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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application for)
Establishment of a Reasonable)
Arrangement between Marathon)
Petroleum Company LP and)
Ohio Power Company.)

Case No. 10-2111-EL-AEC

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APPLICATION OF MARATHON PETROLEUM COMPANY LP

Samuel C. Randazzo
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215-4228
Telephone: 614-719-2840
Telecopier: 614-469-4653
sam@mwncmh.com

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Attorney for Marathon Petroleum Company
LP

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APPLICATION OF MARATHON PETROLEUM COMPANY LP

I. BACKGROUND

Marathon Petroleum Company LP ("Marathon" or "Company") is a "mercantile customer" as defined by Section 4928.01, Revised Code. Marathon has a refinery in Canton, Ohio. It has the capacity to convert 78,000 barrels of crude oil per day into products such as gasoline, diesel fuels, kerosene, propane, asphalt, roofing flux, and #6 industrial fuel oil.

The Canton refinery has consistently been recognized for its performance and commitment to safety and the environment. The Canton refinery has won numerous awards from the National Petrochemical and Petroleum Refiners Association recognizing the refinery's performance and commitment to safety. Additionally, it was awarded the ENERGY STAR Award for 2006, 2007, 2008 and 2009 by the U.S. Environmental Protection Agency. The ENERGY STAR Award recognizes facilities that demonstrate superior energy efficiency and a commitment to continuously improving energy performance. The Canton refinery also received the Responsible Care Achievement Award in 2005 through the Synthetic Chemical Manufacturers Association

("SOCMA"). This award recognizes SOCMA member facilities based on health, environmental and safety Responsible Care® principles. Finally, the Canton refinery was awarded the American Chemistry Council Responsible Care Award in 2008 and 2010 for work completed in 2007 and 2009, respectively.

The refinery also contributes significantly to the local economy. The refinery currently employs approximately 350 direct employees and approximately 250 contract workers. The total payroll for the facility is \$70 million per year. Furthermore, in 2009 the Canton refinery paid over \$1 million in taxes and paid more than \$50,000 in universal service fund charges to help fund bill payment assistance for eligible residential customers. The refinery also actively supports its local community by encouraging and organizing employee volunteer efforts and by providing financial contributions to numerous community outreach programs.

Marathon's Canton refinery is within the certified service area of and obtains electricity from Ohio Power Company ("OP"), an electric distribution utility ("EDU") as defined in Section 4928.01, Revised Code.

Section 4905.31, Revised Code, authorizes the Public Utilities Commission of Ohio ("Commission") to enable a reasonable arrangement between a mercantile customer and an EDU or a public utility electric light company upon application by a mercantile customer.

By this Application, Marathon is requesting that the Commission authorize an arrangement that will permit Marathon's Canton refinery to establish a structure that will enable higher utilization of the customer-sited capabilities of Marathon to comply with

Amended Substitute Senate Bill 221's ("SB 221") mandates and do so while advancing the policy of the State of Ohio and reducing the energy intensity of Ohio's economy. Additionally, the proposed reasonable arrangement, if approved by the Commission, will permit Marathon to focus its energies on continuous improvement planning for longer-term investments in Canton that will help the refinery operations remain competitive in the global marketplace.

This Application sets forth the structure and content of the proposed reasonable arrangement, pursuant to Rule 4901:1-38-05, Ohio Administrative Code ("O.A.C."). This Application assumes that Marathon shall execute a compliant reasonable arrangement with OP upon approval of this Application by the Commission and submit such final reasonable arrangement to the Commission consistent with the practice that the Commission has followed in other reasonable arrangement cases.

II. STRUCTURE

Under this proposal, through a reasonable arrangement between OP and the Canton refinery pursuant to Section 4905.31, Revised Code, Marathon will employ a continuous improvement plan whereby Marathon commits its electric energy efficiency, peak demand reduction and its advanced energy capabilities to OP so that such customer-sited capabilities can be counted for purposes of compliance with OP's energy efficiency ("EE"), peak demand reduction ("PDR") and advanced energy ("AE") targets. Under SB 221, "mercantile customers" can commit their "new or existing" EE, PDR and alternative energy resource ("AER") capabilities (collectively referred to as "customer-sited capabilities") to their EDU for integration into the EDU's compliance portfolio and such capabilities (adjusted upward by the appropriate loss factors) must be

counted for purposes of compliance with the EDU's benchmarked performance obligations. SB 221 states that with the Commission's consent, a mercantile customer so committing such customer-sited capabilities may be relieved of the obligation to pay charges arising from any cost recovery mechanism for compliance costs upon determining that such exemption encourages the mercantile customer to so commit its customer-sited capabilities. Based on the Commission's determinations associated with the implementation of SB 221, a mercantile customer may be alternatively compensated for the commitment of its customer-sited capabilities as part of a reasonable arrangement approved by the Commission.

