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June 15, 2010

VIA HAND DELIVERY AND ELECTRONIC MAIL

Rosemary Chiavetta
Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

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PA PUC
SECRETARY'S BUREAU

Re: Marcellus Shale En Banc Hearing on PUC Jurisdictional Issues
Docket No. I-2010-2163461

Dear Secretary Chiavetta:

I have enclosed for filing on behalf of MarkWest Energy Partners, L.P., an original and (9) nine copies of the *Comments of MarkWest Energy Partners* in response to the May 20, 2010 Secretarial Letter issued in the above-captioned docket.

Thank you for your attention to this matter.

Sincerely,



Brian J. Clark

BJC/jlf

Enclosure

cc: Jennifer Kocher, Office of Communications
Rikardo Hull, Esquire
Brian J. Knipe, Esquire
Robert L. Burns, Esquire

Testimony of John Mollenkopf Chief Operations Officer for MarkWest Energy Partners, L.P.
Pennsylvania PUC En Banc Hearing June 16, 2010

Good afternoon, Mr. Chairman and Commissioners, and thank you for the opportunity to appear here today. My name is John Mollenkopf and I am the Senior Vice President and Chief Operations Officer for MarkWest Energy Partners, L.P. I have worked in the oil and gas industry for over 27 years with particular emphasis on designing, constructing and operating natural gas gathering systems, processing plants and treating plants across the United States. At the request of the Commission, I would like to share with you MarkWest's experience with the regulatory requirements for gathering pipelines in other states as well as our recommendations for appropriate regulation in Pennsylvania by the PUC. But first, I would like to tell you a little more about MarkWest.

MarkWest Energy Partners, L.P. is a publically traded master limited partnership (NYSE:MWE), or MLP that owns and operates midstream natural gas pipelines and processing facilities in nine states and has extensive experience in designing, constructing and operating gathering systems which serve several of the major shale plays across the country. In all, MarkWest owns and operates 14 gathering systems with over 2000 miles of pipe, three Texas intrastate gas pipelines, two interstate gas pipelines, over 400,000 horsepower of gas compression, 13 gas processing plants, 3 gas treating plants, two natural gas liquid fractionation facilities and one refinery off-gas processing plant which in all serve over 2 billion cubic feet per day of natural gas production. MarkWest does not drill or produce wells and is focused solely on providing midstream services to its producer customers. MarkWest is committed to safety and environmental excellence in all that it does and complies fully with all regulations and laws applicable to its operations.

In southwestern Pennsylvania, MarkWest operates an extensive natural gas gathering system serving the Marcellus Shale as well as processing and fractionation plants that support those operations. Since mid 2008, MarkWest has invested over \$450 million dollars developing the Marcellus system with significant and continuing investment planned for the foreseeable future. We currently employ 57 employees in Pennsylvania with plans to staff up to 87 by year end.

I have been asked to provide some examples and perspective of regulatory framework and operations from other states in which MarkWest operates. Accordingly, I will discuss two of our largest gathering systems which serve the Woodford and Haynesville Shales located in Oklahoma and Texas, respectively. These two systems are very similar to our system being developed in the Marcellus Shale. They are both relatively new in that they have been constructed over the past several years and their associated regulatory requirements are relevant to our discussions here today.

The first of the systems is the Woodford Shale gathering system located in south east Oklahoma which began construction in late 2006 and now consists of over 500 miles of gathering pipelines, two gas processing plants for natural gas liquids removal and three gas treating plants for CO₂ removal. The Woodford system now moves over 500 million cubic feet per day of raw gas. In this system the raw gas is collected at the wellhead into a low pressure gathering pipeline system operating at about 50 pounds per square inch (psi). The gas stream is then compressed to a pressure of about 1,000 psi by one of many compressor stations distributed along the system. From the compressor stations the raw gas flows through high pressure gathering pipelines to either the processing plants or the treating plants. The plants remove impurities and/or natural gas liquids from the raw gas conditioning the gas to meet all transmission, and especially interstate pipeline

specifications. At the outlet, or tailgate, of the plants, the gas is delivered into interstate transmission pipelines.

In Oklahoma, the Oklahoma Corporation Commission (OCC) oversees the safety compliance for gathering pipelines consistent with the federal U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration's (PHMSA's) regulations contained in 49 C.F.R. 192. A new statute was recently adopted by the legislature that also gives the OCC the authority to collect information relating to incidents that occur on gathering lines located in Class one locations.

