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November 30, 2007

The Honorable Kimberly Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Valero Marketing and Supply Company, Complainant, v. Longhorn Partners Pipeline, L.P. and Flying J, Inc., Respondents, Docket No. OR08-__-___

Dear Ms. Bose:

Enclosed for electronic filing in the above-referenced matter is the Complaint of Valero Marketing and Supply Company. If there are any questions, please do not hesitate to call.

Sincerely,

Steven A. Adducci

Counsel for Valero Marketing and Supply Company

Enclosure

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Valero Marketing and Supply Company,	)	
	)	
Complainant,	)	
	)	
v.	)	**Docket No. OR08-___-___**
	)	
Longhorn Partners Pipeline, L.P. and Flying J, Inc.,	)	
	)	
	)	
Respondents.	)	

COMPLAINT OF VALERO MARKETING AND SUPPLY COMPANY

Pursuant to Sections 9 and 13(1) of the Interstate Commerce Act ("ICA"), Section 343.2(c)(3) of the Federal Energy Regulatory Commission's ("FERC" or "Commission") Procedural Rules Applicable to Oil Pipelines, and Section 385.206 of the Commission's Rules of Practice and Procedure, Valero Marketing and Supply Company ("VMSC") hereby files this Complaint against the affiliated entities Longhorn Partners Pipeline, L.P. ("Longhorn") and Flying J, Inc. ("Flying J") for undue discrimination and unreasonable preferential treatment of an affiliate in the transportation of refined petroleum products in direct contravention of Sections 3(1) and 15(13) of the ICA.

VMSC submits that Longhorn, and its owner/affiliate, Flying J, have acted in concert to unreasonably discriminate against VMSC, in a time of emergency, by denying VMSC access to available capacity on the Longhorn system and providing undue preferential treatment to Flying J and its capacity nominations in order to extract and gain an undue economic advantage over VMSC in direct violation of the ICA. VMSC respectfully requests that the Commission set this Complaint for investigation, hearing and discovery and that reparations and damages be awarded to compensate VMSC for damages incurred as result of Longhorn's and Flying J's illegal actions. In addition, VMSC requests that the Commission require Flying J to disgorge the fruits of its illegal actions and abusive affiliate activity. VMSC submits that accepting and setting this complaint for hearing is in the public interest as it would determine and rectify abusive affiliate activity designed to (i) discriminatorily restrict access to a common carrier and (ii) provide an undue preference in order to extract and obtain an unreasonable economic advantage over another shipper in contravention of the plain language and purpose of the ICA. In support of this Complaint, VMSC states as follows:

I. CORRESPONDENCE

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II. STANDING

The ICA and the Commission's Procedural Rules provide that any person aggrieved by a violation over which the Commission has jurisdiction may bring a complaint seeking relief. ICA §§ 9 and 13(1); 18 C.F.R. § 385.206(a). VMSC has standing to bring this Complaint as an aggrieved person and shipper on Longhorn who has been unduly discriminated against in the denial of transportation service in violation of ICA Sections 1(4) and 3(1) and who has suffered injury and undue disadvantage and prejudice as a result of Longhorn's and Flying J's complicit and illegal activity.

III. JURISDICTION

The Commission has jurisdiction over this Complaint pursuant to Sections 9 and 13 of the ICA, 49 App. U.S.C. §§ 9 and 13 (1988), and Section 385.206 of the Commission's regulations, 18 C.F.R. § 385.206.

IV. COMPLAINT

This Complaint alleges that, on information and belief, Longhorn and its owner/affiliate, Flying J, acted in concert to discriminatorily deprive VMSC of access to available capacity on Longhorn pipeline, which VMSC needed and requested in order to ship refined petroleum products to its customers in the Southwestern portion of the United States. In addition, Longhorn provided an undue and unreasonable preference to its affiliate, Flying J, who (i) was preferentially permitted to acquire pipeline system capacity and (ii) used its preferential and discriminatory access to this capacity to deprive VMSC access to common carrier capacity and take undue economic advantage of VMSC. The actions taken by Longhorn and Flying J directly violate Section 3(1) of the ICA, which prohibits the granting of "any undue or unreasonable preference or advantage to any particular person . . . in any respect whatsoever," and Section 15(13) of the ICA, which declares unlawful the sharing of shipper information by a common carrier with any other shipper which "may be used to the detriment or prejudice of a shipper."

A. Factual Background

1. The Parties

1. VMSC is a wholly owned indirect subsidiary of Valero Energy Company ("Valero"), a publicly traded holding company. Valero is a Fortune 500 company based in San Antonio, Texas that, through its affiliates and subsidiaries, owns and operates 17 refineries throughout the United States, Canada, and the Caribbean with a combined throughput capacity of approximately 3.1 million barrels per day, making Valero the largest refiner in North America.

Valero is also one of the nation's largest retail operators with more than 5,800 retail and branded wholesale outlets in the United States, Canada and the Caribbean under various branded names including Valero, Diamond Shamrock, Shamrock, Ultramar, and Beacon.

2. Valero, through its affiliates and subsidiaries, owns and operates the Valero McKee Refinery in Sunray, Texas (which is just north of Amarillo, Texas), as well as several refineries along the Gulf Coast of Texas.

3. VMSC is engaged in the purchase, marketing, and transportation of various hydrocarbon products, including but not limited to crude oil and refined petroleum products. VMSC is responsible for, among other things, the marketing and transportation of the refined products produced by Valero's refineries.

4. Longhorn operates an approximately 700-mile refined product pipeline that originates at the Kinder Morgan terminal in Galena Park, Texas, and terminates in El Paso, Texas. Longhorn transports refined motor fuel products such as gasoline and diesel fuel from Gulf Coast refineries to communities in West Texas and what is characterized as the El Paso gateway market. In El Paso, Longhorn also provides a connection to SFPP, L.P.'s ("SFPP") East Line, which extends from the El Paso market to the Tucson and Phoenix, Arizona markets. SFPP's East Line is the only common carrier refined products pipeline from El Paso which serves the markets of Arizona, and in order to reach the Arizona markets from El Paso, a shipper is required to transport its product on SFPP's East Line. According to its website, Longhorn has a current capacity of 72,000 barrels per day and will ultimately have a maximum capacity of 225,000 barrels per day (Exhibit 1 (Parker Affidavit), Attachment A (Longhorn Fact Sheet)).

5. Flying J is a fully integrated petroleum company, based in Ogden, Utah, engaged in the exploration and production of crude oil and the refining, transportation, wholesaling and

retail marketing of petroleum products. On August 17, 2006, Flying J announced the purchase of 100% of the ownership interests in Longhorn Pipeline Holding LLC, a Texas corporation which was the owner of the Longhorn pipeline system. Accordingly, Longhorn is a wholly owned subsidiary of Flying J.

6. Flying J is a past and current shipper on the Longhorn pipeline system.

2. Basis for VMSC Seeking Access to Longhorn

7. The Valero McKee Refinery is, among others, a critical asset and a primary source for VMSC to obtain refined products for serving its customers in the Southwestern markets of El Paso, Texas, and both Tucson and Phoenix, Arizona, as well as other markets.

8. To reach its El Paso and Arizona markets, VMSC transports its product from the Valero McKee Refinery on a third-party pipeline jointly owned by NuStar Logistics, L.P. and Phillips Texas Pipeline Company, Ltd., that connects with terminal facilities near El Paso, Texas and the pipeline facilities of SFPP's East Line.

9. On February 16, 2007, a fire erupted at the Valero McKee Refinery, requiring the shut down of refining operations at the facility for approximately two months. As a result of the February 16th fire, VMSC was forced to seek alternative arrangements for supplying and transporting refined product to, among others, its El Paso and Arizona markets. VMSC has substantial commercial commitments for the sale of refined products in both the El Paso and Arizona markets, and because SFPP's East Line is one of only two viable options for supplying product into the Arizona market, it is imperative for VMSC to maintain its ability to move product into the El Paso market.[1] In particular, after the fire at the McKee Refinery, VMSC faced the prospect of being unable to fulfill all of its commercial obligations in its El Paso and

[1] The other option for serving the Phoenix market is via SFPP's West Line which extends from the Los Angeles, California area to Phoenix.

Arizona markets unless it could source refined products from a location other than the McKee Refinery and transport the same to the El Paso market and to SFPP's East Line for further delivery to the Arizona markets.

10. In looking to fulfill its substantial supply commitments in the El Paso and Arizona markets, VMSC knew, based on operating history, that Longhorn had traditionally been significantly undersubscribed, and VMSC believed that Longhorn would have sufficient available capacity to provide transportation of products from refineries on the Texas Gulf Coast to the El Paso and Arizona markets. VMSC was also registered as a potential shipper on Longhorn, even though VMSC had not been shipping product on Longhorn, to facilitate its ability to find alternate sources of supplying products to the El Paso and Arizona markets in the event of a supply disruption at the McKee Refinery. (Exhibit 1 at ¶ 8).

3. Communications with Longhorn

11. After learning the McKee Refinery would be down until at least May 2007, VMSC contacted Longhorn by telephone on Friday, February 23, 2007, informed Longhorn personnel of VMSC's situation and requested a nomination of 700,000 barrels (approximately 23,000 barrels per day) for the month of March 2007. (Exhibit 1 at ¶ 6). VMSC submitted its March nomination for 700,000 barrels in writing, by email, on February 27, 2007. (Exhibit 1, Attachment C).

12. On February 28, 2007, Longhorn responded, by email, to VMSC's March nomination and declined to accept any barrels for shipment in March, stating that after going over Longhorn's March shipping schedules "we just don't see any room to add more barrels (at this time)." (Exhibit 1, Attachment D). Longhorn further stated that "this is the first month that we have had this much volume needing to move …" Id.

13. After Longhorn rejected VMSC's March nominations, VMSC, as further described below, was required to begin making spot purchases from Flying J in El Paso. VMSC used the product it purchased from Flying J and others to serve its supply needs in both the El Paso and Arizona markets for the end of February and the month of March.

14. On March 1, 2007, pursuant to the terms of Longhorn's effective FERC tariff (FERC Tariff No. 4, Item 30), VMSC timely and properly nominated 700,000 barrels (approximately 23,000 bpd) of product for shipment on Longhorn for the month of April 2007. (Exhibit 1, Attachment B (Tariff No. 4) and Attachment G (April Nomination)). On March 16, Longhorn advised its shippers by email that the pipeline was at full capacity for April shipments, indicating that "prorationing will need to occur." (Exhibit 1, Attachment H). On March 20, VMSC was awarded 1% of the pipeline's capacity as a new shipper, which equated to only 25,000 barrels for the entire month of April, or about only 830 bpd. (Exhibit 1, Attachment I).

15. Longhorn advertises the ability to transport at least 72,000 barrels of refined petroleum product per day (or about 2,160,000 barrels per month). (Exhibit 1, Attachment A). However, based on the 1% (25,000 barrels) amount awarded to VMSC by Longhorn in the April proration, Longhorn represented that its actual monthly pipeline capacity was about 83,300 bpd or about 2,500,000 barrels per month. That is, if 1% of capacity is 25,000 for the month, then 100% of the monthly capacity would be approximately 2,500,000 barrels. (Exhibit 1, Attachment I).[2]

4. Evidence of Unduly Preferential and Abusive Affiliate Practices and Discrimination

16. Pursuant to Longhorn's FERC Tariff No. 4, Item 30, nominations for transportation are due on or before the 15th day of the calendar month preceding the desired

[2] In addition, on April 20, 2007, Longhorn announced that it planned to increase the capacity of its pipeline from 72,000 bpd to 125,000 bpd by mid-2008.

shipment date. (Exhibit 1, Attachment B (Tariff No. 4)). In addition, Item 30 provides that nominations may be e-mailed, faxed or submitted via Longhorn's ATLAS system. Id. Item 30 makes no provision for revising or amending nominations subsequent to the date for submitting nominations. Id. Further, Item 30 does not prohibit or preclude the acceptance of late filed nominations, especially if capacity is available. Id.

17. VMSC acknowledges that its verbal communications and written nomination tender was subsequent to Longhorn's nomination deadline of February 15 for March product movements. However, VMSC had no way of anticipating the unfortunate events of February 16th at the McKee Refinery and the resulting emergency need to seek transportation capacity on Longhorn. Nevertheless, as soon as possible after evaluating the extent of damage at the McKee Refinery and determining the critical need to source its product requirements from an alternative location and obtain related transportation capacity, VMSC personnel verbally contacted Longhorn on February 23 to secure its required transportation needs to El Paso, providing all of the requirements specified in Longhorn's tariff for a complete nomination. (Exhibit 1 at ¶¶ 6, 11). Promptly after its verbal communications, VMSC also filed a formal written nomination to Longhorn on February 27. (Exhibit 1, Attachment C).

18. In the process of their February 23rd communications, Longhorn operations personnel led VMSC to believe that Longhorn had capacity available and would be willing to transport VMSC's product to El Paso, enabling VMSC to substantially fulfill its commercial commitments in the El Paso and Arizona markets. (Exhibit 1 at ¶ 7). No mention was made that the pipeline was at, or even near, its maximum operating capacity notwithstanding that nominations would have been due a full week before (i.e., February 15).

19. VMSC submitted to Longhorn, via email, its formal written nomination on February 27, 2007. (Exhibit 1, Attachment C). Shortly after submitting its February 27th nomination, however, VMSC was informed by Longhorn that it was, for the first time, at full capacity and that Longhorn would be unable to honor any part of VMSC's request for transportation in March. (Exhibit 1, Attachment D). VMSC was given no explanation from Longhorn's operations personnel of what transpired between February 23rd, when VMSC was lead to believe that Longhorn had available capacity and could likely transport VMSC's volumes, and February 27th, when Longhorn reversed its position and Longhorn's scheduling personnel declared Longhorn to be at maximum capacity for the first time in its history.

20. As a result of Longhorn's rejection of VMSC's nomination, VMSC was left with limited transportation and commercial alternatives for moving its product to the El Paso market and onward to its Arizona markets. (Exhibit 1 at ¶¶ 15, 31-32). The only option VMSC had left to satisfy its immediate commercial commitments in the El Paso and Arizona markets was to purchase, in late February and early March, spot barrels from Flying J, the entity that owns 100% of the Longhorn pipeline and one of the only suppliers that had substantial available barrels in El Paso. (Exhibit 1 at ¶¶ 15, 31-32)

21. Although Longhorn's pro rationing policy reserves capacity for "New Shippers" (of which VMSC would qualify), a "New Shipper" on Longhorn is entitled to only 1% of Longhorn's capacity. In this connection, 1% of 83,300 barrels per day equates to roughly 25,000 barrels for the entire month, a grossly inadequate and insufficient amount to fulfill VMSC's commitments to its customers and its request for 700,000 barrels for the month of March (approximately 23,000 bpd). (Exhibit 1, Attachment E (Longhorn Proration Policy)).

22. Of further note, Longhorn's Proration Policy provides:

> In the event of new refinery construction, significant refinery expansion, new interconnection with other pipelines *or any other event that materially increases the total aggregate demand for transportation on carrier such that the method for allocation of capacity set forth in Section II above would not be equitable to shippers having such increased demand, capacity shall for the next eighteen (18) months be allocated on the basis of good faith nominations.*

(Exhibit 1, Attachment E (Emphasis Added)). Notwithstanding the emergency nature of VMSC's situation communicated to Longhorn and the fact that VMSC was seeking to transport as many barrels as possible per month for the indefinite future (which under any circumstances would be a material increase in aggregate demand), Longhorn failed to reasonably make this published proration provision available to VMSC.

23. Up until February 27th, it is VMSC's understanding and belief that Longhorn had never before been subject to prorationing and had been operating substantially under capacity. (Exhibit 1, Attachment D). Additionally, up until February 27th, there is no indication that shippers on Longhorn had been given any prior notice that the pipeline was nearing capacity as a result of nominations received on or before February 15, or that it had received nominations for March 2007 shipments that indicated that any prorationing would need to occur.

24. More importantly, based on information received from Longhorn's operations personnel at the time, VMSC has learned that sometime during late February, and possibly between February 23rd and February 26th (and thus well after the nomination deadline and after VMSC made its communications and nomination to Longhorn but prior to Longhorn denying VMSC's March 2007 nominations), Flying J, the 100% owner of Longhorn, had nominated 1.7 million bbls in total for shipment on Longhorn during the month of March (or about 56,700 bpd). (Exhibit 1 at ¶ 22).

25. After being informed by Longhorn personnel that its pipeline was at capacity and that its March nomination would be rejected, VMSC inquired as to whether it would be possible to obtain refined products from any of the other shippers on the Longhorn system. VMSC personnel were informed by Longhorn that it would need to negotiate purchases of refined products with each individual shipper. VMSC was also informed by Longhorn personnel that its affiliate owner, Flying J, would be a good place to start. (Exhibit 1 at ¶ 18 and Attachment D).

26. Pursuant to Longhorn's instruction, VMSC contacted Flying J to inquire about the possibility of purchasing product from Flying J in El Paso for March deliveries, and VMSC was informed that such purchases may be possible given appropriate concessions by VMSC. Specifically, Flying J informed VMSC that product could be made available if VMSC could provide Flying J with terminal capacity in Phoenix off of SFPP's East Line since Phoenix terminal operators had notified Flying J that they did not have space for any new business. (Exhibit 1 at ¶ 19). In this connection, VMSC was concerned by the fact Flying J appeared to have nominated a large amount of product on Longhorn for further transportation on SFPP's East Line yet did not appear to have adequate terminal tankage for deliveries into the Phoenix market.