As part of this proposal for a reasonable arrangement, Marathon shall earmark the financial benefits described herein and dedicate such benefits to investments in additional energy efficiency and advanced energy projects at the Canton refinery as part of a plan to continuously reduce the energy intensity of the Canton refinery.

Finally, in addition to the reinvestment of financial benefits focused on continuous improvement, Marathon shall commit to invest \$2.5 million total for the combined customer-sited existing and new EE, PDR and AE projects over the term of the reasonable arrangement.

A. Energy Efficiency

Section 4928.66(A)(1)(a), Revised Code, requires EDUs to implement energy efficiency programs that achieve energy savings equivalent to at least 0.3% of the total, annual average, and normalized kilowatt hour ("kWh") sales of the EDU during the preceding three calendar years to customers in Ohio. The savings requirement, using

such a three-year average, shall increase to an additional 0.5% in 2010, 0.7% in 2011, 0.8% in 2012, 0.9% in 2013, 1.0% from 2014 to 2018, and 2.0% each year thereafter, achieving a cumulative, annual energy savings in excess of 22% by the end of 2025. The benchmarks are subject to amendment or excusal by the Commission.

The baseline for energy savings is the average of the total kWh the EDU sold in the preceding three calendar years, except that the Commission may reduce either baseline to adjust for new economic growth in the EDU's certified territory or to normalize for factors deemed appropriate by the Commission.

With the encouragement of and subject to the cost recovery mechanism exemption described below, Marathon shall commit existing and new customer-sited electric energy efficiency capabilities of the Canton refinery to OP by employing a continuous improvement plan.

Specifically, Marathon has identified the projects it has completed since January 1, 2007 that produced energy savings (hereinafter "existing projects") and has included the existing projects in Attachment 1 hereto, which includes a project overview that outlines the projects, project installation dates, kWh reductions, peak kilowatt ("KW") demand reductions, and the total project costs. The projects included in Attachment 1 to this Application satisfy the requirements in Section 4928.66, Revised Code, and also further the State of Ohio's policy goals of reducing energy costs and usage. Based on Marathon's information and belief, the programs in Attachment 1 to this Application comply with the presumption that the mercantile projects are part of a demand response, EE, or PDR program to the extent the projects either provide for

early retirement of functioning equipment which is not yet fully depreciated, or achieves reductions in energy use and peak demand that exceed the reductions that would have occurred had the customer used standard new equipment, to the extent the standard is defined by current code or statute.¹ Marathon has provided OP documentation necessary to measure and verify the EE and PDR quantities produced by the projects.

Based upon the EE and PDR quantities resulting from the projects identified in Attachment 1, if the Application is approved by the Commission, Marathon shall receive an exemption from the EE/PDR Rider for a defined period commencing on June 1, 2010 for purposes of encouraging Marathon to commit its customer-sited capabilities as described herein. Upon Commission approval of the EE/PDR Rider exemption, Marathon agrees to commit for use by OP in satisfying OP's EE/PDR customer-sited capabilities identified in Attachment 1 to this Application to OP's compliance toward the EE/PDR benchmarks pursuant to SB 221.

Marathon agrees to separately account for, dedicate and apply the benefits associated with the above-described exemption towards new customer-sited EE, PDR and AE projects.

Marathon has identified an initial list of potential new electric energy efficiency projects that, after engineering studies and internal approval, Marathon may undertake

¹ This representation is being made as a result of the Commission's requirement. However, it should not be construed as an indication that the attestation is required or useful in determining the quantity of customer-sited capabilities that can be counted for compliance purposes. This issue is currently before the Commission as a result of rehearing applications that have been filed in Case No. 09-512-GE-UNC. This attestation also may be unnecessary based on the actions that the Commission has recently taken in Case No. 10-834-EL-EEC to establish a mercantile customer pilot program.

to produce incremental EE or PDR capabilities that it will, upon completion, commit to OP. The preliminary list of potential new projects is included in Attachment 1.