Gathering companies are not public utilities in Oklahoma. The regulatory structure in Oklahoma strikes a good balance for maintaining safety oversight without impeding the economic and efficient development of gathering systems. A great example is our system which was built from scratch growing the Woodford Shale from zero to 500 million cubic feet per day in just 3 years. The system is highly efficient and was constructed with great care to protect the environment and the safety of our employees and the general public all in accordance with the requirements of the OCC.

The second system is our East Texas gathering system which collects gas from the Haynesville Shale as well as from the Cotton Valley tight sand formation near Carthage, Texas. This system is constructed similar to the Woodford system described above and consists of over 200 miles of both low and high pressure gathering pipelines, sixteen compressor stations and two natural gas processing plants with a capacity of over 500 million cubic feet per day. As with the Woodford system, the raw gas is collected at low pressure, compressed and then processed for removal of natural gas liquids. Once the gas meets all interstate specifications, it is delivered to several interstate pipelines for sale into the marketplace.

In Texas, gathering pipelines are regulated by the Texas Railroad Commission for safety under federal regulation 49 C.F.R. 192 as delegated by PHMSA. Texas has amended the federal definition of natural gas gathering pipeline slightly to match the Commission's historical interpretation of the definition. Gathering pipelines are exempted from utility regulation if they meet certain criteria. Specifically, they must be gathering from the same field and they may not utilize eminent domain when acquiring rights-of-way.

While only approximately 10 percent of gatherers are considered to be utilities, the majority of those have elected to be considered a utility due to the difficulty in obtaining right-of-way easements at fair market value. This is particularly true in the more populated areas of the Barnett Shale. While this utility status allows the gatherer to use eminent domain, it is a status which does not bring with it rate setting, convenience of service determinations or other utility type financial regulations which are required for interstate pipelines or pipelines serving the public. This practice has removed a large obstacle from the economic development of the Barnett Shale without imposing stifling utility regulation of gathering pipelines which would have the opposite effect. Once again the East Texas Gathering system is a state-of-the-art system which was efficiently and economically constructed to meet all safety and environmental requirements of the Texas Railroad Commission.

At MarkWest, our top commitment and priority is safety. We operate our pipeline facilities to meet, and in many cases exceed, the requirements of the federal regulations contained in 49 C.F.R. 192. This includes our facilities in Class one locations. In Class one locations we follow the same regulatory requirements as those outlined in 49 CFR 192.9. We also x-ray 100 percent of our welds to ensure the integrity of the pipeline when

it is installed. This is a substantial commitment to ensure the safe operations of our systems. This is the case for all of our operations, here and throughout the country.

The pipeline industry has taken many proactive steps to address pipeline safety over the course of the last decade. Operators have implemented new personnel training and qualification programs as well as integrity management programs in which operators have focused on addressing the risks to the pipelines and the communities in which we operate. Operators have also significantly increased their damage prevention programs and implemented awareness education for those most likely to be impacted by a pipeline. The industry also worked with regulators to successfully define what a natural gas gathering line is, and specifically when it begins and ends and to appropriately regulate it based on risk.

We fully support the PUC being granted clear authority to monitor and enforce the requirements of 49 C.F.R. 192. We also support all pipelines, regardless of the type of pipeline or existing regulatory oversight, being *members of the state one-call system. It is important to note that even if all pipelines are members of the one-call system, there must be an effective enforcement agency. Without that enforcement, there is no incentive to comply with the requirements of the law.*

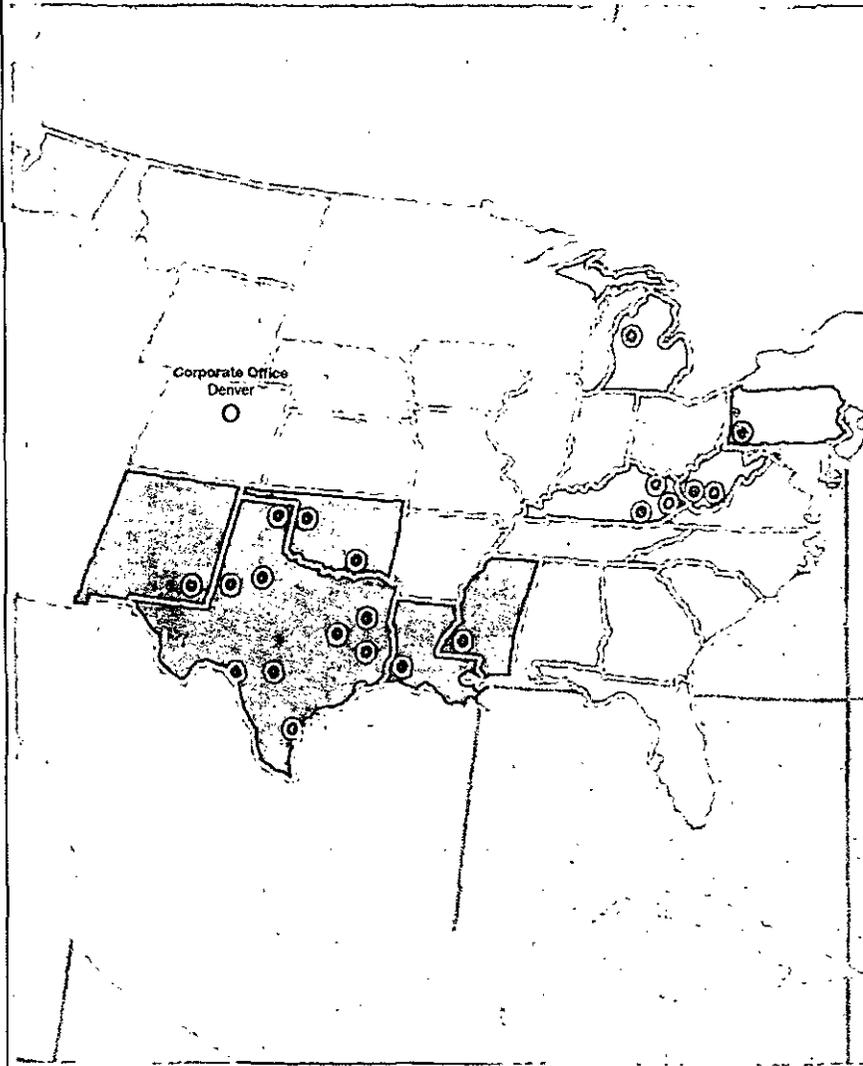
We are aware of the Commission's inquiry into how gathering lines, such as ours, fit into the PUC's existing regulatory framework and the definition of public utilities. Historically, gathering line operators have not been considered public utilities under Pennsylvania or other state's laws including Texas and Oklahoma because gatherers do not provide consumer quality gas to the public. Simply put, gathering line operators do not fit into the definition of a public utility as it is currently written in Pennsylvania and they should not be rate regulated. Public utilities were created to ensure the public at large received service for basic necessities like water and electricity. Unlike those service providers identified in state law, gathering lines do not provide or sell gas to the public at large. We also understand that this is also the stated position of the Commission.

MarkWest takes the safety of its lines and facilities very seriously and is committed to being a good and safe operator in the Marcellus. We have invested a significant amount of capital here and more is planned. Our employees are residents in the areas we operate and we strive to be a good neighbor.

To sum up my testimony, MarkWest supports the PUC becoming a state agent for the purpose of inspecting and enforcing the current safety regulatory requirements found in 49 C.F.R. 192 for natural gas gathering pipelines and having the authority and appropriate funding to operate in this capacity. However, as an independent issue, gathering pipeline operators should not be included as public utilities. Instead, the Commission should preserve open markets, the ability of private operators to support the industry, and encourage the development of the Marcellus. The Marcellus provides an exciting opportunity for the Commonwealth and the nation to develop clean burning natural gas that will help fuel the nation's economy going forward.

I hope the examples and recommendations we have covered provide additional insight and information to help the Commission in its decision making process on gathering pipeline regulation. We look forward to working with you as discussions on these and related issues move forward, and I am available to answer questions now or in the future at your convenience.

MarkWest Energy Partners, L.P. - Geographic Footprint



SOUTHWEST

East Texas

- 500 MMcf/d gathering capacity
- 280 MMcf/d cryogenic processing capacity
- 11 other gathering systems, 3 intrastate pipelines

Western Oklahoma

- 275 MMcf/d gathering capacity
- 160 MMcf/d cryogenic processing capacity

Southeast Oklahoma

- 500 MMcf/d gathering capacity
- Centrahoma processing JV
- Arkoma Connector Pipeline JV

GULF COAST

Javelina

- Refinery off-gas processing, fractionation, and transportation

NORTHEAST

Appalachia

- Four processing plants with combined 330 MMcf/d processing capacity
- 24,000 Bbl/d NGL fractionation facility
- 260,000 barrel storage facility
- 80-mile NGL pipeline

Michigan

- 250-mile interstate crude pipeline

LIBERTY

Marcellus

- 155 MMcf/d gathering capacity
- 155 MMcf/d cryogenic processing capacity

MARKWEST