27. Flying J also notified Longhorn and other pipelines that VMSC would be the supplier of some 850,000 barrels of refined product in Pasadena, Texas, although Flying J had not yet reached any agreements with VMSC regarding the purchase of this many barrels.[3] (Exhibit 1 at ¶ 23). Notably, the 850,000 barrels Flying J indicated VMSC would be sourcing for Flying J in Pasadena, Texas significantly exceeded the spot purchases that VMSC actually began making from Flying J in El Paso in late February after Longhorn denied VMSC's March 2007 nominations. Upon information and belief, it appears that Flying J had already planned

[3] Pasadena, Texas is located in close proximity to the Galena Park origin of the Longhorn pipeline. Pasadena is also the location of a substantial Kinder Morgan terminal facility which serves, among others, the Longhorn pipeline via Kinder Morgan's Galena Park terminal facilities.

that it would be buying more barrels from VMSC in Pasadena and selling more barrels back to VMSC in El Paso than the actual amount of spot purchases VMSC actually made in El Paso beginning in February 2007.

28. VMSC was next contacted by Longhorn, which indicated it could possibly facilitate making line space available to the extent VMSC was willing to commit to a long-term volume commitment of approximately 600,000 barrels a month on the system. (Exhibit 1, Attachment F). VMSC was seriously concerned by the fact that Longhorn could not provide any capacity in March and only 1% of capacity in April thereby requiring it to purchase spot barrels from Longhorn's affiliate, Flying J, yet it could somehow facilitate enough line space to accommodate approximately 600,000 barrels a month (about 20,000 bpd) so long as VMSC committed to a long-term volume commitment. Moreover, the correspondence associated with the purported long-term volume commitment proposal identified its affiliate, Flying J, as the capacity source and indicated that VMSC would be required to provide Flying J various concessions associated with storage and throughput capacity for both trucks and pipeline in El Paso as well as line history and terminal space on SFPP's East Line. Id.

29. Compounding the conflicting information and growing concern that VMSC was being treated in a discriminatory fashion and manipulated for economic advantage, VMSC has learned of public representations that directly refute Longhorn's claims that it could not accommodate VMSC's transportation requests in February, March or April of 2007. Specifically, at a recent presentation at the Arizona Petroleum Marketers' Association Conference in Sedona, Arizona on August 19, 2007, Flying J's management, on behalf of its wholly-owned subsidiary pipeline, Longhorn, represented publicly that during the entire period prior to January of 2007, total shipments on Longhorn never averaged more than 35,000 bpd.

(Exhibit 2, Presentation to Arizona Petroleum Marketers' Association, at p. 15). In addition, Flying J's presentation demonstrated that there was a significant spike in volumes during February of 2007, and that during the time period from March 2007 through May 2007, total shipments on Longhorn remained under 50,000 bpd. Id. Given the maximum throughput capacity that Longhorn itself represented was available (i.e., either 72,000 bpd or 83,000 bpd as discussed infra), there should have been at least 22,000 to 33,000 bpd of capacity left on Longhorn throughout February, March, April, and May 2007. Notably, VMSC's total nominations for March, April and May were just about 23,000 bpd (i.e., 700,000 barrels per month). Thus, Longhorn should have been able to accommodate all of VMSC's nominations, and there should have been no reason to prorate the pipeline. The spike in February volumes also indicates that some shipper, very likely Flying J, made a corresponding increase in its nominations/shipments on Longhorn after the McKee Refinery fire and very likely in conjunction with the rejection of VMSC's March nominations by Longhorn.

30. VMSC nominated 700,000 barrels for transportation on Longhorn in February, March and April 2007 for delivery at El Paso in March, April and May 2007. Because (a) VMSC received no capacity for March 2007; (b) received only 1% of allegedly available capacity (i.e., 25,000 total barrels) for the months of April and May; and (c) the McKee Refinery was scheduled to return to service, albeit at reduced rates, in mid-May, VMSC declined to submit any nominations in May for June shipments. VMSC did not nominate any additional barrels on Longhorn for delivery into El Paso after May of 2007.

31. From late February through May of 2007, VMSC was very concerned about its ability to continue to meet its contractual obligations and supply refined products to its customers in the Arizona and El Paso markets. VMSC was severely limited in its ability to purchase

refined products for serving its commercial commitments in the Arizona and El Paso markets. VMSC was able to obtain a limited amount of additional product from Western Refining who is a significant supplier of refined products in the El Paso and Arizona markets. As these limited purchases were not sufficient to enable VMSC to meet all of its commercial commitments in the El Paso and Arizona markets, VMSC also needed to purchase all of the refined product that Flying J was willing to make available in El Paso in order to allow VMSC to meet its commercial commitments and help keep the Arizona and El Paso markets supplied with refined products and to avoid product shortages in those markets. VMSC submits Flying J knew that its and Longhorn's actions would result in Flying J being the only viable supplier of refined products for VMSC to be able to meet its commercial commitments in the Arizona and El Paso markets.

32. At the same time VMSC was being denied access to capacity that both Flying J and Longhorn have admitted in published documents that such capacity was in fact available at the time that VMSC sought to obtain access to Longhorn's pipeline space, VMSC was also forced to purchase refined product barrels at an undue and substantial premium from Flying J in order to meet its commitments in El Paso and the Arizona markets. In particular, as a condition to being able to purchase product from Flying J, VMSC was required to sell product to Flying J at the Galena Park origin of Longhorn at Gulf Coast spot related prices. In turn, Flying J required VMSC to buy back these barrels at the El Paso terminus of Longhorn at West Coast or Phoenix related prices. As such, Flying J was able to unreasonably extract from VMSC a West Coast-Gulf Coast price differential as a premium in relation to Longhorn's refusal to allow VMSC access to its common carrier capacity. Indeed, Flying J used its controlling influence over the Longhorn pipeline in order to reap unjust profits from above market product sales to

VMSC in El Paso because VMSC was unreasonably and discriminatorily denied the opportunity to ship its own barrels on Longhorn to El Paso.

33. As a result of being denied the opportunity to ship its own barrels on Longhorn, VMSC estimates, based on its preliminary good faith quantification, that it incurred approximately $10,900,000 in damages, not including interest. For example, VMSC was forced to purchase refined products from Flying J in El Paso at above market prices (i.e., West Coast or Phoenix related prices for Gulf Coast barrels) during the months of February, March, April and May 2007 in order to satisfy its commercial commitments, resulting in preliminarily estimated damages and overpayments of approximately $10,300,000.[4] VMCS estimates these damages by taking the amount actually paid to Flying J for purchases during this period and comparing it to what VMSC would have paid to acquire refined products from suppliers on the Texas Gulf Coast plus the costs of transportation from Galena Park to El Paso under Longhorn's published tariff rates. In addition, based on Longhorn's initial verbal representations on February 23, 2007 that there was pipeline capacity available for VMSC to ship on, VMSC took steps to acquire over 100,000 barrels of Arizona grade gasoline which it planned to ship on Longhorn during late February and March 2007. Given that such product is fungible only in Arizona, once VMSC was denied the opportunity to ship any meaningful volumes on Longhorn during February or March 2007, VMSC had to arrange to ship the 100,000 barrels via marine vessel from the Texas Gulf Coast to the West Coast for further transportation into Arizona, which cost VMSC approximately $594,300 more than it would have had it not been denied meaningful access to Longhorn's common carrier capacity.

[4] In addition to paying the unreasonable premium, VMSC was even forced to source a substantial portion of its own barrels in Galena Park subject to the unreasonable premium forced upon VMSC by the requirement to sell barrels at a Gulf Coast price with a West Coast or Phoenix related price buy-back provision in El Paso. (Exhibit 1, at ¶ 35).

V. Violations of the Interstate Commerce Act

34. Section 3(1) of the ICA prohibits the granting of "any undue or unreasonable preference or advantage to any particular person . . . in any respect whatsoever; or to subject any particular person, company, firm, corporation . . . to any undue or unreasonable prejudice or disadvantage in any respect whatsoever." Based on Flying J's own public representations, actions, and additional evidence, VMSC submits that Longhorn has granted its affiliate an unreasonable preference by awarding Flying J additional capacity even though VMSC had already asked for the same capacity and even though Longhorn's tariff makes no provision for amending previous nominations to the undue disadvantage of other shippers. By allowing Flying J to add to or amend its previous nomination on a late submitted and/or revised basis and rejecting VMSC's request for transportation on the same terms and submitted at essentially the same time, if not prior, to Flying J's nominations, Longhorn granted an unreasonable and discriminatory preference and advantage to its affiliate, Flying J, in contravention of Section 3(1) of the ICA. As the Interstate Commerce Commission stated, "[t]here is no more insidious or effective way by which a carrier may discriminate between its shippers than through a regulation or practice that denies to them the equal enjoyment of its facilities." *Rail & River Coal Co. v. Baltimore & Ohio R.R. Co.*, 14 I.C.C. 86, 88 (1908). Longhorn engaged in such a practice by denying VMSC access to its facilities on the same terms as its affiliate owner, Flying J.

35. As the Commission explained in *Platte Pipe Line Co.*, "The purpose of oil pipeline regulation under the ICA is to prevent undue discrimination among those seeking transportation." 117 FERC ¶ 61,296 at P 63 (2006). In favoring its corporate affiliate, Longhorn directly subverted this purpose. On information, belief, and Flying J's own public representations, Longhorn had capacity available when VMSC contacted it on February 23rd and, as a common carrier, was obligated to allocate that capacity to VMSC on equal terms as that

provided to its affiliate. Its failure to do so unduly discriminated against VMSC and granted an undue preference to Flying J in contravention of Section 3(1) of the ICA.

36. Section 3(1) also forbids a carrier to "subject any person . . . to any undue or unreasonable prejudice or disadvantage in any respect whatsoever." By refusing to fulfill VMSC's transportation request, Longhorn subjected VMSC to an undue or unreasonable prejudice and disadvantage. Longhorn's action prevented VMSC from serving its customers in the El Paso and Arizona markets and unreasonably forced VMSC into paying an unreasonable premium to Flying J for product it was discriminatorily denied the opportunity to ship on its own. Longhorn's unduly prejudicial action thus put VMSC in an untenable position whereby, Longhorn's affiliate/owner, Flying J, could extract an undue economic advantage in contravention of Section 3(1) of the ICA.

37. Section 1(4) of the ICA requires a carrier to "furnish transportation upon a reasonable request therefor." VMSC requested transportation on Longhorn's system; Longhorn had, based on information, belief, and Flying J's own public representations, capacity available at the time of the request; yet Longhorn unreasonably declined to provide transportation for VMSC. Longhorn thereby violated Section 1(4). Moreover, Longhorn further violated Section 1(4) by failing to implement its proration policy in a nondiscriminatory manner when it arbitrarily failed to place into effect its aggregate demand-good faith nomination provision to accommodate VMSC's nominations. (Exhibit 1, Attachment E)

38. Section 15(13) of the ICA declares it unlawful for a carrier to "knowingly disclose to or permit to be acquired by any person or corporation other than the shipper or consignee, without the consent of such shipper or consignee, any information concerning the nature, kind, quantity, destination, consignee, or routing of any property delivered to such

common carrier for interstate transportation, which information may be used to the detriment or prejudice of such shipper or consignee, or which may improperly disclose his business transactions to a competitor." VMSC submits that Longhorn shared with its affiliate, Flying J, information regarding VMSC's circumstances and nominations on Longhorn. Flying J used this information to VMSC's detriment and economic disadvantage by nominating a similar quantity of product for transportation on Longhorn, which Longhorn preferentially accepted, thus blocking VMSC's nomination and occupying Longhorn's remaining capacity. Flying J was then able to exert undue economic advantage over VMSC and require the payment of an unreasonable above market premium price for the refined products that VMSC needed to meet its commercial commitments, serve its customers, and obviate supply shortages and disruptions in the El Paso and Phoenix markets. Longhorn's disclosure of this information to its affiliate was abusive, injurious to VMSC, and in violation of Section 15(13) of the ICA.

39. The Commission has addressed similar situations under the Natural Gas Act and the Standards of Conduct promulgated in relation to that Act. In *Public Utilities Commission of California v. El Paso Natural Gas Company*, Chief Judge Wagner admonished a pipeline and its affiliate for sharing information related to nominations. *See* 97 F.E.R.C. ¶ 63,004, 65,023 (2001) (describing negotiations between a pipeline and its affiliate as "blatant collusion.").[5]

VI. Damages and Impact on VMSC

40. As demonstrated above, Longhorn and its owner/affiliate, Flying J. have acted in concert to unreasonably discriminate against VMSC, in a time of emergency and tight product supply, in denying VMSC access to common carrier capacity on the Longhorn system. In

[5] In its *Order to Show Cause and Notice of Proposed Penalties* in Docket No. IN06-3-002, 120 FERC ¶ 61,086 (2007), the Commission stated the prerequisites for a finding of discrimination in the natural gas context: it must be shown that "(1) two classes of customers are treated differently; and (2) that the two classes of customers are similarly situated." P 169. Longhorn's conduct meets this test as Longhorn treated VMSC and Flying J, two similarly situated customers, differently with respect to interstate transportation on Longhorn. There is no reason to apply a different test under the ICA.

addition, Longhorn and Flying J have engaged in unduly preferential treatment and abusive affiliate action concerning Flying J and both its and VMSC's capacity nominations in order to extract and gain an undue economic advantage over VMSC.

41. Longhorn's and Flying J's unlawful discriminatory and preferential actions have caused substantial injury and economic harm to VMSC and impeded VMSC's ability to adequately and efficiently serve its customers in the Arizona and El Paso markets. Not only have Longhorn and Flying J acted in concert to unreasonably deny available common carrier pipeline capacity to VMSC, their abusive affiliate scheme succeeded in placing VMSC at an undue economic disadvantage where it could not transport its own product from the Texas Gulf Coast into the El Paso and Arizona markets, while at the same time forcing VMSC to pay unreasonable above market product premiums to Flying J in order to enable VMSC to meet its commercial commitments in Arizona and El Paso. But for Longhorn's and Flying J's discriminatory, preferential, and abusive affiliate actions in violation of the ICA, VMSC would have been able to source and transport its own products, at significantly lower product expense, on Longhorn in order to meet is commercial commitments in the El Paso and Arizona markets.

42. As a result of Longhorn's and Flying J's discriminatory, preferential, and abusive affiliate actions in violation of the ICA, VMSC believes that it has incurred, based on its preliminary good faith quantification, approximately $10,900,000 in damages, not including interest. In particular, VMSC was forced to sell product to Flying J at the Galena Park origin of Longhorn at Gulf Coast spot prices and repurchase the same barrels at Longhorn's terminus in El Paso at West Coast or Phoenix related prices during the months of February, March, April and May 2007 in order to satisfy its commercial commitments, resulting in estimated damages and overpayments of approximately $10,300,000, not including interest. These damages are

measured by taking the amount actually paid to Flying J for purchases during this period and comparing it to what VMSC would have paid, were it not discriminatorily denied access to Longhorn's capacity, to acquire refined products from suppliers on the Texas Gulf Coast plus the costs of transportation from Galena Park to El Paso under Longhorn's published tariff rates. In addition, based on Longhorn's initial verbal representations on February 23, 2007, that there was pipeline capacity available for VMSC to ship on, VMSC took steps to acquire over 100,000 barrels of Arizona grade gasoline which it planned to ship on Longhorn during late February and March 2007. Given that such product is fungible only in Arizona, once VMSC was denied the opportunity to ship any meaningful volumes on Longhorn during February and March 2007, VMSC had to arrange to ship approximately 100,000 barrels via marine vessel from the Texas Gulf Coast to the West Coast for further transportation into Arizona, which cost VMSC approximately $594,300 more than had the product been transported via Longhorn.

VII. Relief Requested

43. Section 8 of the ICA provides that a common carrier that violates the ICA is "liable to the person or persons injured thereby for the full amount of damages sustained in consequence of any such violation . . . together with a reasonable counsel or attorney's fee." Further, Section 16(1) of the ICA grants the Commission authority to order damages as a result of violations of the Act. Finally, pursuant to Sections 15(1) and 15(6) of the ICA, the Commission is empowered to remedy undue and unreasonable discriminatory and preferential activities by prescribing "just, fair, and reasonable" practices or such other remedies as the Commission deems appropriate. Accordingly, VMSC respectfully requests that the Commission:

a. Accept and set this Complaint for investigation, discovery, and hearing,

b. Order Longhorn and its owner/affiliate, Flying J, to cease and desist engaging in unlawful, discriminatory, preferential, and abusive affiliate activities;

c. Direct the payment of damages and reparations as a result of the injury suffered by VMSC as a consequence of Longhorn's and Flying J's unlawful actions and VMSC being forced to pay unreasonable price premiums for product in lieu of being provided reasonable and non-preferential access to common carrier capacity; and

d. Order such other remedies and corrective actions as the Commission may deem appropriate, prudent, and reasonable.