Given the proprietary nature of the existing and potential new projects, Attachment 1 is being filed under seal concurrently with a motion for protective treatment as Attachment 2 hereto.

On an annual basis, Marathon and OP shall work together in good faith to identify EE, PDR and AE projects approved by Marathon's management that will be undertaken in the following year. Marathon shall then provide the agreed upon project list to the Commission Staff provided that the confidential project list is classified as information protected by Section 4901.16, Revised Code, that imposes a duty of confidentiality on Commission Staff or that protections that are available for confidential and proprietary information are otherwise provided by the Commission. Upon approval of the arrangement described herein, Marathon and OP shall have such Commission approvals as may be necessary to implement the plan of continuous improvement described herein including, but not limited to, the potential new customer-sited capabilities identified on Attachment 1.

In exchange for the Canton refinery's commitment to meet or exceed, through self-help, the portfolio percentage requirements that apply to the EDU for EE and to encourage the commitment of customer-sited capabilities, Marathon's Canton refinery shall be exempt from OP's EE/PDR Rider (or other energy efficiency cost recovery mechanisms should the designation change) beginning on June 1, 2010 and continuing through 2025.

If Marathon achieves annual compliance in any year that is in excess of the percentage target for such year, as established using the "benchmark method," Marathon shall be permitted to bank such excess for use in subsequent years during the term of the reasonable arrangement.

B. Advanced Energy Resources

Section 4928.64(B), Revised Code, requires EDUs to provide a portion of the electric supply required for its standard service offer ("SSO") from alternative energy resources, including, at its discretion, alternative energy resources obtained pursuant to an electricity supply contract. The portion of supply from alternative energy supply must equal twenty-five percent (25%) of the total number of kWh of electricity sold by the EDU to retail electric consumers in the EDU's service territory. However, the EDU may provide a greater percentage of supply from alternative energy resources.

The baseline for an EDU's compliance with the alternative energy resource requirements is the average of such total kWh it sold in the preceding three calendar years, except that the Commission may reduce an EDU's baseline to adjust for new economic growth in the utility's certified territory. Up to half of the required compliance with the alternative energy resource requirement can consist of advanced energy resources.

Section 4928.64(A)(1), Revised Code, defines an "alternative energy resource" as advanced energy resource or renewable energy resource. Sections 4928.01(A)(34)(g) and 4928.64(A)(1), Revised Code, define an "advanced energy resource" to include "demand-side management and **any energy efficiency**

improvement" with a placed-in-service date of January 1, 1998, or after; or a mercantile customer-sited advanced energy resource or renewable energy resource, whether new or existing, that the mercantile customer commits for integration into the EDU's demand-response, EE, or PDR programs as provided under Section 4928.66(A)(2)(c), Revised Code (emphasis added).

Under Section 4928.66(A)(2)(c), Revised Code, and as described above, mercantile customers can commit their "new or existing" EE capabilities to their EDU for integration into the EDU's EE portfolio and the EDU can count such capabilities (adjusted upward by the appropriate loss factors) in meeting the EDU's performance obligations. Further, Section 4928.66(A)(2)(c), Revised Code, states that with the Commission's consent, a mercantile customer so committing such customer-sited capabilities may be relieved of the obligation to pay charges arising from any cost recovery mechanism upon determining that such exemption encourages the mercantile customer to so commit its customer-sited capabilities.

Section 4928.64(A)(1), Revised Code, permits EDUs to rely on mercantile customer-sited advanced energy resources for purposes of complying with the alternative energy resource performance benchmarks.

Marathon estimates that there are significant non-electric energy efficiencies that will result from its customer-sited advanced energy projects in addition to the EE and PDR capabilities described herein and that, upon Commission approval, Marathon shall commit to OP as described above.

Consistent with ANSI/MSE 2000-2008, Marathon proposes, as part of its reasonable arrangement, to measure its customer-sited advanced energy capabilities across all energy forms (including but not limited to natural gas, steam and electricity) with standard conversion metrics applied to determine the energy efficiency in the case of forms of energy other than electricity or in the case of reductions in water use.

Marathon has identified an initial list of existing and potential new advanced energy projects that, after engineering studies and internal Marathon approvals, Marathon may undertake to achieve advanced energy savings that, upon completion, it will commit to OP. The preliminary list of potential advanced energy projects is attached hereto as Attachment 3. Given the proprietary nature of the potential advanced energy projects, Attachment 3 is being filed under seal concurrently with the motion for protective treatment identified above as Attachment 2 hereto.

