MAGELLAN
MIDSTREAM PARTNERS, L.P.

Bruce W. Heine
Vice President Government and Media Affairs
One Williams Center
Tulsa, OK 74174

Air and Radiation Docket and Information Center
United States Environmental Protection Agency
Mail code 2822T
1200 Pennsylvania Avenue, NW.
Washington, DC 20460

August 31, 2017

Re: Docket ID No. EPA-HQ-OAR-2017-0091
Renewable Fuel Standard Program: Standards for 2018 and
Biomass-Based Diesel Volume for 2019

Background

Magellan Midstream Partners owns and operates the nation's longest refined petroleum pipeline system and eighty-five storage and distribution facilities throughout twenty-four states in PADDs 2, 3 and 4. Virtually all of our terminals offer storage and distribution services for fuel grade ethanol. Blending services offered include E10, E15[i] and Ethanol Flex Fuel (EFF / E85). We have offered storage and distribution services for ethanol since 1982.

Magellan is a service provider to a variety of energy stakeholders. We do not own or market the products we transport, store and distribute. These products are owned by our customers which include refiners, petroleum traders and marketers, along with renewable fuel producers, traders and marketers.

We are not an advocate of one liquid fuel over another. As a service provider, we are indifferent to the type of fuel blend that our customers request. Our job is to transport, store, and deliver quality products which meet or exceed regulatory and industry standards while providing the greatest customer service and flexibility in the marketplace. We offer a variety of blend options for various octanes and the ability to choose an ethanol blend or clear gasoline. The choice is up to our customers, not Magellan.

Please consider the following comments:

E0 Demand

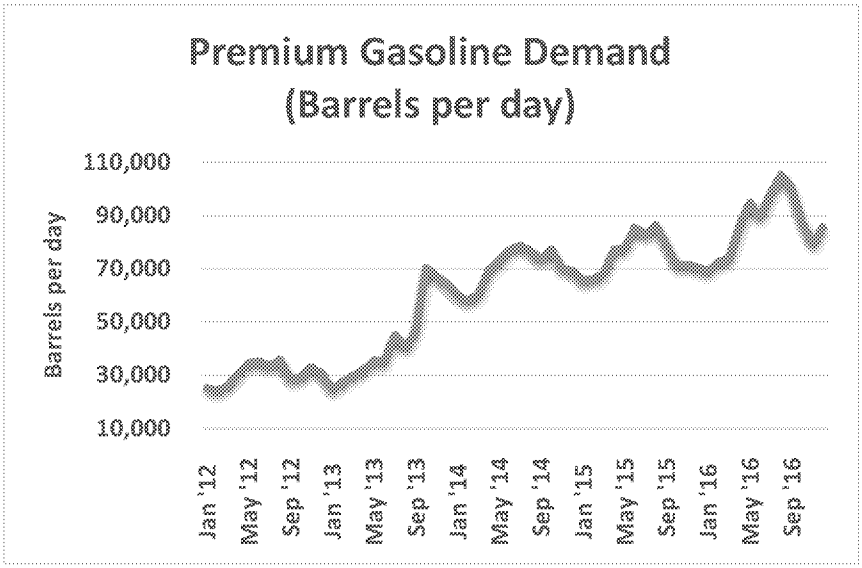
We submit these comments in response to EPA's projections concerning the use of E0 in 2018. EPA projected that only 200 million gallons or approximately 13,050 barrels per day of E0 would be used in 2016 and maintained this position in the 2017 RFS. The Agency now believes the actual volume of E0 used in 2016 was about 500 million gallons or approximately 32,600 barrels per day.

We disagree with these figures based on an extensive review of the actual volume of E0 loaded at our terminals throughout the markets we serve. We believe EPA should rely on real world data such as what Magellan is offering to determine E0 demand as compared to using other non-market based assumptions.

Increased Premium Gasoline Demand Used to Produce E0

The strong demand for E0 became clear to us when we changed the octane standard for gasoline received from shippers and transported on Magellan's pipeline system. On September 16, 2013, Magellan's 87 octane standard was replaced with 83 octane primarily to maximize the octane value of 10% volume ethanol. We no longer transported 87 octane gasoline on our pipeline systems. Prior to this time, our octane standard[ii] was 87 for regular and 91 for premium.

To meet the needs of our customers once the octane standard changed, we implemented a recipe for a 50/50 percent blend at our racks of 83 and 91 octane gasoline which produces 87 octane E0. When the recipe became available in the third quarter of 2013, the system wide demand for premium gasoline dramatically increased.



Prior to the conversion from 87 to 83 octane in 2012 and the first nine and one-half months of 2013, the demand for premium gasoline on our south, central and mountain pipeline segments was approximately 30,000 barrels per day. After the conversion from 87 to 83 octane, the average demand for premium gasoline on our system increased to an average of 70,000 barrels per day in 2014, 75,000 barrels per day in 2015 and 87,000 barrels per day in 2016. While some motorists may have switched from 87 octane gasoline to premium gasoline because of low overall gasoline retail prices, we believe the significant increase in premium gasoline demand of 47,000 barrels per day on our pipeline system from 2012 to 2017 is primarily associated with E0.

As we analyzed E0 data for year to date 2017 for all of Magellan's pipeline segments and our independent and marine terminals, we assessed the total volume of the sub-octane gasoline (typically 83 octane) which was blended with premium octane gasoline (typically 91 octane) at the

rack to produce 87 octane E0. As stated above, the blend recipe to produce 87 octane E0 is 50% sub-octane gasoline and 50% premium. The total volume also included straight loads of premium gasoline which were likely delivered directly to retail outlets and sold as E0 91 octane.

To provide a conservative estimate of E0 volume, we reduced the total volume by subtracting the volume of E0 which we believe may have ultimately been used to produce E15. In addition, we recognize that some E0 loaded at our terminals could be splash-blended with ethanol at offsite bulk plants. This could be the case if a distributor or marketer is loading only 83 sub-octane gasoline without blending premium gasoline or ethanol to raise the octane of the blend to 87. Therefore, we also subtracted loads of 83 sub-octane gasoline leaving our terminals without the addition of premium gasoline or ethanol from the total volume. We are only providing data based on a blend to produce 87 and 91 octane E0 leaving our terminals.

Based on our understanding of the various markets we serve, we believe the 87 octane E0 and 91 E0 loaded at our terminals is primarily offered for sale by various marketers directly to retail customers as E0 in many markets across the Midwest especially in Iowa and Oklahoma.

Daily E0 Demand 2017

We have commented extensively to EPA on this issue in the past. In fact, we stated E0 volume from Magellan's central pipeline system alone in 2016 was more than three times higher than EPA's national estimate. Based on the data above and other market factors, we believe significant demand for E0 reaches beyond marine applications and extends into the automotive market[iii].

The net daily average[iv] of E0 loaded from Magellan's pipeline systems, independent and marine terminals through July 2017 is 52,000 barrels per day. When compared to EPA's revised national estimate of E0 volume in 2016 of 500 million gallons or 32,615 barrels per day, Magellan's YTD 2017 daily E0 volume average is almost 40% higher than EPA's proposed national volume estimate. Far from relatively minimal amounts, our data illustrates that substantial use of E0 continues today in the markets we serve.

A precise projection of the volume of E0 demand is critical to ensuring the accuracy of the motor fuel pool and therefore determining the appropriate annual volume requirements by which to comply.

Inaccurate E0 demand projections can inflate the volume requirements making compliance more difficult and potentially increasing the costs to comply. We encourage EPA to consider this data when determining the E0 estimates for the 2018 RVO.

Exported Renewable Fuels and RIN Application for Compliance

EPA states that imported renewable fuels may not have the same impact on energy independence as those produced domestically. EPA is soliciting stakeholder views on this topic and on what steps EPA might take to ensure energy independence and security.

The domestic production of crude oil is expected to increase which creates opportunities for exports and for domestic refiners to increase their production capabilities which results in exports of refined petroleum products. As exports of refined petroleum products continue to increase from

the U.S. Gulf Coast, infrastructure is being developed to accommodate increased exports of renewable fuels as well.

Domestic production of renewable fuels provides the policy benefits anticipated under the Energy Independence and Security Act which includes jobs, increased agricultural income, increased taxes to local and state governments and more. Additional exports can drive increased investment along the biofuel infrastructure sector.

Under current rules, the renewable fuel exporter essentially does not receive a RIN benefit although the domestic policy benefits associated with renewable fuel production remains when the product is exported from the country. We believe the automatic obligations for biofuel exporters should be removed. RINs should be granted for undenatured ethanol which is exported from the country.

Thank you in advance for your consideration of our comments.

Sincerely,

Bruce W. Heine

---

[i] MMP's Dallas, Texas terminal.

[ii] R+M/2

[iii] Docket ID No. EPA-HQ-OAR-2016-0041

[iv] Excludes sub-octane gasoline loaded at our terminals to produce E15 and 83 octane loads leaving the terminals without the addition of premium gasoline or ethanol.