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**Senate Committee on Community, Economic & Recreational Development**  
**Pennsylvania's Economy – The Reliability of our Energy Infrastructure**

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**Remarks of:**  
**Christopher Ruggiero, Vice President & General Counsel**  
**Monroe Energy, LLC.**

Chairman Yudichak and members of the Committee...

Good afternoon, and thank you for holding this important 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.

Founded in the early 1900's, it's one of the longest operating refineries in the United States, having seen both world wars, the Great Depression, economic booms and hard times - including the pandemic we're currently still dealing with - all while providing generations of men and women with unparalleled opportunities to provide for themselves and their families. Today, we are one of only three large refineries remaining on the eastern seaboard, and the last large remaining refinery in Pennsylvania.

Our facility is filled with highly skilled and energetic Pennsylvanians who work hard every day to ensure that our Commonwealth – and our nation – has the energy it needs to compete globally – while doing so safely and protecting our environment and our local communities. In addition to our roughly 500 full-time employees (200 of which are proud members of the United Steelworkers), our refinery supports roughly 10,000 jobs across Pennsylvania, including many held by members of the Philadelphia Building Trades. Many other businesses depend on our refinery to remain open in order to support and sustain them. Our local school districts, and local and county government, depend on us for critical tax revenues.

One of the topics we're here to discuss today is the role that petrochemicals play in our economy.

At Monroe, we produce the essential transportation fuels that propel our economy. Because our parent company is Delta Air Lines, we focus first on maximizing the production of jet fuel. But the large majority of what we produce is road transportation fuel - gasoline and diesel. We also produce other important products, like the propane that many of us use to fire up our grills in the summer, and home heating oil that Pennsylvanians use to keep warm all winter long.

Other byproducts from our refinery, such as refinery-grade propylene are used to manufacture PPE and the essential equipment necessary to generate renewable energy.

For all of these reasons, our refinery is an indispensable piece of America's national energy security portfolio, and we have been called upon numerous times to support our country when unexpected events caused constraints in our energy supply chain.

In 2012, after Hurricane Sandy left millions without power and fuel in New York, Monroe Energy – having restarted the refinery only months before, after it had been shut down by the previous owner – sprang into action. We transported [via truck – as pipelines were out of service] large volumes of fuel to the New York Port Authority, enabling effective relief and recovery efforts.

In 2017, the devastating effects of the Gulf Coast hurricanes left many pipelines and refineries in that region offline for weeks. Monroe boosted production in order to help supply our nation with refined petroleum products, demonstrating the importance that geographic diversity plays in maintaining U.S. national energy security.

During the pandemic, Monroe has once again played a significant role in maintaining our state and national fuel supply. Soon after the outbreak began, we saw a significant decrease in both gasoline and jet fuel demand due to the travel restrictions that were instituted. We then shifted our focus to maximizing our diesel production – because that was the fuel that was most critical to keeping our nation's supply chain intact - ensuring that truckloads of PPE were delivered to hospitals, that FedEx and UPS and Amazon trucks had the fuel they needed to keep commerce flowing, and that food made its way to our grocery stores.

And despite enormous pressure that we felt from the demand destruction caused by the pandemic and its impacts on our bottom line, we tightened our belts, got creative, and we were able to entirely avoid layoffs throughout the year.

Pennsylvania has a long history of successfully working through challenges in order to maintain its reputation as an attractive place to do business. When Delta was looking to purchase a refinery, they had a few options. But they chose our refinery in Southeast Pennsylvania not only because of the strategic location but because of the exceptional talent pool available here in our region. Many of our team members, including our CEO, have worked all around the globe and they agree that our region has the most talented people they've ever had the pleasure of working with.

I also want to specifically recognize the contributions of our friends and colleagues at the Steamfitters Local 420 – Thank you for all that you and your members do for Monroe and for so many across our region. We continue to benefit immensely from the talented and dedicated members of the Philadelphia Buildings Trades.

In addition, Pennsylvania, particularly the southeastern part of the state is located within a few hours' drive of many major metropolitan areas along the east coast, which creates numerous opportunities for businesses like ours. And southeastern Pennsylvania also has a critical mass of businesses that are necessary to support our operation, as well as a high quality of living, access to world-class higher educational institutions, and a strong healthcare network – all of which make our state a highly attractive place to live and work.

Like many other companies in our Commonwealth, Monroe is still climbing out of the abyss created by the pandemic, and we continue to see encouraging signs that people are beginning to feel safe traveling once again.

Despite the positive signs of recovery from the pandemic, I would be remiss if I did not at least briefly discuss one of the major headwinds we continue to face – a federal issue, but one where we could use any help the state can offer. The Renewable Fuels Standard, or the "RFS", mandates that renewable fuels such as

ethanol be blended into the nation's transportation fuels. That's not a problem in and of itself; ethanol is an efficient way to add octane to gasoline, and in fact would be blended into fuel regardless of whether or not any such mandate existed. The problem is that despite the fact that refiners don't actually do this blending – it's done downstream long after the gasoline has left the refinery – EPA has tasked refiners with “proving” to EPA that the blending has actually occurred. This proof is in the form of credits that refiners must buy. Predictably, this program structure has resulted in ever-increasing prices to purchase these credits. It's worth repeating – these credits, and the prices we pay to buy them, have nothing to do with whether or not the renewables are blended into the fuel supply. But the increasing prices of the credits pose a very significant challenge to the Trainer refinery.

In 2012, each credit averaged 3 or 4 cents, equating to an annual cost to us of roughly \$7-8 million. Today, credit prices are hovering somewhere in the range of \$1.20 – which projects to cost in excess of \$250 million this year alone. At this rate, Monroe's total RFS compliance costs since buying the refinery in 2012 will be in the range of \$1 billion. For some context, Delta purchased the entire refinery and pipeline logistics assets nine years ago for \$180 million. Obviously, costs at this rate are not sustainable in the long-term, and we therefore continue to fight urgently for sensible RFS reform and relief. Governor Wolf has joined this fight, as have our union partners, bipartisan congressional supporters, and even groups like the National Wildlife Federation. We welcome additional assistance, as this continues to be a major high-stakes struggle against entrenched interests.

To be clear - Monroe believes strongly in proactively doing our part in building a more environmentally sustainable future. And that's why, since restarting the refinery, we've invested hundreds of millions of dollars in capital projects that have measurably reduced the carbon footprint of our operations. Since buying the refinery, we've reduced emissions by nearly 27% while simultaneously increasing the refinery's production. We cannot help but consider how much more effective we could have been had we not been forced to spend nearly \$1 billion to comply with this federal program which provides little tangible benefit to the environment in our region.

One critical area of opportunity for Pennsylvania over the next few years is exploring ways to improve and build out our infrastructure. When focusing on areas of infrastructure improvements, people living and working in the Southeast know that one area of opportunity is the debottlenecking of our roadways and railways. When looking at local infrastructure projects that can create jobs and increase commerce up and down the Delaware River, one needs to look no further than the SEPTA Airport Line Bypass Rail project. Rail congestion along SEPTA's airport line has negatively impacted numerous industries along the Delaware River and even the Port of Philadelphia, causing delays to freight train movement. This issue seems only to be getting worse, and we've been part of conversations about a bypass project which could help alleviate the congestion that's occurring; however, we need state and federal support. A rail bypass project will yield great benefits to the companies along the river and to the region, and there is a broad coalition of businesses that support this project. This is just one of the many examples in our region alone that are in need of infrastructure investments which would help to unleash the region's economic vitality.

In addition to infrastructure improvements, Pennsylvania should continue to take steps to make our Commonwealth attractive to new businesses and encourage existing businesses to expand and invest even more. This can be accomplished through a few different ways, including greater predictability in legislative matters and more consistency in our regulatory structure. Tax credits and grants are also a proven means of attracting businesses, and fostering greater investment in areas of burgeoning technology and manufacturing.

Members of the committee, thank you once again for holding this important hearing and for affording me the opportunity to speak here today about Monroe Energy's role in Pennsylvania's economic well-being and in our national energy security. I look forward to answering any questions that you may have.