44. As to "other remedies and corrective actions," VMSC submits that disgorgement of the unjust profits Longhorn and Flying J realized as a result of their discriminatory conduct is appropriate in this case. As the Commission stated in the ETP Show Cause Proceeding, "the Commission does not approach the assessment and ordering of disgorgement of unjust profits as a discretionary matter. Except in rare circumstances . . . any unjust profits received from violations of Commission requirements must be disgorged in their entirety." Federal Energy Regulatory Commission, Legal Authorities, ETP Show Cause, Docket No. IN06-3-002; *see also Policy Statement on Enforcement*, 113 F.E.R.C. ¶ 61,068 at P 23 (2005) ("[A]t a minimum a company involved in wrongdoing must disgorge any unjust profits resulting from the wrongdoing.")[6]

VIII. COMMISSION COMPLAINT PROCEDURES

45. Pursuant to the Commission's complaint rules, 18 C.F.R. § 385.206, VMSC states the following as grounds for this Complaint:

[6] The Commission applied its *Policy Statement* in its *Order to Show Cause and Notice of Proposed Penalties* in Docket No. IN06-3-002, 120 FERC ¶ 61,086 (2007), concluding that a pipeline should pay civil penalties and disgorge its unjust profits. Specifically, the Commission stated that the pipeline's "violations were serious, as they involve discriminatory treatment of non-affiliates in favor of a pipeline's marketing affiliates. One of the core purposes of the statutes that [the Commission] administers is to prevent unduly discriminatory or unduly preferential treatment and set maximum rates for interstate transportation." *Order to Show Cause* at P 185.

a. *Specific Action Alleged to Violate Law:* Pursuant to Rule 206(b)(1), the specific actions alleged to violate applicable statutory standards and regulatory requirements are set forth in Sections IV and V above.

b. *Explanation of how that action violated law:* Pursuant to Rule 206(b)(2), the actions and inactions which VMSC alleges violate applicable statutory standards and regulatory requirements are set forth in Sections IV and V above.

c. *Business, commercial, economic, or other issues presented by the action:* Pursuant to Rule 206(b)(3), the business, commercial, and economic issues presented by Longhorn's and Flying J's unjust, unreasonable, unlawful, and abusive affiliate activity are the injuries to VMSC from being unjustly denied transportation capacity and the unreasonable economic disadvantage resulting from being required to pay unjust product price premiums to meet its customer commitments.

d. *Quantification of financial impact:* Pursuant to Rule 206(b)(4), VMSC has set forth a preliminary good faith quantification of the financial impact and injury resulting from Longhorn's and Flying J's unlawful activity in Section V.

e. *Practical, operational, or other nonfinancial impacts:* Pursuant to Rule 206(b)(5) VMSC's inability to ship on Longhorn exacerbated a significant supply disruption caused by the fire at the McKee Refinery. Had VMSC not paid the unreasonable and above markets prices for refined products demanded by Flying J in El Paso, supply shortages or disruptions would likely have occurred in both the Arizona and El Paso markets.

f. *Whether the issues presented are pending in another forum:* Pursuant to Rule 206(b)6), VMSC submits these issues are not currently pending in any other forum.

g. *Relief requested and basis for request:* Pursuant to Rule 206(b)(7), the specific relief requested by VMSC is set forth in Section VII above.

h. *Documents supporting complaint:* Pursuant to Rule 206(b)(8), documents supporting this Complaint are attached as Exhibits.

i. *Whether dispute resolution has been used or will be viable:* Pursuant to Rule 206(b)(9), with respect to this Complaint, (a) the Enforcement Hotline, Dispute Resolution Service, tariff based dispute resolution mechanism, or other informal dispute resolution procedures have not been used, (b) VMSC does not believe that alternate dispute resolution ("ADR") under Commission supervision could successfully resolve this Complaint, (c) VMSC does not propose the use of ADR procedures, and (d) no process has been agreed upon for resolving this complaint.

j. *Form of notice suitable for publication in the Federal Register*: Pursuant to Rule 206(b)(10), a form of notice is attached as Exhibit 3, to this Complaint suitable for publication in the Federal Register in accordance with Rule 203(d).

k. *Fast* Track: VMSC does not propose the use of Fast Track procedures for this proceeding.

IX. CONCLUSION

Flying J and Longhorn have flouted the express provisions and requirements of the ICA and engaged in discriminatory conduct by cooperating and acting in concert to deprive VMSC of access to common carrier capacity on Longhorn's system to which VMSC was entitled. The conduct of Longhorn and its owner/affiliate, Flying J, was a flagrant instance of affiliate abuse and the type of behavior the ICA was expressly enacted to prevent. Moreover, the actions of Flying J and Longhorn have resulted in direct and unreasonable economic disadvantage and injury to VMSC. Accordingly, VMSC requests that the Commission remedy these statutory violations and abusive affiliate activity by setting this matter for investigation, hearing and discovery and ordering the relief requested in this Complaint.

Respectfully submitted,

Steven A. Adducci
Matthew D. Field
Venable LLP
575 7th Street, N. W.
Washington, D. C. 20004-1601
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Counsel to Valero Marketing and Supply Company

EXHIBIT 1

Exhibit 1

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Valero Marketing and Supply Company,	)	
	)	
Complainant,	)	
	)	
v.	)	**Docket No. OR08-___-___**
	)	
Longhorn Partners Pipeline, L.P. and Flying J, Inc.,	)	
	)	
Respondents.	)	

AFFIDAVIT OF DAVID PARKER

I, David Parker, having been first duly sworn, state that the following facts provided under oath are true and correct to the best of my knowledge and belief.

1. I am Vice President of Valero Marketing and Supply Company ("VMSC"), the same position I held during the events that gave rise to this Complaint. In this capacity, I was personally involved in the interaction and communications between VMSC, on the one hand, and Longhorn Partners Pipeline, L.P. ("Longhorn") and Flying J, Inc. ("Flying J"), on the other hand, in the aftermath of the McKee Refinery fire on February 16, 2007.

2. VMSC is engaged in the purchase, marketing, and transportation of various hydrocarbon products, including but not limited to crude oil and refined petroleum products. VMSC is responsible for, among other things, the marketing and transportation of the refined products produced by refineries owned and operated by Valero Energy Company ("Valero").

3. The Valero McKee Refinery is, among others, a critical Valero asset and a primary source for VMSC to obtain refined products for serving its customer commitments in the Southwestern markets of El Paso, Texas, Tucson and Phoenix, Arizona, as well as other markets.

4. To reach its El Paso and Arizona markets, VMSC transports its product from the McKee Refinery on a third-party pipeline owned by NuStar Logistics, L.P. and Phillips Texas Pipeline Company, Ltd. that connects with terminal facilities near El Paso and the pipeline facilities of SFPP, L.P.'s ("SFPP") East Line near El Paso. SFPP's East Line is the only common carrier refined products pipeline from El Paso that serves the markets of Arizona.

5. On February 16, 2007, a fire erupted at the Valero McKee Refinery in Sunray, Texas, north of Amarillo, requiring the complete shut down of refining operations at the facility for several months. As a result of the February 16th fire, VMSC was forced to seek alternative arrangements for supplying and transporting refined product to, among others, its El Paso, Arizona, and New Mexico markets. In particular, VMSC faced the prospect of being unable to substantially fulfill its commercial obligations in its El Paso and Arizona markets unless it could source product from a location other than the McKee Refinery and transport the same to El Paso and SFPP's East Line for further delivery to Arizona markets.

6. After learning the McKee Refinery would be down until at least May 2007, VMSC contacted Longhorn by telephone on Friday, February 23, 2007, informed Longhorn personnel of VMSC's situation and requested a nomination of 700,000 barrels (approximately 23,000 barrels per day) for the month of March 2007.

7. In the process of their February 23rd communications, Longhorn operations personnel led VMSC to believe that Longhorn had capacity available and would be willing to transport VMSC's product to El Paso, enabling VMSC to substantially fulfill its commercial commitments in the El Paso and Arizona markets. No mention was made that the pipeline was at, or even near, its maximum operating capacity notwithstanding that nominations would have been due a full week before (i.e., February 15th).

8. VMSC was registered as a potential shipper on Longhorn, even though VMSC had not been shipping product on Longhorn, to facilitate its ability to find alternate sources of supplying products to the El Paso and Arizona markets in the event of a supply disruption at the McKee Refinery.

9. VMSC knew, on information and belief, that Longhorn had traditionally been undersubscribed and believed that Longhorn would have some available capacity to substantially facilitate meeting VMSC's El Paso obligations. Longhorn advertises the ability to transport at least 72,000 barrels of refined petroleum product per day (or about 2,160,000 barrels per month). (Attachment A – Longhorn Fact Sheet)

10. Pursuant to Longhorn's FERC Tariff No. 4, Item 30, nominations for transportation are due on or before the 15th day of the calendar month preceding the desired shipment date and may be e-mailed. (Attachment B – Tariff No. 4] Although Item 30 reflects that Longhorn is under "no obligation" to accept nominations subsequent to the 15th day of the calendar month preceding the desired shipment date, Item 30 does not prohibit or preclude the acceptance of such late filed nominations, especially if capacity is available. Id.

11. As VMSC could not anticipate the emergency created by the McKee Refinery fire, VMSC could not submit its March nomination to Longhorn by the February 15th deadline. Nevertheless, VMSC contacted Longhorn as soon as possible after determining the extent of the damage and its needs for alternative transportation.

12. VMSC formally submitted a nomination for 700,000 barrels for the month of March on February 27, 2007 in writing by email. (Attachment C)

13. On February 28, 2007, Longhorn responded by email to VMSC's March nominations and declined to accept any barrels for shipment in March, stating that after going over Longhorn's

March shipping schedules "we just don't see any room to add more barrels (at this time)." (Attachment D) Longhorn further stated that "this is the first month that we have had this much volume needing to move ..." Id.

14. VMSC was given no explanation of what transpired between February 23rd, when VMSC was lead to believe that Longhorn had available capacity and could likely transport VMSC's volumes, and February 28th, when Longhorn reversed its position and declared itself to be at capacity for the first time in its history.

15. Longhorn's rejection of VMSC's transportation request left VMSC with limited transportation options for delivering product to the El Paso market and onward to the Arizona markets. Although Longhorn's pro rationing policy reserves capacity for "New Shippers" (of which VMSC would qualify), a "New Shipper" on Longhorn is entitled to only 1% of Longhorn's capacity. In this connection, 1% of 83,300 barrels per day equates to roughly 25,000 barrels for the entire month, a grossly inadequate and insufficient amount to fulfill VMSC's commitments to its customers and its request for 700,000 barrels for the month of March (Attachment E – Longhorn Proration Policy).

16. Longhorn's proration policy provides for exceptions in the case of "any . . . event that materially increases the total aggregate demand for transportation on carrier such that" the method for allocating space to new shippers "would not be equitable to shippers having such increased demand, capacity shall for the next eighteen (18) months be allocated on the basis of good faith nominations." (Attachment E). Notwithstanding the emergency nature of VMSC's situation and the fact that it was seeking to transport as many barrels as possible per month for the indefinite future (which under any circumstances would be a material increase in aggregate demand), Longhorn did not make this provision available to VMSC.

17. Up until February 27th, it is VMSC's understanding and belief that Longhorn had never before been subject to pro rationing. (Attachment D). Additionally, up until February 27th, there is no indication that shippers on Longhorn had been given any prior notice that the pipeline was nearing capacity as a result of nominations received on or before February 15, or that it had received nominations for March 2007 shipments that indicated that any pro rationing would need to occur.

18. After Longhorn informed VMSC that its pipeline was at capacity, VMSC inquired of Longhorn personnel as to whether it would be possible to obtain refined products from any other shippers on the Longhorn system. Longhorn responded that VMSC would have to negotiate with individual shippers and informed VMSC that Longhorn's owner, Flying J, Inc., would be a good place to start. (Attachment D)

19. VMSC contacted Flying J about purchasing product in El Paso for March deliveries into SFPP's East Line. Flying J informed VMSC that such a purchase would be possible as long as Valero made certain concessions to Flying J, including providing terminal space capacity in Phoenix off of SFPP's East Line as Phoenix terminal operators had notified Flying J that they did not have space for any new business.

20. After Longhorn rejected VMSC's March nominations, VMSC began making spot purchases from Flying J in El Paso. VMSC used the product it purchased from Flying J to serve its immediate commercial commitments in both the El Paso and Arizona markets for the end of February and the month of March.

21. Longhorn subsequently contacted VMSC again and indicated it could possibly facilitate line space to the extent VMSC was willing to commit to a long-term volume commitment of approximately 600,000 barrels a month on the system (about 20,000 bpd), despite the fact that

Longhorn could not provide any capacity in March and only 1% of capacity in April. The correspondence associated with the purported long-term volume commitment proposal identified Longhorn's affiliate, Flying J, as the capacity source and indicated that VMSC would be required to provide Flying J various concessions associated with storage and throughput capacity for both trucks and pipeline in El Paso as well as line history and terminal space along the already constrained SFPP East Line. (Attachment F)

22. Based on information received from Longhorn's operations personnel at the time, VMSC learned that sometime during late February, and possibly between February 23rd and February 26th, Flying J, the 100% owner of Longhorn, had nominated 1.7 million bbls in total for shipment on Longhorn during the month of March (or about 56,700 bpd).

23. Flying J also notified Longhorn and other pipelines that VMSC would be the supplier of some 850,000 barrels of refined product in Pasadena, Texas, although Flying J had not yet reached any agreements with VMSC regarding the purchase of this many barrels.

24. The 850,000 barrels Flying J indicated VMSC would be sourcing for Flying J in Pasadena, Texas significantly exceeded the spot purchases that VMSC actually began making from Flying J in El Paso in late February after Longhorn denied VMSC's March 2007 nominations. Upon information and belief, it appears that Flying J had already planned that it would be buying more barrels from VMSC in Pasadena and selling more barrels back to VMSC in El Paso than the actual amount of spot purchases VMSC actually made in El Paso beginning in February 2007.

25. VMSC was seriously concerned by the fact Flying J appeared to have nominated a large amount of product on Longhorn for further transportation on SFPP's East Line yet did not appear to have adequate terminal tankage for deliveries in such markets as Phoenix, as indicated by

VMSC's earlier conversations with Flying J about purchasing refined products in El Paso for transportation on SFPP's East Line.

26. On March 1, 2007, pursuant to the terms of Longhorn's effective FERC tariff, FERC Tariff No. 4, Item 30, VMSC timely and properly nominated 700,000 barrels (about 23,000 bpd) of product for shipment on Longhorn for the month of April 2007. (Attachment B – Tariff No. 4; Attachment G – April Nominations)

27. On March 16, Longhorn advised its shippers by email that the pipeline was at full capacity (72,000 bpd) for April shipments, indicating that "prorationing will need to occur." (Attachment H).

28. On March 20, VMSC was awarded 1% of the pipeline's capacity as a new shipper, which equates to 25,000 barrels for the entire month of April, or about 830 bpd. (Attachment I). This volume was vastly insufficient to meet VMSC's commercial commitments in the El Paso and Arizona markets.

29. VMSC nominated 700,000 barrels for transportation on Longhorn in February, March and April 2007 for delivery at El Paso in March, April and May 2007. Because (a) VMSC received no capacity for March 2007; (b) received only 1% of allegedly available capacity (i.e., 25,000 total barrels) for the months of April and May; and (c) the McKee Refinery was scheduled to return to service, albeit at reduced rates, in mid-May, VMSC declined to submit any nominations in May for June shipments. VMSC did not nominate any additional barrels for delivery into El Paso after May of 2007.

30. Since May of 2007, VMSC has learned of public representations that directly refute Longhorn's claims that it could not accommodate VMSC's transportation requests in February, March, or April of 2007. Specifically, at a recent presentation at the Arizona Petroleum

Marketers' Association Conference in Sedona, Arizona on August 19, 2007, Flying J's management, on behalf of its wholly-owned subsidiary pipeline, Longhorn, represented publicly that during the entire period prior to January of 2007, total shipments on Longhorn never averaged more than 35,000 bpd. (See Exhibit 2 attached to the Complaint). In addition, Flying J's presentation demonstrated that there was a significant spike in volumes during February of 2007, and that during the time period from March 2007 through May 2007, total shipments on Longhorn remained under 50,000 bpd. Given the maximum throughput capacity that Longhorn itself represented was available (i.e., either 72,000 bpd or 83,000 bpd). There should have been at least 22,000 to 33,000 bpd of capacity left on Longhorn throughout February, March, April and May 2007. Notably, VMSC's total nominations for March, April, and May were approximately 23,000 bpd (i.e., 700,000 barrels per month). Thus, Longhorn should have been able to accommodate all of VMSC's nominations, and there should have been no reason to deny VMSC's nominations for March or to limit VMSC to prorated transportation barrels for April and May 2007.

31. From late February through May of 2007, VMSC was very concerned about its ability to continue to meet its commercial commitments and supply refined products to its customers in the Arizona and El Paso markets. VMSC was severely limited in its ability to purchase refined products. VMSC was able to obtain a limited amount of additional product from Western Refining, who is a significant supplier of refined products in the El Paso and Arizona markets.

32. As the limited purchases were not sufficient to enable VMSC to meet all of its commercial commitments in the El Paso and Arizona markets, VMSC also needed to purchase all of the refined product that Flying J was willing to make available in El Paso in order to allow VMSC to meet its commercial commitments and help keep the Arizona and El Paso markets

supplied with refined products and to avoid product shortages in those markets. VMSC submits that Flying J knew by its and Longhorn's actions that it would be the only viable supplier of refined products in order for VMSC to be able to meet its commercial commitments in the Arizona and El Paso markets.