On an annual basis, Marathon and OP shall work in good faith to identify the advanced energy projects approved by Marathon's management that will be undertaken in the following year. Marathon will provide the agreed-upon project list to the Commission Staff provided that the confidential project list is classified as information protected by Section 4901.16, Revised Code, that imposes a duty of confidentiality on Staff or that protections that are available for confidential and proprietary information are otherwise provided by the Commission. Upon approval of the arrangement described herein, Marathon and OP shall have such Commission approvals as may be necessary to implement the plan of continuous improvement described herein including, but not limited to, the existing and potential new customer-sited capabilities identified on Attachment 3.

Upon approval of this arrangement, financial assistance shall be provided to Marathon to facilitate its implementation of Marathon's continuous improvement plan. More specifically, the Canton refinery shall receive an annual payment from OP equal to 5% of the Canton refinery's total annual electricity bill based upon a rolling twelve (12) month average, commencing January 1, 2010 and extending through December 31, 2025. The Canton refinery shall separately account for and dedicate this annual payment and use the payment to fund additional customer-sited capabilities that will be included in Marathon's continuous improvement program. All such customer-sited capabilities funded through this annual payment shall be committed to OP.

C. Measurement and Verification

Marathon's performance shall be measured and verified consistent with the International Performance Measurement Verification Protocol or such other measurement and verification standard (for example, under standards developed by the U.S. Department of Energy) as Marathon and OP may propose and the Commission may approve.

The EE, PDR and AE projects shall be cost-effective under the Utility Cost Test ("UCT").

Additionally, Marathon will not seek to count efficiencies gained solely from fuel switching that results in the same or less efficiency as the equipment replaced (i.e., switching electric load to non-electric load without gaining any incremental energy efficiencies).

Further, subject to appropriate limitations on public disclosure of confidential, proprietary or trade secret information and upon Commission approval of the arrangement described herein: (1) Marathon shall permit the Commission Staff and OP to monitor, measure and verify Marathon's performance; (2) Marathon shall provide reasonable documentation and cooperation necessary to support filings required by laws, rules or regulations of the State of Ohio and the Federal government for approval of the arrangement and to qualify for any financial assistance programs; and (3) Marathon shall submit annual reports to the Commission Staff and OP documenting Marathon's actual performance relative to the planned and committed performance.

Marathon's commitment shall also be subject to modification by the Commission for good cause shown. For example, a modification may be requested because: (1) performance was/is negatively affected by conditions beyond the control of Marathon; or, (2) it is necessary to exclude increased load and usage that may be associated with expanded operations so as to encourage expansion in Ohio. However, any actions that Marathon takes that count against portfolio compliance obligations at the time they are taken shall not be disqualified as a result of any law or regulation that may thereafter require the adoption of such measure.

III. ADDITIONAL TERMS AND CONDITIONS

The reasonable arrangement shall begin upon Commission approval and extend through December 31, 2025.

Marathon will be subject to all other terms and conditions set forth in OP's standard tariff as approved by the Commission and which may be modified from time to time for as long as Marathon elects to remain an SSO customer. In the event of a conflict between the tariff and the terms and conditions of the reasonable arrangement, the latter will control. However, nothing in the reasonable arrangement shall preclude Marathon from shopping for any competitive retail electric service such as generation supply and shopping shall not be a basis for terminating the reasonable arrangement.

The reasonable arrangement will automatically terminate if Marathon's Canton refinery ceases to operate, becomes insolvent or makes a general assignment for the benefit of creditors or admits in writing its inability to pay debts as they mature or if a trustee or receiver of Marathon or substantial part of Marathon's assets is appointed by any court or proceedings instituted under any provisions of the Federal Bankruptcy Code or state insolvency law.

Commission approval of the reasonable arrangement shall include such waivers from the Commission's rules as may be required to implement the approved arrangement.

