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Colonial Pipeline Company

ENVIRONMENTAL QUALITY BOARD

Sam Whitehead
Government Affairs Manager

Phone: 678/762-2333
Fax: 678/762-2315
swhitehe@colpipe.com

November 19, 2010

Secretary John Hanger
Chairman, Environmental Quality Board
P.O. Box 8477
Harrisburg, PA 17105

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Comments on: Proposed Regulation - Commercial Fuel Oil Sulfur Limits for Combustion Units (#7-462 / IRRC #2874)

Dear Mr. Hanger:

Colonial Pipeline Company is an interstate common carrier of petroleum products. Each day, we deliver 100 million gallons of gasoline, kerosene, home heating oil, diesel fuel and national defense fuels to shipper terminals in 13 states, including Pennsylvania. Our 5,500 mile system transports these fuels from Texas, Louisiana, Mississippi and Alabama refineries to marketing terminals located near the major population centers of the southeast and Eastern Seaboard. Colonial Pipeline is a significant transporter of heating oil and other refined petroleum products into the Northeast.

While Colonial is certainly aware of the environmental benefits of lowering the sulfur content of heating oil, we are greatly concerned about the drastic sulfur reduction and the timeline called for in the proposed regulation. The requirement timeline provides inadequate time for refiners and the transportation industry to make critical upgrades to ensure supply. The cost benefit of such a drastic change with an expedited timeline is questionable.

Lowering the sulfur level to 500 ppm would offer significant environmental benefit while providing significant and needed flexibility to the transportation and refinery segments. (It would allow the opportunity to handle jet fuel/ULSD interfaces that will occur when 500 ppm diesel disappears in 2014.)

On Colonial's system alone, we estimate that 6,000,000 barrels of jet fuel/ULSD interface is generated per year. Today, that interface volume is marketable as 500 ppm diesel or heating oil with a majority being distributed as heating oil. With the 500 ppm diesel being phased out, the 15 ppm heating oil limit would force this interface material to be segregated in tankage and transported to refineries to go through additional processing to lower the sulfur. The sulfur removal technology is only present at refineries. Obviously, this extra handling and processing

will add a significant burden to the distribution and refining industry. We stress the need for further justification of the 15 ppm level and recommend the 500 ppm level to allow for the handling of jet fuel/ULSD interface material.

ULSD is available and used by a number of heating oil distributors already to provide fuel to those customers who want a cleaner fuel, or a fuel suitable for use in newer, high efficiency heaters and boilers. It is not necessary to mandate that all heating oil be ULSD to support such discretionary fuel choices by customers.

We urge the Environmental Quality Board to seek a resolution that would offer significant environmental benefit while providing the necessary flexibility to the transportation and refinery segments.

Colonial Pipeline is committed to serving Pennsylvania's energy needs well into the future and we look forward to serving those needs without a disruption to the market and without unnecessary cost to customers.

Sincerely,

A handwritten signature in cursive script that reads "Sam Whitehead". The signature is written in black ink and is positioned below the word "Sincerely,".

Sam Whitehead