33. Accordingly, while at the same time VMSC was being denied access to capacity that both Flying J and Longhorn have admitted in published documents that such capacity was in fact available at the time that VMSC sought to obtain access to Longhorn's pipeline space, VMSC was forced to purchase refined product barrels at an undue and substantial premium from Flying J in order to meet its commercial commitments in the El Paso and the Arizona markets. In particular, as a condition to being able to purchase product from Flying J, VMSC was required to sell product to Flying J at the Galena Park origin of Longhorn at Gulf Coast spot related prices. In turn, Flying J required VMSC to buy back the same barrels at the El Paso terminus of Longhorn at West Coast or Phoenix related prices. This requirement allowed Flying J to extract from VMSC a West Coast-Gulf Coast price differential as a premium following VMSC's denial of access to Longhorn's capacity.

34. As a result of being denied the opportunity to ship its own barrels on Longhorn, VMSC estimates, based on its preliminary good faith quantification, that it incurred approximately $10,900,000 in damages, not including interest.

35. VMSC was forced to purchase refined products from Flying J in El Paso at premium above market prices (i.e., West Coast or Phoenix related prices for Gulf Coast barrels) during the months of February, March, April and May 2007 in order to satisfy its commercial commitments, resulting in preliminarily estimated overpayments of approximately $10,300,000. These damages are measured by taking the amount actually paid to Flying J for purchases during

that month and comparing it to what VMSC would have paid to acquire refined products from suppliers on the Texas Gulf Coast plus the costs of transportation from Galena Park to El Paso under Longhorn's published tariff rates. In addition to paying an unreasonable premium, VMSC was even forced to source for Flying J at Galena Park a significant portion of the very barrels that VMSC then had to repurchase at an unreasonable premium in El Paso.

36. In addition, based on Longhorn's initial verbal representations on February 23, 2007, that there was pipeline capacity available for VMSC to ship on, VMSC took steps to acquire over 100,000 barrels of Arizona grade gasoline which it planned to ship on Longhorn during late February and March 2007. Given that such product is fungible only in Arizona, once VMSC was denied access to Longhorn in order to ship any meaningful volumes during February and March 2007, VMSC had to arrange to ship the 100,000 barrels via marine vessel from the Texas Gulf Coast to the West Coast for further transportation into Arizona, which cost VMSC approximately $594,300 more than it would have cost had VMSC been able to transport its product on Longhorn.

37. In summary, by refusing to fulfill VMSC's transportation request, VMSC was subject to serious injury and disadvantage. Longhorn's and Flying J's actions prevented VMSC from adequately and efficiently serving its customers in the El Paso and Arizona markets for an extended period of time (i.e., February, March, April and May 2007), unless VMSC agreed to pay unreasonable product premiums to Flying J.

David M. Parker
Vice President
Valero Marketing and Supply Company

State of Texas)
)
County of Bexar)

Notary Public

Kristina D. Reinhard
Notary Public
State of Texas
My Comm. Exp. 09-21-2008

NOTARY PUBLIC STATE OF TEXAS

ATTACHMENT A

Attachment A

LONGHORN PARTNERS PIPELINE

About Us

Safety Information

Shipping Information

Community Information

Reports

Media Information

Contact

Home

I Want to Register to Become a Shipper. Click here.

To report an emergency 24 hours a day, call:
1.888.465.9512

For non-emergency questions, call:
1.800.863.9691

Fact Sheet

Longhorn Partners Pipeline has developed a 700-mile, 18-inch diameter pipeline that will, for the first time, transport refined products (gasoline and diesel) by pipeline from Gulf Coast refineries to communities in West Texas and the El Paso gateway market.

From there, these products will be distributed throughout New Mexico and Arizona via connections with other pipelines. Consumers and businesses throughout the Southwest will benefit from this new source of competitively priced fuel supplies.

Pipeline: The pipeline consists of: an existing, upgraded 450-mile section from Houston to Crane; a newly constructed 250-mile section from Crane to El Paso; a new spur from Crane to Odessa; and a new, nine-mile section connecting the existing pipeline to the GATX terminal in Galena Park, Texas.

Products: Longhorn Pipeline will transport unleaded gasoline and diesel. Longhorn will not ship fuels containing the additive MTBE.

Volume: Initially, Longhorn Pipeline can transport up to 72,000 barrels per day of refined products. Eventually, the pipeline can carry up to 225,000 barrels per day.

Point of Origin: The pipeline originates at the Kinder Morgan terminal in Galena Park, Texas. The Kinder Morgan terminal is the largest products terminal on the Gulf Coast, allowing Longhorn to receive products from as many as 12 Gulf Coast refineries that, together, constitute nearly 25 percent of the refining capacity of the U.S.

Destination: The Gulf Coast refined products Longhorn delivers to terminals in El Paso and Odessa can be distributed for use by consumers across West Texas. In addition, in El Paso shippers will interconnect with other pipelines, benefiting consumers throughout the Southwestern United States. Products can also be shipped into Mexico, where fuels from Gulf Coast refiners can help clean up the border environment.

Pipeline Safety: Longhorn has developed a safe, environmentally sound pipeline. The goal is 100 percent safety every day, and Longhorn operates the pipeline in a manner designed to achieve that goal. In 1995 and 2000, Longhorn conducted "Smart Pig" and "Hydrostatic" tests to confirm the pipeline's integrity. In addition, Longhorn has added automatic and remotely controlled block valves at river crossings and on either side of the Edwards Aquifer and added new thicker-walled pipe and a unique containment system, and operates at lower pressures over the Edwards Aquifer. In addition, the pipeline is monitored 24 hours a day from a central control room, with readings taken every few seconds. Pipeline identification signs are placed at closer intervals and Longhorn visually inspects the entire line at least once a week, more frequently in populated and other sensitive areas.

Economic Benefits: Longhorn Pipeline provides significant economic benefits to people and businesses in Texas and throughout the Southwest by: making more competitively priced fuels available; opening new markets for the products of Gulf Coast refineries; and stimulating local and regional economic activity. Longhorn provides Gulf Coast refiners the opportunity to connect their products via pipeline to other pipelines serving markets like Albuquerque, Tucson and Phoenix, and will deliver substantial quantities of Gulf Coast refined products to West Texas and the Southwest.

Environmental Benefits: Gulf Coast refiners can produce, and Longhorn can deliver, the cleaner-burning fuels needed to improve air quality in El Paso, Phoenix, along the Texas/Mexico border and in other cities. These markets need greater access to the cleaner-burning fuels Longhorn can provide.

Environmental Assessment: The U.S. Environmental Protection Agency and the U.S. Department of Transportation conducted a thorough, 18-month Environmental Assessment (EA) of the Longhorn pipeline. The study resulted in a Finding of No Significant Impact. This detailed study divided the 700-mile pipeline into nearly 8,000 segments, averaging less than a tenth of a mile each, and gave each individual segment a safety rating. Longhorn developed a mitigation (safety) plan addressing the specific needs of each of these small segments. In issuing the EA report, the EPA referred to Longhorn's safety plan as "unprecedented." The federal Council on Environmental Quality, following its review, said Longhorn's plan not only exceeds existing requirements, "but also meets and probably exceeds even proposals now being aired or advanced in Congress and elsewhere for possible future pipeline safety regimes." This plan is now being implemented.

ATTACHMENT B

Attachment B

F.E.R.C. No. 4

LONGHORN PARTNERS PIPELINE, L.P.

LOCAL PIPELINE TARIFF

CONTAINING

RULES AND REGULATIONS

GOVERNING THE INTERSTATE
TRANSPORTATION AND HANDLING

OF

PETROLEUM PRODUCTS

TRANSPORTED BY PIPELINE

Carrier will accept and transport petroleum products offered for transportation through Carrier's facilities only as provided in this tariff.

Issued on twenty-five (25) day's notice under authority of 18 CFR 341.14. This tariff publication is conditionally accepted subject to refund pending a 30-day review period.

The rates named in this tariff are market-based rates pursuant to the Commission's Order on Application for Market Power Determination, Longhorn Partners Pipeline, L.P., Docket No. OR98-12-000, issued June 30, 1998.

This Tariff will apply only to those tariffs which specifically incorporate this Tariff by reference; such reference includes supplements to this Tariff and successive issues thereof.

The matter published herein will have no adverse effect on the quality of the human environment.

ISSUED: August 27, 2004	**EFFECTIVE: September 22, 2004**
Issued by: Richard A. Rabinow President and CEO Longhorn Partners Pipeline, L.P. 3633 Allen Parkway, Suite 220 Houston, TX 77019 713-529-1555	Compiled by: Tina R. Granger Pipeline Tariffs Magellan Pipeline Company, LLC One Williams Center Tulsa, OK 74172 918-574-7415

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ITEM	RULES AND REGULATIONS	
10	**LIST OF DEFINITIONS**	
	API GRAVITY	Means gravity determined in accordance with STM Designation D-287-92, or latest revision thereof.
	ASTM COLOR	Means color determined by the ASTM Standard method of test ASTM Designation D-1500-91, or latest revision thereof.
	BARREL	Means 42 United States gallons at 60 degrees Fahrenheit and zero psi gauge measured in accordance with ASTM D1250M Petroleum Measurement Table 6B (unabridged) or latest revision thereof.
	CARRIER	Means Longhorn Partners Pipeline, L.P.
	CONSIGNEE	Means the party having ownership of Petroleum Products transferred to it.
	CONSIGNMENT	Represents a commitment by an established Shipper or Consignee to receive Petroleum Products delivered at a specific Destination on Carrier's system.
	DESTINATION	Means the facility of Carrier at which Petroleum Products are delivered out of Carrier's pipeline system.
	INITIAL START-UP PERIOD	Means a period of time beginning the first day Shippers are able to nominate a barrel of Petroleum Product in Carrier’s pipeline system and ending at Carrier’s discretion, but not to exceed a thirty-six (36) month period.
	INVENTORY OWNER	Means and refers to the party, either Shipper or Consignee, holding title to Petroleum Product(s) in Carrier’s system.
	NOMINATION	Means an offer by Shipper to Carrier of a stated quantity of Petroleum Products for transportation from a specified Origin to a specified Destination pursuant to the terms of this tariff.
	NOTICE OF INVOICE PAYMENT	Means an electronic invoice from Carrier requiring payment for services.
	OPERATOR	Means Williams Petroleum Services, LLC c/o Magellan Pipeline Company, LLC One Williams Center, 720-Level Tulsa, OK 74101 Phone: 918-574-7514 Fax: 918-574-7493
	ORIGIN	Means a facility of Carrier at which Carrier receives Petroleum Products into Carrier's pipeline system.
	PETROLEUM PRODUCTS	Means commodities including, but not limited to, unleaded regular and unleaded premium gasolines, Arizona Cleaner Burning Gasoline (CBG), high sulfur and low sulfur diesel.
	SHIPPER	Means any party who contracts with Carrier for transportation of Petroleum Products pursuant to the terms of this tariff.
	TRANSMIX	Means the mixture that results between Petroleum Product batches during normal pipeline operations. This mixture contains Petroleum Products that have physical characteristics that cannot be absorbed by or into adjoining batches.

ITEM	SUBJECT	RULES AND REGULATIONS
20	SPECIFICATION OF COMMODITIES	Under this tariff, Carrier is engaged in the transportation of Petroleum Products by pipeline and shall not be obligated to accept any other commodity for transportation, except as defined herein. Details of Carrier's Specification and Product Quality Document dated August 13, 2004 is available on Carrier's Internet Site at www.longhornpipeline.com/industry/specs.htm or on request. (a) Petroleum Products shall be accepted for transportation only when such commodities meet all required specifications established by Carrier. All of required specifications for Petroleum Products shall be issued from time to time in the manner and to the extent appropriate to facilitate the efficient and economical use and operation of Carrier's facilities, and to reasonably accommodate Shipper's need for transportation. Carrier reserves the right to reject any Petroleum Products under this tariff which could have a potential adverse effect on inventory in Carrier's custody, or otherwise disrupt the efficient use of Carrier's facilities. (b) Carrier shall require Shipper to perform testing and furnish certified laboratory reports detailing the specifications of the products offered for transportation. Carrier may also perform any such tests as it deems to be appropriate or desirable, but Carrier is under no obligation to perform such tests and Carrier's failure to perform such tests does not relieve Shipper of its obligation to tender products that meet established specifications. Shipper shall be liable for any contamination or damage to other Petroleum Products being transported, or to Carrier's pipeline or other facilities in the event products tendered are substandard to the specifications stated on Shipper's laboratory certificate. In the event of variance between Carrier's test and Shipper's certificate, Carrier's test results shall prevail.
30	NOMINATIONS	Carrier is under no obligation to accept Petroleum Products for transportation in any month unless Shipper submits a Nomination on or before the fifteenth (15^{th}) day of the calendar month preceding the desired shipment date. If the fifteenth (15^{th}) day of the month falls on a weekend or holiday, Nominations are due on the last workday before the fifteenth (15^{th}). The Nomination may be e-mailed, faxed or submitted via operators' ATLAS system. A Nomination must specify, for each shipment, the quantity, product grade, Origin, Destination, Supply source(s) and Shipper.

ITEM	SUBJECT	RULES AND REGULATIONS
40	ORIGIN AND DESTINATION FACILITIES	Petroleum Products will be accepted only when Shipper has provided facilities at Origin and/or Destination, satisfactory to Carrier, as stated below, which are available and capable of originating or receiving shipments in accordance with Carrier's schedule without delay. (a) ORIGIN: Shipper shall furnish necessary facilities at the Origin to deliver Petroleum Products to the suction of Carrier's pump station manifold at a pumping rate equal to Carrier's pipeline pumping rate at the time of delivery at that Origin. Such requirement will be deemed to be satisfied if Shipper is capable of providing Petroleum Products to Carrier at the Galena Park station in Houston, TX. (b) DESTINATION: Carrier does not provide storage or other tankage facilities at any of Carrier's Destinations. Shipper shall furnish the necessary means to promptly receive Petroleum Products as they arrive at the Destinations.
50	MINIMUM SHIPMENT	A shipment of not less than 5,000 Barrels of Petroleum Products, of the same specifications, shall be accepted for transportation at one point of Origin from one Shipper subject to delay until Carrier has accumulated at receiving point 50,000 Barrels of the same specifications from the same or other Shippers. To the extent reasonably desirable to facilitate the efficient and economical use and operation of Carrier's facilities, and to accommodate Shippers need for transportation, Carrier may move smaller batches from time to time.
60	MEASUREMENT	All Petroleum Products tendered to Carrier for transportation shall be gauged or metered by a representative of Carrier in compliance with API Standards prior to, or at the time of receipt from Shipper. Shipper shall have the right to witness the calibration of all measurement equipment. Quantities shall be adjusted to correct for temperature and pressure from observed values in order to develop a new shipment quantity prior to any deductions.
70	OVERAGE/SHORTAGE ADJUSTMENT	Carrier shall account to each Shipper for all Petroleum Products received. Any overage or shortage not due to the negligence of Carrier, including but not limited to, losses resulting from shrinkage, evaporation and other physical product loss in a calendar month, will be allocated to shippers on a monthly basis among Shippers in proportion to each Shipper's barrels received into the system to the total barrels received into the system from all Shippers. A product loss allocation fee of 6.0 cents per barrel will be charged to shippers. Carrier's Transmix & Overage/Shortage Adjustment Policy dated August 25, 2004 is available on Carrier's Internet Site at www.longhornpipeline.com or on request.

ITEM	SUBJECT	RULES AND REGULATIONS
80	TRANSMIX	Product in Carrier's system that can not be combined with compatible products shall be allocated to Shippers and shall be retained in Carrier's custody for disposal by Carrier for Shippers to ensure efficient operations of the pipeline. (a) Carrier shall allocate the Transmix to Shippers in proportion to each Shipper's barrels received into the system to the total barrels received into the system from all Shippers in a calendar month. (b) Carrier shall dispose of the Transmix for Shippers and provide each Shipper's portion of the proceeds from the sale of the Transmix by check or wire transfer less a Transmix Handling Fee of five (5) cents per barrel. (c) Shipper agrees to provide open credit to such third party on the sale of Shipper's portion of Transmix until such sale proceeds are collected from such third party. Carrier shall not be liable in any way whatsoever for claims of actions resulting from, arising out of, in connection with, or related to open credit to a third party on the sale of Shipper's portion of Transmix. Shipper agrees to protect and indemnify Carrier against claims of actions resulting from, arising out of, in connection with, or related to open credit to a third party on the sale of Shipper's portion of Transmix. Carrier's Transmix & Overage/Shortage Adjustment Policy dated August 25, 2004 is available on Carrier's Internet Site at www.longhornpipeline.com or on request.
90	COMMINGLING OF PRODUCT	Petroleum Product transported through Carrier's facilities for Shippers shall be intermixed with substantially similar Products and shall be subject to changes in quality and other characteristics as may result from such intermixing. Shipper shall not be entitled to receive the identical Petroleum Product it has tendered to Carrier under this Tariff.
100	SCHEDULING OF SHIPMENTS	Petroleum Products shall be accepted for transportation at such times as commodities of the same specification are currently being transported from the point of Origin to Destination or Destinations in accordance with a schedule of shipment issued from time to time to each Shipper by Carrier. Such schedules may be modified from time to time in the manner and to the extent reasonably desirable to facilitate the efficient and economical use and operation of Carrier's facilities, and to reasonably accommodate Shipper's need for transportation. Shipper shall have each shipment available in tankage connected to Carrier's Origin station to allow reasonable time for product sampling and testing prior to the scheduled time for receipt by Carrier. When a product is not available in tankage for Carrier sampling and testing, Carrier will endeavor to accept the product so long as such acceptance does not adversely affect the operation of the pipeline.
110	DISPOSITION OF COMMODITIES NOT ACCEPTED FOR DELIVERY	In the event Carrier has accepted commodities for transportation in reliance upon Shipper's representations as to acceptance at Destination, and there is failure to promptly accept such commodities at Destination, Carrier shall have the right, on twenty-four (24) hours notice, to divert or reconsign subject to the rates, rules and regulations applicable from the point of Origin to the new actual Destination, or make whatever arrangements for disposition as are deemed appropriate to clear Carrier's facilities, including but not limited to the right to sell the commodities at private or public sale. From the proceeds of any such sale, Carrier shall pay itself all transportation and other charges and expenses in caring for and maintaining the commodities and the costs of sale, and the balance shall be held for whomsoever may be lawfully entitled thereto.