Except with regard to Marathon's obligation to make payment(s) then due or becoming due to OP, Marathon shall not be liable to OP for any expenses, loss or damage resulting from delays or prevention of performance arising from a Force Majeure. OP shall not be required to perform its obligations to Marathon corresponding to the obligations of Marathon excused by Force Majeure. "Force Majeure" shall mean acts of God, riots, strikes, labor disputes, labor or material shortages, act(s) by any

government, governmental body or instrumentality, or regulatory agency (including, but not limited to, delay or failure to act in the issuance of approvals, permits or licenses, federal greenhouse gas emission legislation becoming effective, or portfolio standards for natural gas becoming effective), fires, explosions, floods, breakdown of or damage to plants, equipment or facilities, or other causes of similar nature which are beyond the reasonable control of Marathon and which wholly or partially prevent the receipt or utilization of electricity by Marathon. If Marathon is affected by Force Majeure, Marathon shall give notice to OP as promptly as practical of the nature and probable duration of such Force Majeure, with the effect of such Force Majeure eliminated insofar as possible with all reasonable dispatch. The performance by Marathon hereunder shall be excused only to the extent made necessary by the Force Majeure condition. Marathon shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance, provided that Marathon shall not be required to settle a labor dispute on terms unacceptable to Marathon; and provided further, that Marathon shall not be required to rebuild all or a major portion of its facilities which are destroyed or substantially impaired by a Force Majeure event.

No assignment of the reasonable arrangement will be permitted without the written consent of OP, which consent shall not be unreasonably withheld.

Rule 4901:1-38-05(C), O.A.C., requires applicants applying for approval of a unique arrangement to describe how such arrangement furthers the policy of the State of Ohio embodied in Section 4928.02, Revised Code. Approval of Marathon's Application will advance Ohio's State policy. Specifically, approval of Marathon's

Application will facilitate Ohio's effectiveness in the global economy by positioning Marathon's Canton refinery to focus its energies on planning for longer-term investments in Canton that will help its facilities remain competitive in the global marketplace. Approval of Marathon's Application will also encourage innovation and the implementation of EE, PDR and AE capabilities. Further, approval of Marathon's Application would provide coherent, transparent means of giving appropriate incentives to technologies that can adapt successfully to potential environmental mandates.

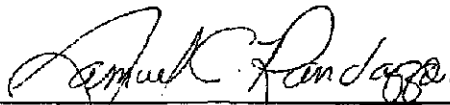
Rule 4901:1-38-05(B)(1), O.A.C., requires a demonstration that a proposed reasonable arrangement does not violate Sections 4905.33 and 4905.35, Revised Code. Based on information and belief, the proposed reasonable arrangement is not anti-competitive and does not disadvantage any competitive retail electric service provider. Marathon proposes the reasonable arrangement solely for purposes of facilitating the customer-sited capabilities described above.

Rule 4901:1-38-05(B)(2), O.A.C., requires Marathon to provide an affidavit from a company official as to the veracity of the information provided. Marathon's affidavit is attached hereto as Attachment 4.

IV. CONCLUSION

For the foregoing reasons, Marathon urges this Commission to find that the reasonable arrangement described herein reasonable and to promptly approve this Application.

Respectfully submitted:



Samuel C. Randazzo
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215-4228
Telephone: 614-719-2840
Telecopier: 614-469-4653
sam@mwncmh.com

**Attorney for Marathon Petroleum Company
LP**

ATTACHMENT 1

[FILED UNDER SEAL]

ATTACHMENT 3

[FILED UNDER SEAL]

ATTACHMENT 4

AFFIDAVIT

State of Ohio

County of

Stark

ss:

I, Michael S Ambrester, being first duly sworn, verify that I have reviewed the foregoing Application and that the representations contained in the Application are true and accurate to the best of my knowledge and belief.

Michael S. Ambrester

Sworn to and subscribed before me, a Notary Public, this 17th day of November 2010.

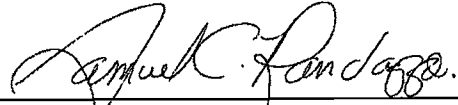
Michele L. Miller
Notary Public

MICHELE L. MILLER
NOTARY PUBLIC, STATE OF OHIO
MY COMM. EXP. 2-27-2013



CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Application of Marathon Petroleum LP* was served upon the following this 22nd day of November 2010, via electronic transmission, hand-delivery or first class U.S. mail, postage prepaid.



Samuel C. Randazzo

Steven T. Nourse
Senior Counsel—Regulatory Services
American Electric Power
1 Riverside Plaza
Columbus, OH 43215
stnourse@aep.com

ON BEHALF OF OHIO POWER COMPANY

William L. Wright
Senior Assistant Attorney General
Ohio Attorney General's Office
Chief, Public Utilities Section
180 East Broad Street, 6th Floor
Columbus, OH 43215
william.wright@puc.state.oh.us

ON BEHALF OF THE STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO