is Sunoco a Public Utility?

The legal authority and process by which the Public Utility Commission can override local zoning, land development and building codes applies to public utility facilities. In order to be a public utility, an oil pipeline must offer intrastate service subject to Public Utility Commission jurisdiction.

In 2002, Sunoco succeeded to the certificate rights granted by the Commission to its predecessors, primarily Sun Oil and Atlantic Refining. Those rights related to the transportation of refinery products from Marcus Hook to markets. Sunoco Pipeline, LP established to special counsel for the Township in discovery that it is now offering intrastate service for transportation of ethane and propane from points west and north to the Marcus Hook refinery.

The entity also must have a tariff on file that a proposed customer can utilize. Sunoco Pipeline, LP has placed an intrastate tariff on file with the Commission, which tariff was approved on August 21, 2014.

Arguments were made that Sunoco Pipeline, LP's certificate rights do not cover transporting propane or ethane derived from natural gas. Arguments also were presented that its certificates authorize only transportation west from the Marcus Hook Refinery, not east to the refinery. These arguments were rejected by the Commission in its Order entered on October 29, 2014. Sunoco Pipeline, LP filed for service rights in one township in western Pennsylvania. The Commission promptly granted the request, pointing up the futility of these arguments and confirming Sunoco Pipeline, LP's public utility status.

On studying the Commission's lengthy Order of October 29, 2014 discussing Sunoco Pipeline, LP's project and its claim to public utility status, Township special counsel concluded that (1) arguments against public utility status for Mariner East are unlikely to succeed, and (2) even if some technical flaw in Sunoco's authorizations are shown, Sunoco Pipeline, LP would quickly file an application proceeding to cure it which would be approved by the Commission.

Settlement Agreement Primary Terms:

Alongside the safety discussions, special counsel for the Township engaged Sunoco Pipeline, LP's lawyers in detailed negotiations for a possible settlement of the cases involving the Township and the Concerned Citizens of West Goshen Township. The product is a proposed settlement agreement with the following essential terms and conditions:

1. Sunoco Pipeline, LP will not build a new pumping station in West Goshen Township as proposed in its Petition to the Commission. Rather, Sunoco Pipeline, LP will operate the pumps and appurtenant equipment it requires for the project within the present site that it has occupied for decades.
2. Except for a valve station installation, Sunoco Pipeline, LP agrees not to build any above ground facilities on the additional four acres it purchased for the purpose of constructing and operating a new pump station. A Restrictive Covenant on the newly acquired four acre parcel will be recorded to enforce this commitment.
3. Sunoco will automate the two valves on its pipeline nearest the Township borders to the east and to the west, so that in an emergency they will automatically close to cut off the flow and potential release of product.
4. Sunoco will add a third automated valve just north of the Boot Road Pump Station, within and at the east end of the additional property it has purchased. In all, five automated valves will protect the Township from avoidable injury.
5. Sunoco will build its vapor combustion unit (a/k/a "flare") at the east end of the property, a distance in excess of 300 feet from the homes on Mary Jane Lane and a distance in excess of 120 feet from the homes on the south side of Boot Road. There will be no visible flare under normal conditions and noise is expected to be at a decibel level in compliance with the Township's noise regulations.
6. Sunoco Logistics, LP will provide immediate notice to the Township of any Mariner East pipeline condition changes requiring remediation under federal

regulation, and provide a written report within thirty (30) days describing the remediation undertaken or to be undertaken.

7. Sunoco Pipeline, LP will prepare a landscaping plan and implement measures to appropriately screen its facilities. The Township will consult with nearby homeowners on the proposed landscaping plan and screening.
8. In connection with Mariner East 2, now in the planning phase, Sunoco will provide safety data comparable to that given to the Township' expert consultant in this case, and will confer with the expert on safety matters.
9. The Township will not join in a safety complaint at the PUC, or file its own, assuming the safety measures are implemented by Sunoco Pipeline, LP, and maintained.
10. The Township and Concerned Citizens agree not to challenge Sunoco Pipeline, LP's public utility status, assuming the facts presented in the present case continue to exist.
11. The Township and Concerned Citizens can utilize the Commission to assure that safety agreements are met, and the Chester County Court of Common Pleas to enforce the Restrictive Covenant.

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