ITEM	SUBJECT	RULES AND REGULATIONS
120	DEMURRAGE CHARGES	A demurrage charge of twenty-five (25) cents per barrel per day shall be assessed by Carrier in the following manner to provide space for delivery of succeeding shipments into Carrier's facilities and to prevent or relieve congestion at Carrier's Destinations. Carrier shall give notice to Shippers or Consignee to remove Petroleum Products from Carrier's facilities. Petroleum Products specified in the notice shall be determined on a first-in first-out basis. Petroleum Products specified in the notice which are not removed at the close of a five (5) day period beginning the day after such notice is given by Carrier shall be subject to the above mentioned demurrage charge of twenty-five (25) cents per barrel per day until removed. Demurrage charges shall be payable upon presentation of invoice by Carrier.
130	TITLE	Petroleum Products nominated for shipment shall be deemed a warranty of title by the nominating party, but acceptance shall not be deemed an acknowledgement by Carrier as to title. Carrier shall have the right to reject any Petroleum Products which may be involved in litigation, the title of which may be in dispute, or which may be encumbered by lien or charge of any kind. Further, Carrier may require Shipper's proof of perfect and unencumbered title or a satisfactory indemnity bond. Shipper shall retain title to all Petroleum Products transported by Carrier. Carrier shall be deemed to be in possession and control of Shipper's Petroleum Products from receipt at Carrier's origination pump manifold at the Origin until such Petroleum Products are delivered to Shipper or Shipper's Consignee at the outlet flange of Carrier's custody transfer meter(s) at the destination.
140	CORROSION INHIBITORS AND ADDITIVES	All Petroleum Products shipped, with the exception of all grades of Aviation Fuel, are required to meet a minimum level of corrosion protection. Shipper may be required to inject oil-soluble corrosion inhibitor, approved by Carrier, in the Petroleum Products to be transported, provided that the resulting mixture meets all quality specifications in Item 20. Carrier reserves the right to inject drag reducing additives and other agents into Petroleum Products, with exception of all grades of aviation fuel, provided that the resulting petroleum mixture meets all quality specifications established by Carrier pursuant of Item 20 of this tariff.
150	RATES APPLICABLE	Petroleum Products transported shall be subject to rates in effect as of 12:00 midnight (Central Time) on the date such commodities are received at the Origin by Carrier.

ITEM	SUBJECT	RULES AND REGULATIONS
160	LIABILITY OF CARRIER	Carrier shall not be liable for any delay in transportation or loss of Petroleum Products caused by acts of God or terrorism; storm, flood, extreme weather, fire, explosion, war, invasion, hostilities, rebellion, insurrection, riots, strikes, picketing or other labor stoppages, whether of Carrier's or Shipper's employees, agents, or otherwise; electrical or electronic failure or malfunction; communications failure or malfunction; computer hardware and/or software failure, malfunction, or inaccuracy; breakage or accident to machinery or equipment; proration; temporary restraining orders, injunctions, or compliance orders issued by courts or governmental agencies; seizure or destruction under quarantine or customs regulations, or confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade; or any cause not due to fault or negligence or any cause reasonably beyond the control of Carrier. In the event of such loss, each Shipper or Consignee shall bear the loss in the same proportion as its share of the total quantity of the kind of product involved in the loss in the custody of Carrier at the time of such loss. Each Shipper or Consignee shall be entitled to receive only so much of its share remaining after its due proportion of the loss is deducted. Carrier shall compute the quantities of loss and shall prepare and submit a statement to Shippers or Consignee showing the apportionment of the loss among Shippers or Consignee involved. In the event of such a loss, Shipper is only responsible for the transportation charges on the actual volumes delivered. Carrier shall transport and deliver Petroleum Products with reasonable diligence and dispatch, but shall not be liable for delays in transportation of Petroleum Products to a particular market. Carrier shall not be liable for discoloration, contamination or deterioration of Petroleum Products transported unless such discoloration, contamination or deterioration results from the negligence of Carrier. In the event of such damage, each Shipper's or Consignee's share of the damaged Petroleum Product shall be in the same proportion as its share of the total quantity of shipments involved and each such Shipper or Consignee shall be allocated only its proportionate share of damaged Petroleum Product. In no event shall Carrier be liable to Shipper for any losses or damages, including special, punitive, exemplary, consequential, incidental or indirect losses or damages howsoever caused (including but not limited to loss of revenue, loss of profits or present or future opportunities), whether or not foreseeable, and irrespective of the theory or cause of action upon which such damages might be based, except that carrier shall be liable for actual losses or damages sustained as a result of, and to the extent of, Carrier's gross negligence or willful misconduct.
170	LIABILITY OF SHIPPER	As a condition to Carrier's acceptance of Petroleum Products under this tariff, each Shipper agrees to protect and indemnify Carrier, except in the case of negligence by Carrier, against claims or actions for injury to, and/or death of, any and all persons whomever and for damage to property of Carrier, Shipper, Consignee and/or any third party resulting from or arising out of 1) any breach of or failure to adhere to any provision of this tariff by Shipper, its Consignee, or its agents, employees or representatives and 2) the negligent act or acts or failure to act of Shipper, its Consignee, or its agents, employees or representatives in connection with the delivery or receipt of such Petroleum Product.

ITEM	SUBJECT	RULES AND REGULATIONS
180	CLAIMS: TIME FOR FILING	Claims for any delay, damage to, or loss of Petroleum Products shall be made in writing to Carrier within nine (9) months after delivery from Carrier's facilities of the shipment involved at the Destination to which such shipment was consigned, or in case of failure by Carrier to deliver, then within nine (9) months after the date upon which delivery would have reasonably been completed by Carrier. Such written claim shall be a condition precedent to any suit. Suit for any delay, damage to, or loss of, Petroleum Products shall be instituted within two (2) years and one (1) day after notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part thereof specified in the notice. Claims or suits for delay, damage to, or loss of Petroleum Products not filed or instituted in accordance with the foregoing provision shall not be paid, and Carrier shall not be liable.
190	PAYMENT OF TRANSPORTATION AND OTHER CHARGES	Shipper shall be invoiced by Carrier for the payment of transportation charges based upon receipt of Shipper's Petroleum Products at Carrier's Origin(s). Payment by Shipper to Carrier shall occur within three (3) business days of electronic Notice of Invoice Payment. If Carrier determines that Shipper does not have satisfactory credit, Carrier shall require that all such applicable charges be prepaid prior to receipt at the point of Origin. Shipper and Consignee shall be jointly and severally liable for the payment of all charges owed to Carrier. Petroleum Products accepted for transportation shall be subject to a lien for all applicable current and antecedent lawful charges. If such charges are not paid by the due date stated on the invoice, Carrier shall have the right to assess finance charges on the entire past due balance (including principal and accumulated but unpaid finance charges) until paid in full at the rate equal to eighteen percent (18%) per annum, as of the due date or the maximum finance charge rate allowed by law, whichever is less. Shipper's Petroleum Products will be made unavailable for delivery until such charges are paid. This provision does not relieve any obligations specified in Item 110 –Disposition of Commodities Not Accepted For Delivery or Item 120-Demurrage Charges, herein. If the Petroleum Products remain in Carrier's custody more than forty-five (45) days after the invoice date, Carrier shall have the right to sell the Petroleum Products at a public or private sale in a commercially reasonable manner to collect such charges. Carrier reserves the right to set-off any such charges including interest, against any monies owed to Shipper by Carrier from the proceeds of the Sale.
200	TAX REGISTRATION	Shippers and/or Consignees shall furnish Carrier with proof of registration with, or tax exemption from, appropriate Federal and/or State tax authorities related to the collection and payment of excise taxes and other similar taxes, levies, or assessments associated with the sale of Petroleum Products. Failure of Shipper and/or Consignee to furnish such proof shall not relieve Shipper and/or Consignee from the obligation to pay any such tax, levy or assessment. Any tax, levy, assessment or other charge imposed by such authorities against Carrier as the result of such failure shall be collected by Carrier under the provisions of Item No. 190-Payment of Transportation and Other Charges.

ITEM	SUBJECT	RULES AND REGULATIONS
210	APPLICATION OF RATES FROM OR TO INTERMEDIATE POINTS	Shipments of Petroleum Products accepted for transportation from any Origin or to any Destination not named in any tariff making reference hereto, which Origin or Destination is directly intermediate to any Origin or Destination from or to which a rate applying through such unnamed point is published, shall be transported from or to such unnamed intermediate point, at the rate published from or to the next more distant point specified in the tariff and in accordance with 18 CFR ¶ 341.10.
220	PRORATION OF PIPELINE CAPACITY	When the total volume of Petroleum Products nominated for shipment by all Shippers in accordance with Item 30-Nominations, is greater than can be transported on the pipeline and/or between the locations specified by such Nominations, Carrier shall allocate available capacity on an equitable basis among all Shippers. Carrier's Proration Policy dated August 25, 2004 is available on Carrier's Internet Site at www.longhornpipeline.com or on request.
230	INVENTORY MANAGEMENT	Carrier's system shall be operated as a transit time system for all products in which Shippers shall own all of the product in Carrier's system except as provided in Item 300 – Initial Startup of Pipeline System. Carrier shall require Shipper to supply a pro rata share of Petroleum Products for tankage fill and destination facility linefill if necessary to maintain efficient operations of Carrier's pipeline system. Petroleum Products furnished pursuant to this Item shall be returned to Shipper after such Shipper has provided written notice to Carrier of Shipper's intent to cease shipping and after a reasonable period of time to allow for administrative and operational requirements associated with the withdrawal of such Petroleum Products.
240	DIVERSION OR RECONSIGNMENT	Diversion or reconsignment of a Petroleum Product shipment may be made by Shipper provided no out of line or backhaul movements are required, subject to rates, rules and regulations applicable from point of Origin to point of new Destination; provided, however, that backhaul reconsignments shall be permitted only if and when Carrier determines that such reconsignments are operationally efficient and feasible. In the event Carrier can perform a backhaul reconsignment, Shipper shall forfeit all credits arising from any tariff rate already applied which is in excess of the rate applicable from the point of Origin to the point of new Destination.
250	CHARGE FOR SPILL COMPENSATION ACTS AND REGULATIONS	In addition to the transportation charges and all other charges accruing on commodities accepted for transportation, a per Barrel charge shall be assessed and collected in the amount of any tax, fee, levy or other charge against Carrier in connection with such commodity, pursuant to any federal, state or local law or regulation which imposes a tax, fee, levy or other charge, on the receipt, delivery, transfer or transportation of such commodities for the purpose of creating a fund or other instrument for the prevention, containment, clean up and/or removal of spills, the reimbursement of persons sustaining loss there from or any other lawful purpose. Any such fee shall be published in the tariff schedules. Carrier shall be under no obligation to contest or protest on behalf of Shipper or Consignee the legality of such tax, fee, levy or other charges.
260	SEPARATE PIPEAGE AGREEMENTS	Separate pipeage agreements in accordance with this tariff and these regulations covering further details may be required of a Shipper before any duty to transport shall arise.

ITEM	SUBJECT	RULES AND REGULATIONS
300	INITIAL START-UP OF PIPELINE SYSTEM	During the Initial Start-up Period of Carrier's pipeline system, the pipeline could be subject to an unusually lengthy transit time. Therefore, during the Initial Start-up Period, Carrier will arrange for and supply a portion of the pipeline system's inventory of the Petroleum Products needed to more efficiently operate the system and reduce the transit time for all Shippers. At any point in time during the Initial Start-up Period, Carrier may transition the pipeline system to the operational transit time of the pipeline system pursuant to Item 230.

EXPLANATION OF ABBREVIATIONS AND REFERENCE MARKS

A.P.I……………………………………………………………………...American Petroleum Institute
A.S.T.M………………………………………………………..American Society of Testing and Materials
F.E..R.C.……………………………..………………………..Federal Energy Regulatory Commission
No……………………………………………………………………………………………………Number

ATTACHMENT C

Attachment C

Field, Matthew

From: Welch, Jason [Jason.Welch@valero.com]
Sent: Friday, March 02, 2007 5:41 PM
To: Dalton, Andrew; Ray, Andrew
Subject: FW: Valero Nomination for March Shipments

From: Kenneth.Moore@longhornpipeline.com [mailto:Kenneth.Moore@longhornpipeline.com]
Sent: Tuesday, February 27, 2007 6:31 PM
To: Welch, Jason
Cc: O.B. Harris; Jeff Foote
Subject: Re: Valero Nomination for March Shipments

Jason
I will give you a call in the am. With what shippers have nominated so far we are pretty much at capacity. Again, I will call u tomorrow.
Kenny

----- Original Message -----
From: "Welch, Jason" [Jason.Welch@valero.com]
Sent: 02/27/2007 06:02 PM CST
To: Kenneth Moore
Cc: Parker, Dave (SAHQ)" <Dave.Parker@valero.com>
Subject: Valero Nomination for March Shipments

Kenny,

Our latest assessment of downtime at Valero's McKee Refinery is much more extensive than previously thought. Flying J is only shipping 520,000 bbls for Valero in the month of March on Longhorn Pipeline. This volume will not cover Valero's commitments in and around the El Paso area. Valero is currently staging our Gulf Coast refinery production in terminals that have access to Longhorn Pipeline so we may ship on Longhorn and keep the West Texas / Arizona areas from running out of fuel. We look forward to receiving your prompt attention to this matter.

Valero hereby nominates the following product and volumes into Longhorn for the month of March:

200,000 bbls of Arizona CBG gasoline
300,000 bbls of 87 Conv 9.0# gasoline
200,000 bbls of ULSD

We would like to ship as much product as possible in the first half of March.

Best Regards,

Jason Welch
Sr Mgr Gulf Coast Product Supply
Valero Marketing & Supply
ph 210-345-2811

cell 210-865-9219

[longhorn]

ATTACHMENT D

Attachment D

Field, Matthew

From: Welch, Jason [Jason.Welch@valero.com]
Sent: Wednesday, February 28, 2007 6:44 PM
To: Parker, Dave (SAHQ); Dalton, Andrew
Subject: FW: March 2007

Here is the latest from Longhorn. I spoke with Kenny Moore by phone around 14:00 today and was attempting to obtain 200mb of line space for Valero mid / back-half March. Kenny indicated that he was going into meeting with his management after our phone call to try and work us in. Per the email, no line space available.

I asked Kenny about Longhorn's ability to help Valero obtain line space from other shippers. Kenny stated that "Longhorn Pipeline Inc" managed the line fill and could help Valero with time trades. But, Valero would have to negotiate obtaining line space with each individual shipper. I then asked if he could fill me in on potential shippers that would have available line space for our use. Obtained no real answer, but then asked if Flying J might be able to help us out. Kenny stated that Flying J would be a good place to start.

We also received some information from a source that asked not to be identified. Appears that Longhorn may have pumps / meters leaking at 5 of their pump stations along their pipeline.

Will keep you up to date on any further info.

Jason

-----Original Message-----
From: Kenneth.Moore@longhornpipeline.com [mailto:Kenneth.Moore@longhornpipeline.com]
Sent: Wednesday, February 28, 2007 5:00 PM
To: Welch, Jason
Subject: March 2007

Jason,
This is follow up to our conversation this afternoon. I just went over our March shipping schedule again with everyone involved and we just don't see any room to add any more barrels (at this time). As I mentioned, this is the first month that we have had this much volume needing to move and we want to make sure we can operationally and efficiently satisfy our commitments. I know this doesn't sit well with your immediate supply & distribution needs but we don't want to commit to something we might not be able to do for you. I will stay in touch with you over the coming days and let you know if anything changes in our current schedule that would clearly open up an opportunity for you to fill in.

Best Regards,

Kenny Moore

ATTACHMENT E

Longhorn Partners Pipeline, L.P.

Proration Policy

<u>Dated: August 25, 2004</u>

I. <u>Definitions</u>

A. <u>"Base Period"</u> shall mean the period within which each Regular Shipper's shipments are taken into account for purposes of allocating available Capacity, and shall consist of a continuous moving Base Period of 12 months beginning 13 months prior to the month of allocation and excluding the one months preceding the month of allocation. Intervals when no proration is in effect will, nevertheless, be included in the Base Period.

