

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 11
PES HOLDINGS, LLC, <i>et al.</i> , ¹)	
)	Case No. 19-1626 (KG)
Debtors.)	
)	Jointly Administered

**THE CITY OF PHILADELPHIA’S LIMITED OBJECTION TO DEBTORS’ MOTION
FOR ENTRY OF AN ORDER (A) ESTABLISHING BIDDING PROCEDURES, (B)
APPROVING BID PROTECTIONS, AND (C) GRANTING RELATED RELIEF**

The City of Philadelphia (“the City”) respectfully represents as follows in support of this Limited Objection to the *Debtors’ Motion for Entry of an Order (A) Establishing Bidding Procedures, (B) Approving Bid Protections, and (C) Granting Related Relief* (the “Bid Procedures Motion”):

Background

1. A series of extraordinary events began unfolding in the City of Philadelphia in June 2019. In the early morning hours of Friday, June 21, 2019, a fire followed by a series of explosions occurred at the Philadelphia Energy Solutions Refining and Marketing LLC (PES) Refinery. The fire grew to three alarms requiring the response of 120 Philadelphia firefighters on the ground with more than 50 pieces of equipment. Area neighbors were told to shelter in place. The force of the third and largest explosion turned a 19-ton fragment of a fuel tank into a projectile that flew 2,300 feet across the Schuylkill River landing on the bank opposite the refinery.

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: PES Holdings, LLC (8157); North Yard GP, LLC (5458); North Yard Logistics, L.P. (5952); PES Administrative Services, LLC (3022); PES Energy Inc. (0661); PES Intermediate, LLC (0074); PES Ultimate Holdings, LLC (6061); and Philadelphia Energy Solutions Refining and Marketing LLC (9574). The Debtors’ service address is: 1735 Market Street, Philadelphia, Pennsylvania 19103.

2. Though the fire was extinguished the following day, significant hazards remained present on the site. Personnel from the Philadelphia Fire Department and Office of Emergency Management remained at the refining complex 24 x 7 for more than three months following the incident to ensure public health and safety.

3. On June 26, 2019, PES announced it would close the refinery resulting in an immediate and significant impact on the local and regional economy. The refinery supported thousands of jobs and a highly skilled workforce, and it played an important role in the regional petroleum market and supply chain.

4. In response to these events, the City convened a Refinery Advisory Group to collect and share data on how the closure of the refinery would impact Philadelphia with respect to the economy, environment, and public health and safety. The Advisory Group convened a series of six public meetings and sought feedback from various constituencies and the public regarding positive, economically feasible uses for the site.

5. The refining complex spans close to 1,400 acres and is one of the largest, contiguous heavy industrial zoned sites in the City. The refining complex has been used for production of petroleum-based fuels since the 1860s and has endured extensive soil and groundwater contamination during its long history of refinery operations. While there are many uses that would be permitted at the site due to its long history as a heavy industrial facility, any significant change in use may require rezoning of the site by an act of City Council and could also entail an adjustment of current soil and groundwater contamination remediation efforts undertaken by Sunoco, the refinery's prior owner, pursuant to a 2012 Consent Order and Agreement with the Pennsylvania Department of Environmental Protection and PES.

6. The City has a duty to plan for possible scenarios as the future of the site is determined. Whatever the outcome of the sale process and Auction², development and operation of the site by any one of the variety of market players expressing interest in the Debtors' assets will not occur in a vacuum. Coordination with City, state and federal authorities will be necessary to revitalize the site, return it to its status as a significant contributor to the local and regional economy and ensure that public health, safety and wellbeing of City residents are protected.

Limited Objection

7. The City objects to the Bid Procedures Motion as it prevents the City, a creditor, local regulating authority and stakeholder, from being as informed and included as possible, respecting the confidential and expeditious nature of the proceedings, as the sale process and Auction unfolds.

8. The Bidding Procedures and Bidding Procedures Order provide a timeline for the Sale that includes a Determination of Qualified Bidders within five business days after the Bid Deadline. *See* Bidding Procedures Order at p.4, ¶ 3. *See also*, Bidding Procedures at p. 2, ¶ A.

9. The City requests that five business days after the Bid Deadline, Debtors provide the City with the identity of the Qualified Bidders as determined by the Debtors in consultation with the Consultation Parties.³

10. The Bidding Procedures limit attendance at the Auction to, “only such authorized representatives of each of the Qualified Bidders (including any Stalking Horse Bidders), the

² All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Bid Procedures Motion.

³The City is amenable to discussing parameters to protect the confidential nature of the information including regarding which City representatives may have access to the identity of the Qualified Bidders.

Debtors, their respective advisors, the Committee members, and the advisors to the Consultation Parties . . .” See Bidding Procedures at p. 15, ¶ H(iii).

11. The City requests that it be permitted to attend the Auction. In addition, given the City’s duty to consider the future use of the nearly 1,400-acre site and how its future use will impact Philadelphia’s economy, environment, and public health and safety, the City requests that it be consulted as appropriate during the Auction.

12. The City expressly reserves the right to supplement this Limited Objection prior to the hearing on the Bid Procedures Motion.

WHEREFORE, the City respectfully requests that its limited objection to the Bid Procedures Motion be sustained.

Respectfully submitted,

Dated: November 7, 2019

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CERTIFICATE OF SERVICE

I hereby certify that on November 7, 2019, I caused a copy of the foregoing to be sent via ECF Noticing to all parties receiving ECF Notices in these Chapter 11 proceedings and on the following via electronic mail:

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