B. <u>"Shipments"</u> shall mean a volume of petroleum products that originate at the origin point and move through the pipeline system and subsequently delivered to a destination as defined in Longhorn's published tariff.

C. <u>"Regular Shipper''</u> shall mean any shipper which: (a) originated Shipments during the first month of the Base Period; or (b) was previously classified as a Regular Shipper and continues to originate Shipments in any one or more months of any succeeding Base Period.

D. <u>"New Shipper"</u> shall mean any shipper which does not qualify under the above definition of a Regular Shipper. At the end of twelve months from the beginning of the first month in which the New Shipper originated Shipments, it will then become a Regular Shipper and its actual shipments will become the basis for space allocation in the same manner as for other Regular Shippers.

D. <u>"Good Faith Nomination"</u> shall mean a nomination that can be substantiated by a shipper if so requested by Carrier.

E. <u>"Carrier"</u> shall mean Longhorn Partners Pipeline, L.P.

II. <u>Allocation of Capacity</u>

A. <u>Regular Shippers</u>. Except as provided in Section III below, during periods of proration, Capacity will be allocated monthly among Regular Shippers in the respective proportions that each Regular Shipper's Shipments during the Base Period bears to Shipments of all Regular Shippers during such period. Allocations to Regular Shippers will be subject to further reduction, if required to accommodate New Shippers.

B. New Shippers. Except as provided in Section III below, a New Shipper nominating products for shipment during monthly periods of proration, and which has otherwise satisfied applicable requirements of the tariff rules, shall be allocated space based on their demonstrated need to ship. Total Capacity available for New Shippers shall not exceed 10.0% of total line segment capacity rounded to the nearest 25,000-barrel per month increment. Additionally, each New Shipper will be limited to a maximum allocation of 1.0% of total line segment capacity. If total New Shipper allocation exceeds the space available for New Shippers, each New Shipper's allocation will be reduced on a proportional basis so that total New Shipper space does not exceed the limitations defined herein. Any unused capacity shall become available for allocation among Regular Shippers in proportion to their Base Period shipments.

C. Prorating During Start-up Period. During the first eighteen (18) months of operations, the pipeline capacity shall be allocated on the basis of good faith nominations.

III. New Sources of Demand

In the event of new refinery construction, significant refinery expansion, new interconnection with other pipelines or any other event that materially increases the total, aggregate demand for transportation on Carrier such that the method for allocation of capacity set forth in Section II above would not be equitable to shippers having such increased demand, capacity shall for the next eighteen (18) months be allocated on the basis of good faith nominations.

IV. General

Attention is directed to Item 30-Nomination provision of Carrier's published Rules & Regulation tariff which requires written notice from each shipper to Carrier, given by the 15th day of each month, of details respecting petroleum products to be shipped for an ensuing month period. Shippers are reminded that Carrier is under no obligation to accept shipments not included in such notice.

A. Carrier shall carefully examine nominations, using every means available to insure that they are true and realistic and may challenge any nominations which appear to be inflated. In no event shall any portion of an allocation granted to a shipper be used in such manner that it will increase the allocation of another shipper beyond what it is entitled to under the proration policy. Carrier may require written assurances from responsible officials of shippers respecting use of allocated space, stating that this requirement has not been violated. In the event any shipper shall, by any device, assignment, scheme or arrangement whatsoever, make available to another shipper or, in the event any shipper shall receive and use any space from a New Shipper in violation of this requirement, the allocated space for both shippers will be reduced, in the prorated shipping cycles next following discovery of the violation, each to the extent of the space improperly used.

B. Carrier reserves the right to increase or decrease any shipper's allocation in the event such shipper is involved in a merger, substantial sale of assets, reorganization or other substantial change which will significantly affect the future need of such shipper, or its successor, for shipping space. Any adjustments to shipper’s allocation shall reflect the assignment of historical shipments to the appropriate parties involved.

C. If a shipper releases, or is otherwise unable to use, any or all of its allocated space from an allocated cycle, such space shall be redistributed among the remaining shippers in that cycle in such manner as to allow Carrier to fully utilize the capacity of its system. Any shipper who holds allocated space that it cannot use, and who fails to notify Carrier thereof by fax or e-mail and relinquish the space for redistribution by the carrier to other shippers prior to the first day of a prorated cycle, may have its allocation in the succeeding month reduced by the amount of space that it failed to utilize. If any shipper, new or regular, is unable to utilize all of its allocated space, because of a fire, strike, labor slow down, or other condition of force majeure, and has given Carrier written notice thereof as soon as possible, Carrier may adjust credits for shipments in such equitable manner necessary to prevent the loss of that shipper's allocation percentage.

D. Any discrimination, preference or advantage which Carrier or its shippers may offer, grant, give, solicit, accept, or receive with respect to the allocation of shipping space may be a violation of Section 41, Title 49, United States Code, and other applicable laws.

ATTACHMENT F

Attachment F

Field, Matthew

From: Welch, Jason [Jason.Welch@valero.com]
Sent: Friday, March 16, 2007 2:57 PM
To: Dalton, Andrew
Subject: FW: Fw: Line Time Exchange

-----Original Message-----
From: Welch, Jason
Sent: Friday, March 16, 2007 1:45 PM
To: 'Kenneth.Moore@longhornpipeline.com'
Subject: RE: Fw: Line Time Exchange

Kenny,

I spoke with all the involved parties at Valero about the proposed Longhorn long term commitment. I shared your email with everyone and told them of our conversation we had this Tuesday; Where you indicated that Longhorn may be on the Proration Policy in April, but if Valero agreed to a 2 year T&D that commitment would help Longhorn grant Valero line space in April and the future months.

We are considering the 2 year T&D proposal you sent yesterday, but we want to better understand how line space becomes available with a 2 year T&D agreement. We would not consider a T&D if the needed line space is not there.

I look forward to hearing back from you.

Best Regards,

Jason Welch
Sr Mgr Gulf Coast Product Supply
Valero Marketing & Supply
Ph 210-345-2811

-----Original Message-----
From: Kenneth.Moore@longhornpipeline.com [mailto:Kenneth.Moore@longhornpipeline.com]
Sent: Thursday, March 15, 2007 4:30 PM
To: Kenneth.Moore@longhornpipeline.com
Cc: Welch, Jason; Jeff.Foote@longhornpipeline.com; jerrid.gunderson@longhornpipeline.com
Subject: Re: Fw: Line Time Exchange

Here is the TDA document. I forgot to attach.
kpm

(See attached file: TDA FOR DISCUSSION PURPOSES ONLY.doc)

Kenneth
Moore/Longhorn/Fl
yingj To
jason.welch@valero.com
03/15/2007 04:22 cc
PM Jeff Foote/TONS/Flyingj@Flyingj,
jerrid.gunderson@longhornpipeline.c
om
Subject
Fw: Line Time Exchange

Jason,

Here is the information we received from the shipper that describes what they are looking for and should open the door for all parties to discuss. Also, I have attached a short list of general terms for a potential Throughput & Deficiency Agreement (TDA) between Valero & Longhorn Pipeline. Also, please note the proposal by the shipper mentions a 5 year term and our TDA as we discussed earlier today is for 2 years. This is open for further discussion if needed.

I hope this enough information for you to work with. Please let us know at your earliest convenience of your interest.

Best Regards,

Kenny Moore
----- Forwarded by Kenneth Moore/Longhorn/Flyingj on 03/15/2007 04:18 PM

John
Hillam/diesel/mkt
g/corp/Flyingj To
Kenneth
03/15/2007 04:08 Moore/Longhorn/Flyingj@Flyingj
PM cc

Subject
Fw: Line Time Exchange

Kenny,

I am fine with you forwarding to your interested shipper my written proposal for a potential line time exchange, as well as my contact information if any direct discussion is needed.

John Hillam
Director of Supply & Logistics
Flying J, Inc.
801-624-1519
----- Forwarded by John Hillam/diesel/mktg/corp/Flyingj on 03/15/2007 03:06 PM -----

John Hillam/diesel/mktg/corp/Flyingj
03/15/2007 02:31 PM

To
Jeff Foote/TONS/Flyingj

cc

Subject
Line Time Exchange

Jeff,

Pursuant to our discussion regarding my willingness to sell Flying J Supply & Distribution (Transferor) shipment history to a third party (Transferee), the general principle upon which I would be willing to proceed is predicated upon (I) my giving up X bbls of Longhorn intra-line throughput upon (II) receiving X bbls of efficient distribution on both (IIa) origin and (IIb) destination ends of the Longhorn pipeline, where X is a mutually agreed upon number and as provided on either end of the Longhorn pipeline would sum independently to an amount equal to the X provided through the Longhorn pipeline. Agreeable terms towards applying this principle in an exchange would include:

I) Transferor would assign a portion of its shipment history, sufficient to provide 20,000 (X) bbls of incremental line space to Transferee in the month following the most current Longhorn nomination deadline (15th day of calendar month), with such transfer deemed permanent, contingent upon fulfillment of all Transferee obligations.

IIa) Transferee would provide 20,000 bbls per day of either origin 1) supply or 2) logistics, at the Transferee's option as hereunder defined for 5 years:

1) 20,000 bbls per day of Gulf Coast product deliverable to Longhorn and Colonial, at a mutually agreed upon price

2) 20,000 bbls per day of Gulf Coast cargo logistics assets and services to deliver product into Kinder Morgan Galena Park or Pasadena

IIb) Transferee would provide El Paso storage and throughput capability, serving both truck and pipeline, in the amount of 10,000 bbls per day 5 years and Transferee would assign to Transferor sufficient line history and terminal space along the Kinder Morgan East pipeline system to guarantee the Transferor's capability to throughput 10,000 bbls per day of any CBG/AZRBOB product along the system, with such transfer deemed permanent, contingent upon fulfillment of all Transferor obligations.

John Hillam
Director of Supply & Logistics
Flying J, Inc.
801-624-1519

Field, Matthew

From: Welch, Jason [Jason.Welch@valero.com]
Sent: Thursday, March 15, 2007 5:34 PM
To: Dalton, Andrew; Ray, Andrew; Parker, Dave (SAHQ)
Subject: FW: Fw: Line Time Exchange
Attachments: TDA FOR DISCUSSION PURPOSES ONLY.doc

Longhorn Pipeline's proposal for long term commitment from Valero.

-----Original Message-----
From: Kenneth.Moore@longhornpipeline.com [mailto:Kenneth.Moore@longhornpipeline.com]
Sent: Thursday, March 15, 2007 4:30 PM
To: Kenneth.Moore@longhornpipeline.com
Cc: Welch, Jason; Jeff.Foote@longhornpipeline.com; jerrid.gunderson@longhornpipeline.com
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cc

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John Hillam
Director of Supply & Logistics
Flying J, Inc.
801-624-1519

*****FOR DISCUSSION PURPOSES ONLY*****

Throughput & Deficiency Agreement (TDA)

• Term:	24 months
• Volume Commitment:	20,000 barrels per day
• Rate:	Current Tariff
• Shipper Requirements:	In accordance with Tariff Rules & Regulations
• Deficiency Payment:	Settled quarterly
• Pre-Paid Transportation Credits:	Deficiency payments applied to future transportation

ATTACHMENT G

Attachment G

Longhorn Pipeline April 2007 Nominations

Valero formally nominates the following volumes to be shipped in April 2007 on Longhorn. Valero will be the supply source on all volumes:

Volume bbl	Product Grade	Origin	Destination	Shipper
200,000	Arizona CBG	KM Pasadena	KM East line	Valero
300,000	87 Conv. 9.0#	KM Pasadena	KM East line	Valero
200,000	ULSD	KM Pasadena	KM East line	Valero

Valero would like to pump each product grade ratably throughout the month of April.

Best Regards

Jason Welch
Sr Mgr Gulf Coast Product Supply
Valero Marketing & Supply
Ph 210-345-2811

ATTACHMENT H

Attachment H

LONGHORN PARTNERS PIPELINE, L.P.

15 March 2007

To: All Longhorn Pipeline Shipper Nominees for April, 2007:

The Longhorn Pipeline System has received nominations for April, 2007 shipments that indicate prorationing will need to occur. Longhorn will issue line space allocations in accordance with our proration policy dated August 25, 2004 and posted on Longhorn's web site at www.longhornpipeline.com.

Those Shippers that have "Regular Shipper" status will be allocated line capacity per their respective proportion of the historical shipments during the "Base Period" (March, 2006 through February, 2007).

"New Shippers" in April will be allowed 1% of line capacity each with an aggregate volume allocated to all new shippers not to exceed 10% of the total line segment capacity.

While we appreciate the increased interest in using Longhorn, we regret not being able to satisfy all nominations fully. We expect to have final April allocations back to you no later than March 20. If you have questions about the implementation of the April proration, please don't hesitate to call myself or Jerrid Gunderson at 713-535-1111.

Sincerely,

Jeff Foote
President
Longhorn Partners Pipeline, L.P.

P.O. Box 868
Houston, TX 77001-0868
Tel (713) 529-1555
Fax (713) 524-3999

3411 Richmond Avenue
Suite 500
Houston, TX 77046-3409
www.longhornpipeline.com

ATTACHMENT I

Attachment I

Field, Matthew

From: Welch, Jason [Jason.Welch@valero.com]

Sent: Tuesday, March 20, 2007 9:58 AM

To: Ray, Andrew; Dalton, Andrew; Parker, Dave (SAHQ)

Subject: FW: April Allocation

From: Jerrid.Gunderson@longhornpipeline.com [mailto:Jerrid.Gunderson@longhornpipeline.com]
Sent: Tuesday, March 20, 2007 8:29 AM
To: Welch, Jason
Cc: Jeff.Foote@longhornpipeline.com; OB.Harris@longhornpipeline.com; Kenny Moore; David Plunkett
Subject: April Allocation

Jason,

Due to abundance of nominations in April, Longhorn Pipeline must apply their Proration Policy. Since Valero is considered a "New" shipper, you will be allocated 1% of line capacity. Applying this percentage allows Valero an allocation of 25,000 bbls/mo in April. If you wish to ship this volume, please revise your nomination and direct it to myself. If you have any questions, please don't hesitate to call me.

Thanks,

JERRID GUNDERSON
Logistics Supervisor
Longhorn Pipeline
(o) 713-535-1111
(c) 281-782-4869

EXHIBIT 2

Exhibit 2

Flying J Inc. & Subsidiaries

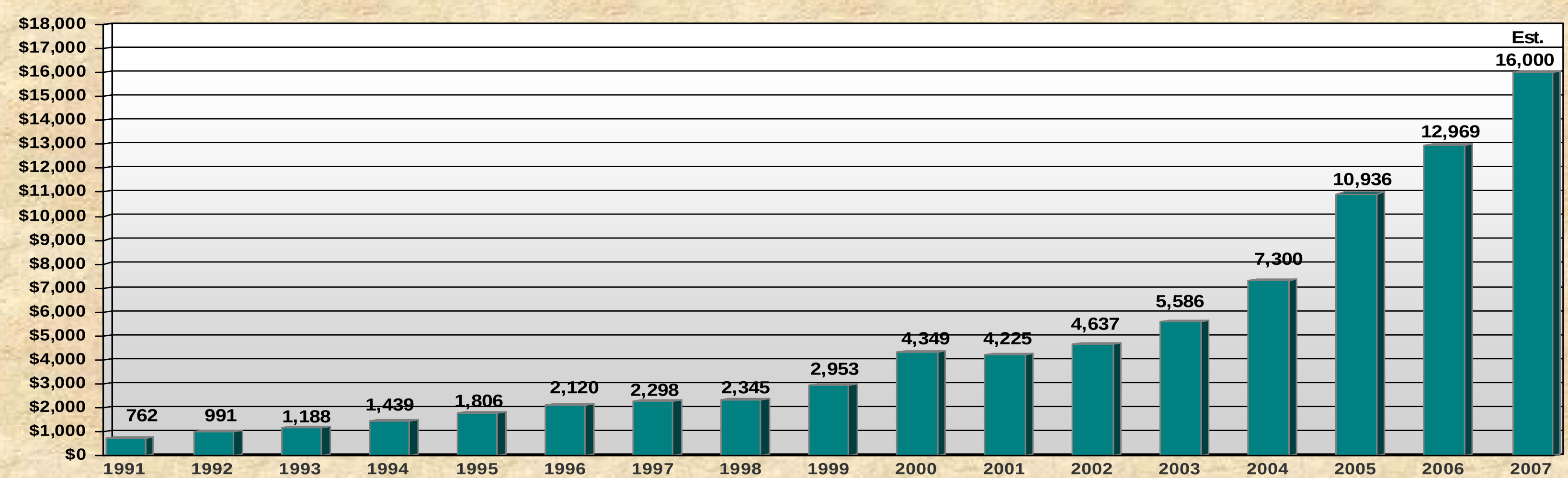
FLYING J

Exhibit 2

Flying J Inc.

- Private company
- 2007 estimated sales of approximately 16 billion

Flying J Sales History
(in millions)

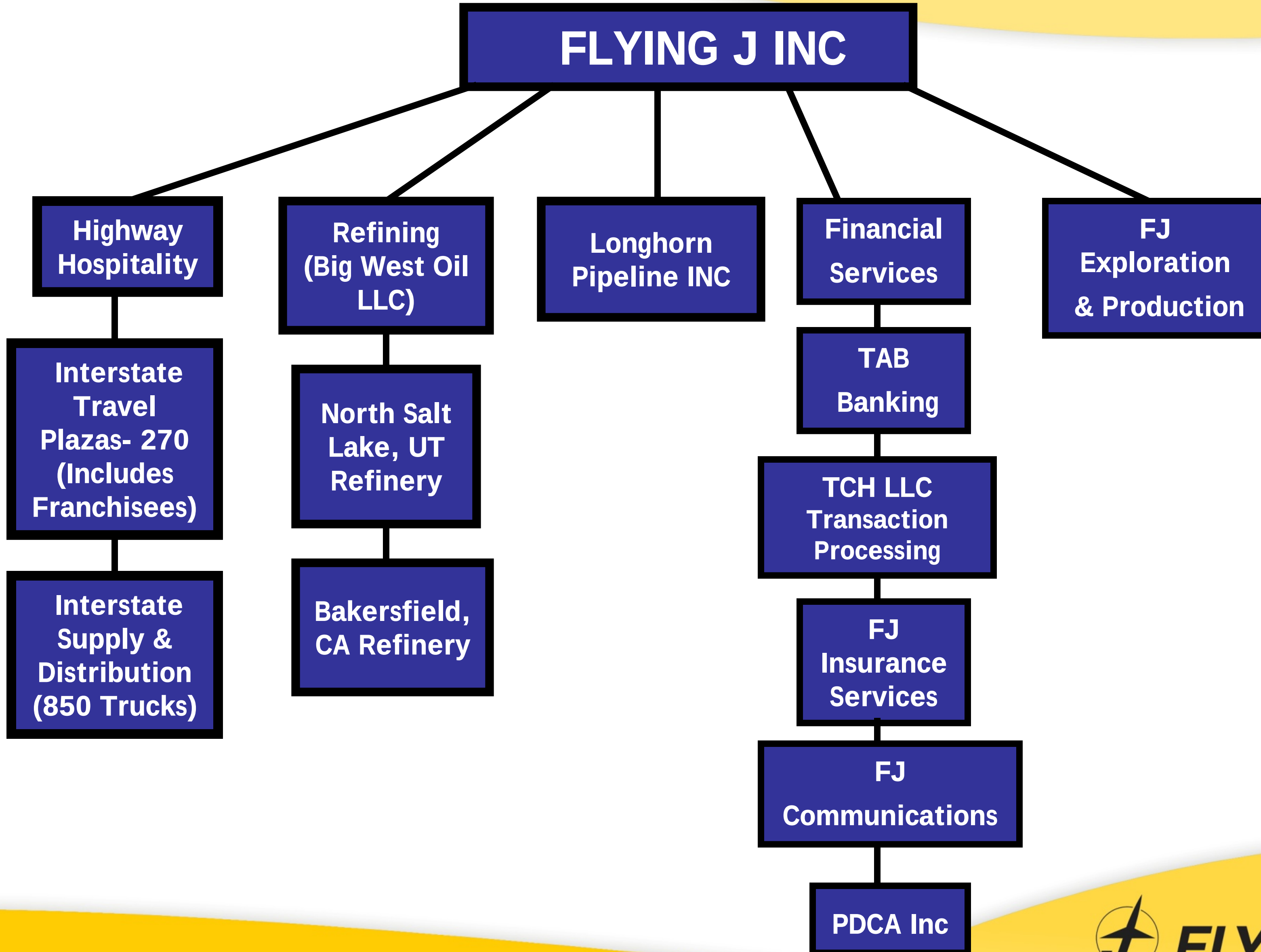


- Compounded growth rate = 21% thru 2007

FLYING J

Exhibit 2

Flying J Business Segments



FLYING J

Exhibit 2

Flying J Inc. & Subsidiaries

Fuel Marketing

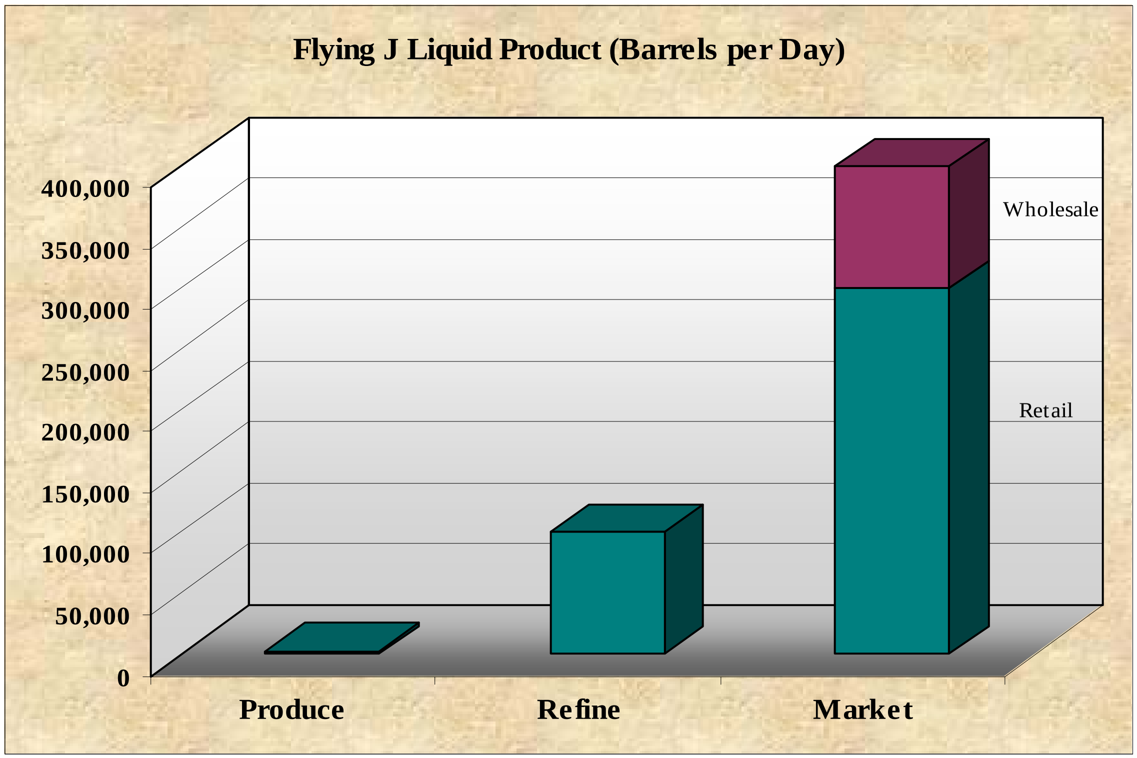
- Over 400,000 barrels per day
- Over 300,000 barrels per day sold through company operated retail

Refining

- 100,000 barrels per day

Production

- 3,000 barrels per day



FLYING J

Exhibit 2

Highway Hospitality

FLYING J

Exhibit 2

Flying J Travel Plaza Network

FLYING J

Exhibit 2

The Highway Hospitality network is the largest retail diesel fuel marketer in North America.

FLYING J

- Food service facilities include a full-service restaurant and buffet offering.
- Ranked in the Top 50 Restaurant Chains (by sales).

FLYING J

Exhibit 2

Highway Supply and Distribution

- Operate approximately 850 trucks.

FLYING J

Exhibit 2

Refinery (Big West Oil, LLC)

Regional Refiner/Retail Marketer

- North Salt Lake, UT Refinery (Approx. 31,000 / bpd)
- Bakersfield, CA Refinery (Approx. 70,000 / bpd)
- Flying J is a net buyer of over 300,000 barrels per day

FLYING J

Exhibit 2

Financial Services Segment

- FLYING J INC.
  - Financial Services
    - TCH Transaction Processing
    - FJ Insurance Services
    - TAB Banking
    - FJ Communications
    - Professional Driver / Carrier Association

FLYING J INSURANCE SERVICES

Transportation Alliance Bank

FLYING J COMMUNICATIONS

TON Services Inc d/b/a/ FLYING J Communications

FLYING J

Exhibit 2

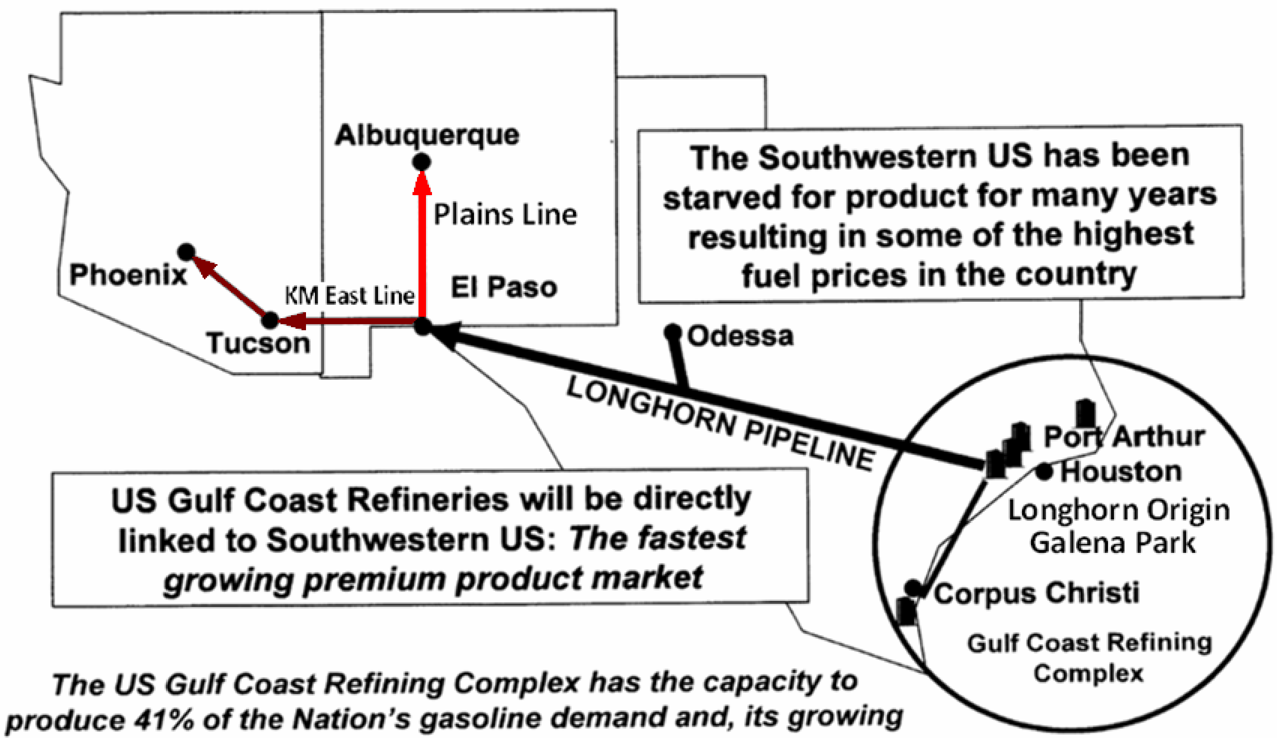
Longhorn Pipeline Inc.

FLYING J

Exhibit 2

LONGHORN PIPELINE

Longhorn Pipeline:



The Southwestern US has been starved for product for many years resulting in some of the highest fuel prices in the country

US Gulf Coast Refineries will be directly linked to Southwestern US: *The fastest growing premium product market*

The US Gulf Coast Refining Complex has the capacity to produce 41% of the Nation's gasoline demand and, its growing

FLYING J

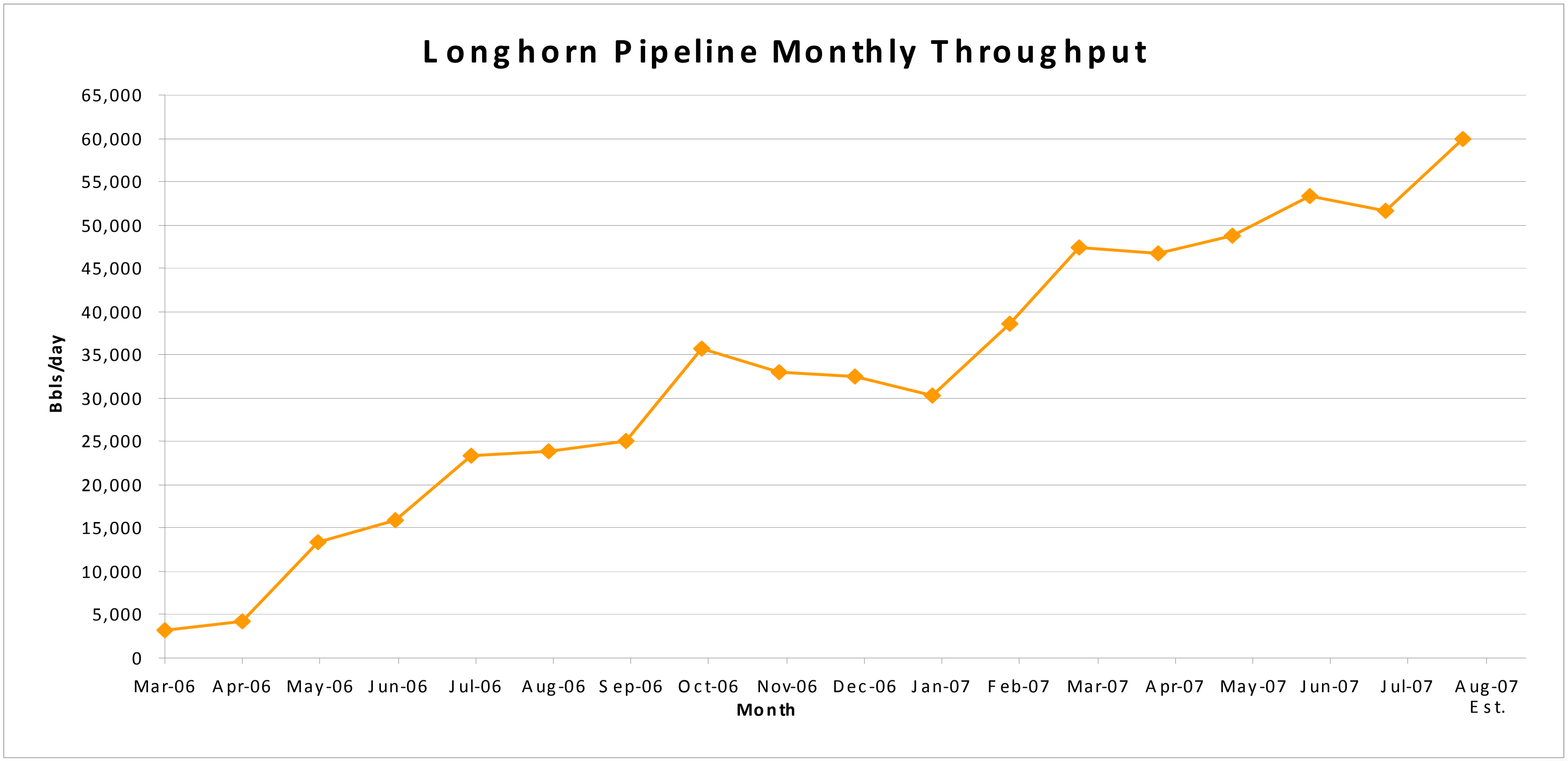
Gulf Coast Refining

- Longhorn most efficient delivery systems of fuels to the Southwestern region
  - Originates at nation's most liquid commodity market hub and the largest refined product supply hub
  - Additional supply can be secured from **waterborne imports**

FLYING J

Exhibit 2

Accomplishments Since Acquisition
(Increased Throughputs)



FLYING J

Exhibit 2

Longhorn System-Capacity Summary

- Current Capacity is 72 kbpd
- Incremental Capacity (72/85/92/102)
- Expansion phases – Achieved in major steps upgrades (125/170/206/225)
  - 125,000 by Summer 2008
  - Ultimate capacity of 225,000 targeted for 2012

FLYING J

Exhibit 2

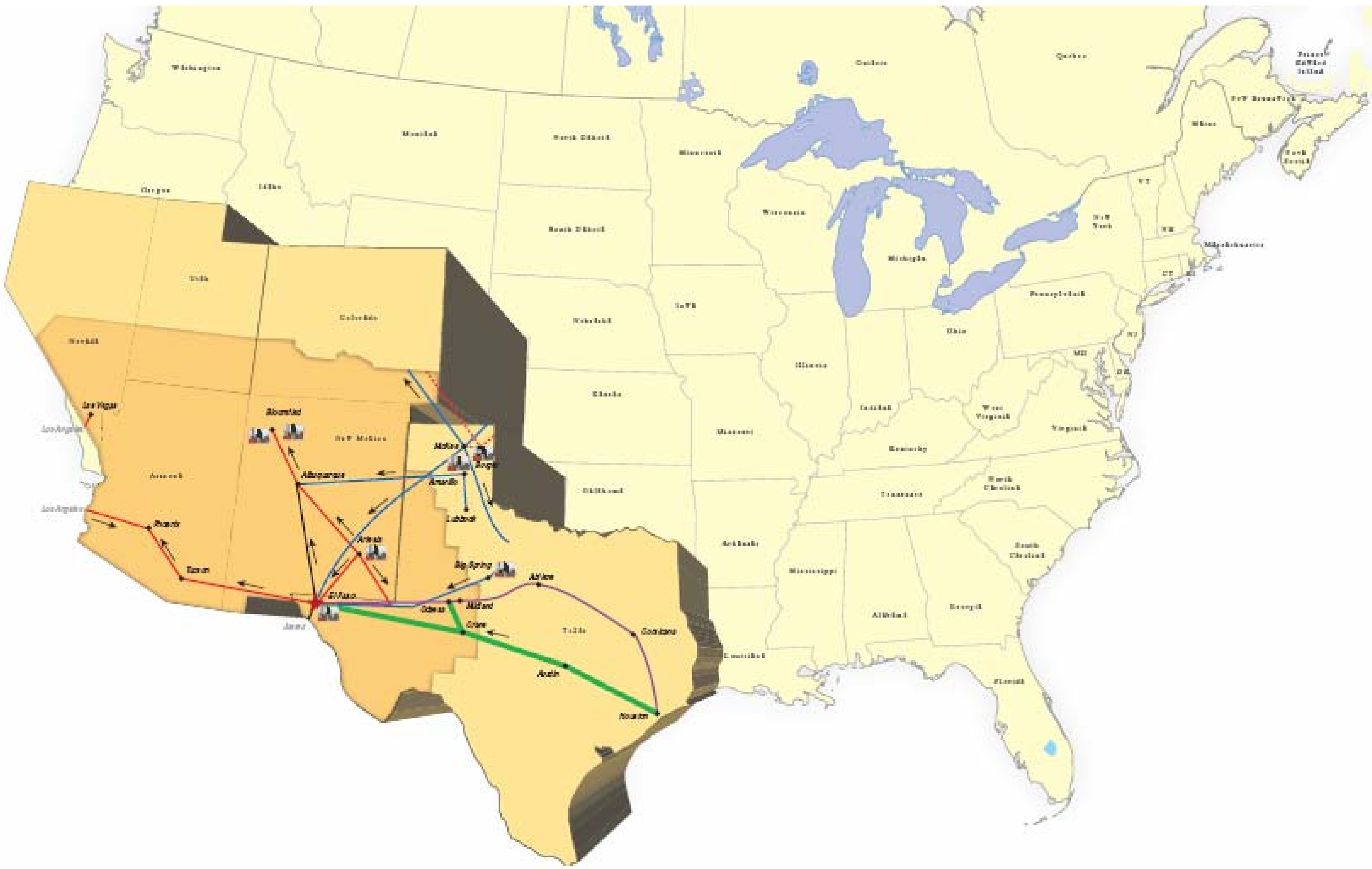
Longhorn System-Physical Expansion Project

- El Paso Lifting Rack – add two new lanes (mid-September 07)
- Crane Rack – Diesel grades (late September 07)
- Expansion to 125 kbpd (summer 2008)
  - 4 Additional 100,000 bbl tanks in El Paso

FLYING J

Exhibit 2

Target Market Area



FLYING J

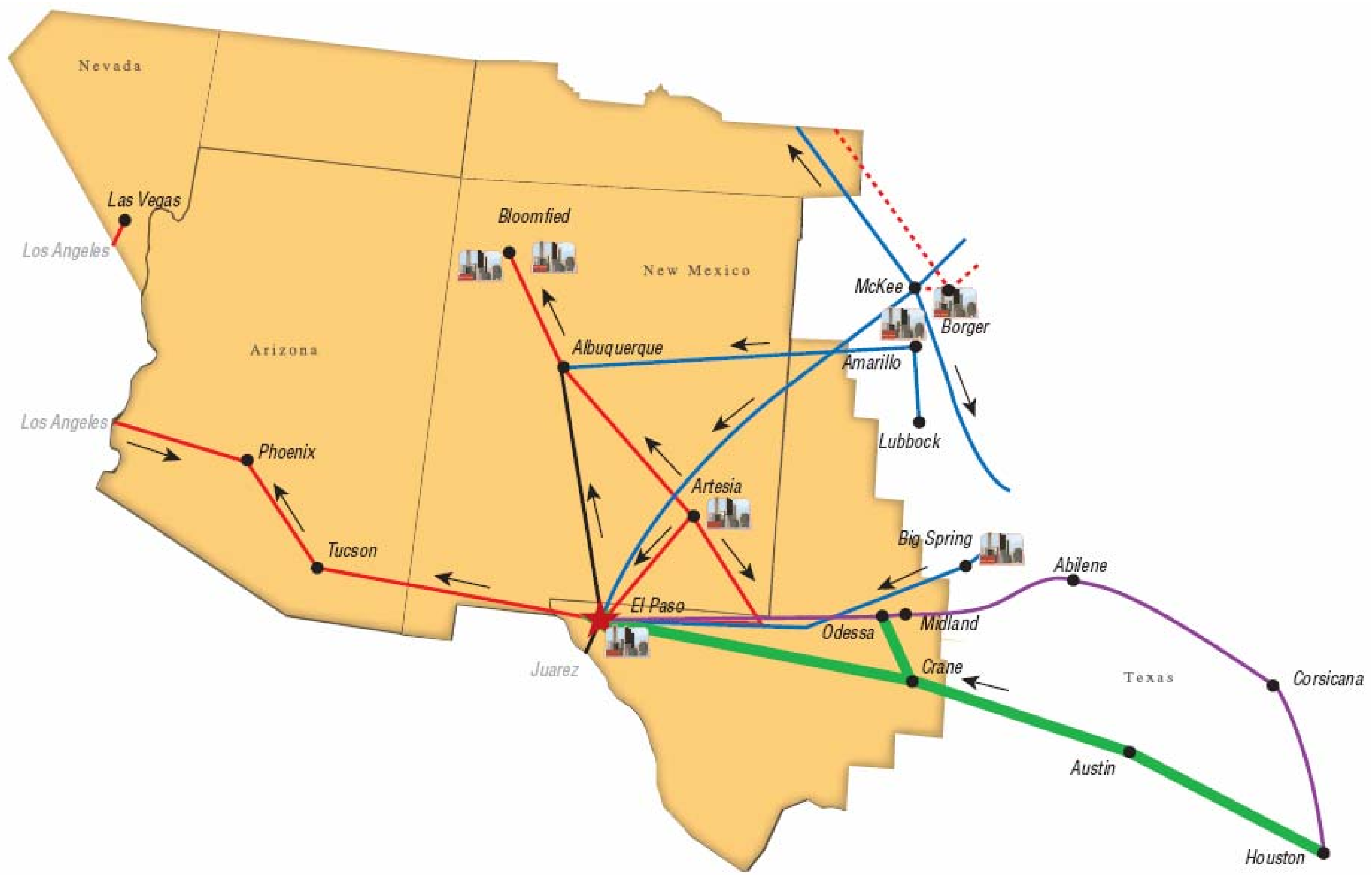
Exhibit 2

Target Market Area

FLYING J

Exhibit 2

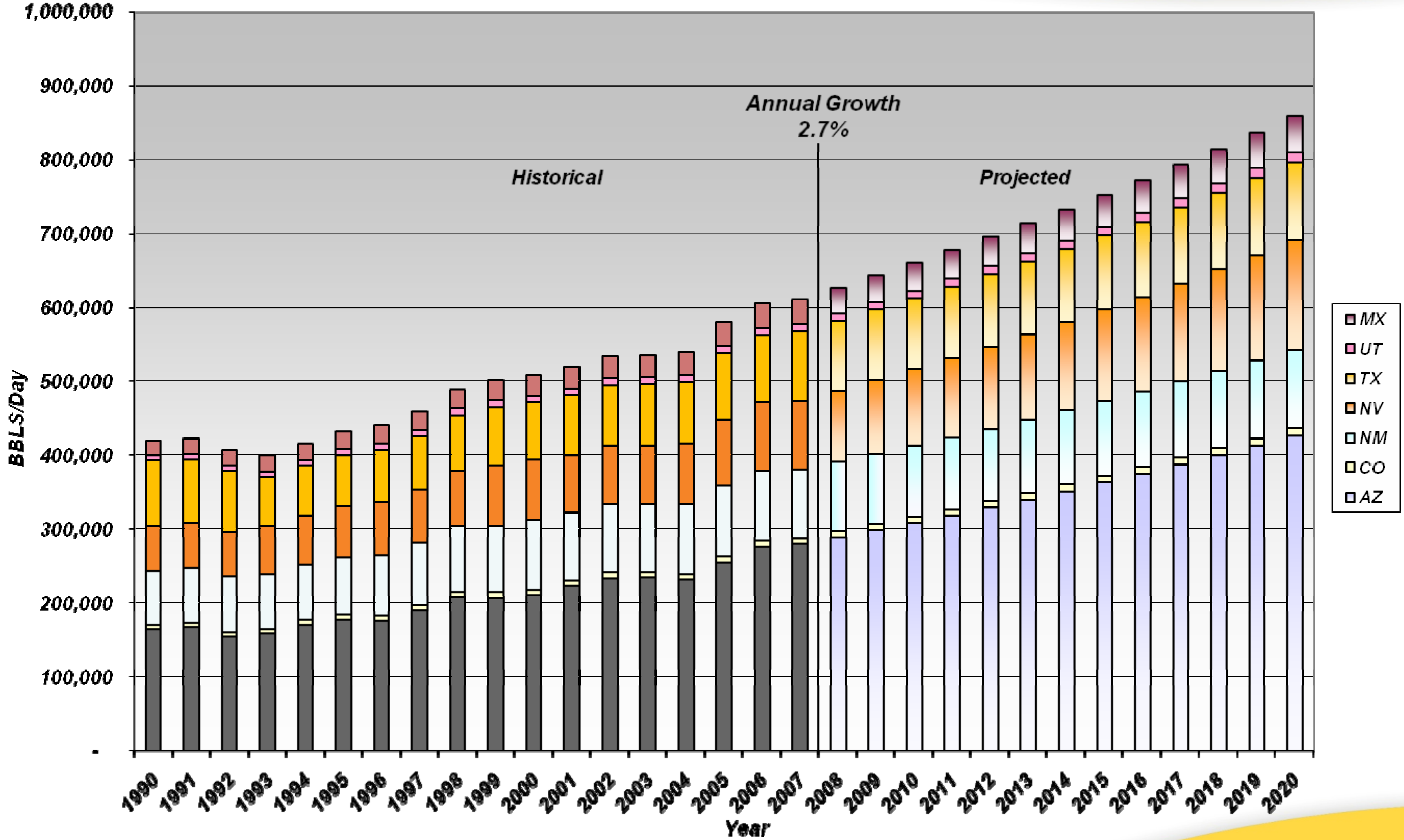
Target Market Area



FLYING J

Exhibit 2

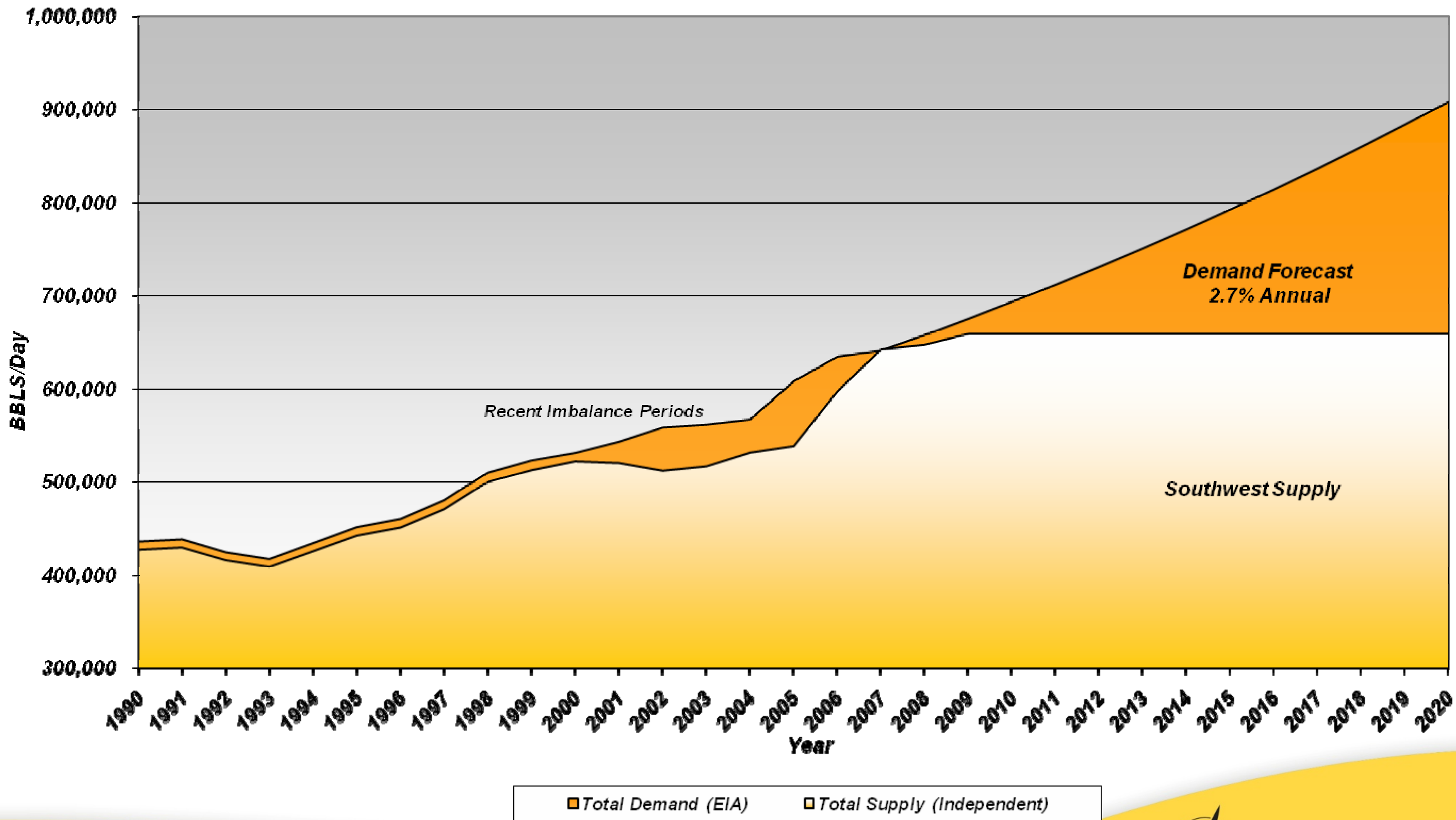
Target Market Demand



FLYING J

Exhibit 2

Target Market Supply & Demand



FLYING J

Exhibit 2

Flying J's Solution

FLYING J

Exhibit 2

Thank You

FLYING J

EXHIBIT 3

Exhibit 3

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Valero Marketing and Supply Company,	)	
	)	
Complainant,	)	
	)	
v.	)	**Docket No. OR08-___-___**
	)	
Longhorn Pipeline Partners and Flying J, Inc.,	)	
	)	
	)	
Respondents.	)	

NOTICE OF COMPLAINT

Take notice that on November 30, 2007, Valero Marketing and Supply Company ("VMSC" or "Complainant") tendered for filing with the Federal Energy Regulatory Commission ("Commission") a Complaint against Longhorn Pipeline Partners ("Longhorn") and Flying J, Inc. ("Flying J") (collectively, "Respondents") for undue discrimination and unreasonable preferential treatment of an affiliate in the transportation of refined petroleum products on Longhorn's common carrier pipeline. VMSC alleges that Longhorn, acting in concert with its affiliate owner, Flying J, engaged in unduly preferential and abusive affiliate activity and unreasonably discriminated against VMSC, resulting in an undue economic advantage, by refusing to provide common carrier transportation services to VMSC in violation of the Interstate Commerce Act. VMSC therefore requests that the Commission set this Complaint for investigation, discovery, and hearing and that reparations and damages be awarded to compensate VMSC for injuries incurred as result of Longhorn's and Flying J's unlawful and illegal actions. In addition, VMSC requests that the Commission order disgorgement of all improper profits and benefits obtained by Flying J as a result of the complained of activity.

VMSC states that copies of the Complaint were served on Longhorn and Flying J.

Any person desiring to intervene in and/or protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. The Respondents' answer and all interventions or protests must be filed on or before the comment date stated below. The Respondents' answer, motions to intervene, and protests must be served on the Complainant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at http://www.ferc.gov. Persons unable to file electronically should submit an original and 14 copies of the protest and/or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426. A copy of this filing is accessible online at http://www.ferc.gov using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date:

Kimberly D. Bose,
Secretary

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing Complaint and related exhibits by electronic mail and/or overnight delivery upon the following persons:

Longhorn Partners Pipeline, L.P.
Mr. Jeffrey O. Foote
President
Longhorn Partners Pipeline, L.P.
3411 Richmond Avenue, Suite 500
Houston, Texas 77046
Jeff.Foote@Longhornpipeline.com
the issuer of Longhorn Partners Pipeline, L.P.'s most recent tariff

and

Flying J, Inc.
Mr. James Dester
Corporate Counsel
Flying J, Inc.
1104 Country Hills Drive
Ogden, Utah 84403

Dated at Washington, D.C., this 30th day of November, 2007.

/s/ Steven A. Adducci
Steven A. Adducci

Submission Contents