

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of the Electronic Application of Kentucky Power :
Company for (1) A General Adjustment of Its Rates for Electric :
Service; (2) An Order Approving Its 2017 Environmental : **Case No 2017-00179**
Compliance Plan; (3) An Order Approving Its Tariffs and Riders; (4) :
An Order Approving Accounting Practices to Establish Regulatory :
Assets and Liabilities; and (5) An Order Granting All Other :
Required Approvals and Relief. :

**DIRECT TESTIMONY OF BRAD LEVI
ON BEHALF OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS**

I. INTRODUCTION AND QUALIFICATIONS

1
2 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

3 **A.** My name is Brad Levi. I am Vice President of Catlettsburg Refining, LLC, a subsidiary
4 of Marathon Petroleum Company LP (“Marathon”), and the Refining General Manager at
5 Marathon’s Catlettsburg facility, located at 11631 Old US Hwy 23, Catlettsburg, KY
6 41129, which is also my current business address.

7
8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
9 **BACKGROUND.**

10 **A.** I graduated from the University of Iowa with a Bachelor of Science degree in Chemical
11 Engineering, and began working for Marathon directly out of college. I have worked at
12 Marathon for 28 years, including 15 positions in a variety of engineering, supervisory and
13 management roles at Marathon’s corporate offices in Findlay, Ohio, as well as four of

1 Marathon's refineries in Robinson, Illinois, St. Paul Park, Minnesota (since divested),
2 Garyville, Louisiana and Catlettsburg, Kentucky. I also attended the Oxford Energy
3 Seminar in 2011. I was promoted to my current position of Refining General Manager in
4 February 2016.

5
6 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

7 **A.** I am appearing on behalf of Kentucky Industrial Utility Customers ("KIUC"). Marathon
8 is a member of KIUC. Headquartered in Findlay, Ohio, Marathon is the nation's third-
9 largest petroleum product refiner and the largest refiner in the Midwest. Marathon owns
10 refineries in the following six locations: 1) Catlettsburg, Kentucky; 2) Canton, Ohio; 3)
11 Robinson, Illinois; 4) Detroit, Michigan; 5) Garyville, Louisiana; and 6) Texas City,
12 Texas (two refineries). Our operations are concentrated primarily in the Midwest,
13 Southeast, Northeast, and Gulf Coast regions of the United States. Marathon became the
14 sole owner of the Catlettsburg, Kentucky refinery in 2005.

15
16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 **A.** My testimony addresses Marathon's operations and how Kentucky Power Company's
18 ("Kentucky Power" or "Company") proposed rate increase could adversely impact
19 Marathon's Catlettsburg refinery.

20
21 **Q. HOW MANY PEOPLE DOES MARATHON EMPLOY AT ITS**
22 **CATLETTSBURG REFINERY IN KENTUCKY?**

1 A. Marathon's Catlettsburg refinery employs approximately 750 people directly and
2 hundreds of contract workers that are onsite on a regular basis.

3
4 **Q. HOW MUCH ENERGY DOES MARATHON'S CATLETTSBURG REFINERY**
5 **USE ANNUALLY?**

6 A. Pursuant to the electricity sales information provided in Kentucky Power's 2016 FERC
7 Form 1 filing, Marathon is currently the largest customer of Kentucky Power with the
8 Catlettsburg refinery purchasing more than 19% of the energy sold at retail by Kentucky
9 Power.

10
11 **Q. HOW HAVE THE ENERGY RATES AT THE CATLETTSBURG REFINERY**
12 **CHANGED OVER THE LAST TEN YEARS?**

13 A. A decade ago, the Catlettsburg refinery had the lowest energy rates among the seven
14 Marathon refineries. In 2018, the Catlettsburg refinery will have the highest energy rate
15 among all of the refineries, even before taking into account Kentucky Power's proposed
16 rate increase in this case.

17
18 **Q. HOW WOULD THE IMPOSITION OF A LARGE RATE INCREASE FOR**
19 **MARATHON'S RATE CLASS (IGS) IMPACT THE CATLETTSBURG**
20 **REFINERY?**

21 A. If adopted, Kentucky Power's proposed rate increase would significantly raise the
22 Catlettsburg refinery's operating costs. Operating costs are one of the biggest factors
23 considered by Marathon's management when determining which of its seven refineries

1 will be used for production. Substantial increases to the Catlettsburg refinery's electric
2 rates would therefore adversely impact that facility's production costs and could impact
3 its utilization rates.

4
5 **Q. DOES CATLETTSBURG ALSO COMPETE WITH ITS SIX AFFILIATED**
6 **REFINERIES FOR CAPITAL DOLLARS?**

7 **A.** Yes. Capital dollars to modernize, maintain, or expand Marathon's seven refineries are
8 allocated to the most productive uses. Catlettsburg competes with the six other refineries
9 for both expense and capital investment dollars. As our electric rates continue to increase
10 in Kentucky faster than other locations, investment in Catlettsburg becomes less
11 attractive. That is one reason we are evaluating energy efficiency projects and
12 considering making our own electricity from natural gas.

13
14 **Q. IS MARATHON CURRENTLY CONSIDERING ALTERNATIVES TO**
15 **MITIGATE KENTUCKY POWER'S PROPOSED RATE INCREASE?**

16 **A.** Yes. Marathon is actively exploring whether to invest in co-generation at the
17 Catlettsburg refinery. That refinery is located in an area with easy access to natural gas
18 and co-generation offers several benefits to the Catlettsburg refinery, including the
19 potential to generate power for less than the price proposed to be charged by Kentucky
20 Power after this rate case. Should Marathon undertake a large capital investment in co-
21 generation, it would likely leave Kentucky Power with substantial fixed costs that would
22 potentially be recovered from Kentucky Power's other customers.

1 **Q. DOES MARATHON HAVE COGENERATION AT ANY OF ITS OTHER**
2 **FACILITIES?**

3 **A.** Yes. In 2013, Marathon acquired a 1,055 MW cogeneration facility at our Galveston Bay
4 refinery in Texas. Therefore, as a corporation, we have significant experience operating
5 our own power generation resources. While energy generation is not a core function of
6 our refining business, evaluation of a cogeneration facility must be considered to remain
7 competitive.

8

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A.** Yes

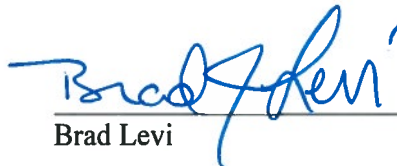
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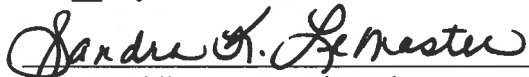
STATE OF Kentucky)
COUNTY OF Boyd)

Brad Levi, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.



Brad Levi

Subscribed and sworn to or affirmed before me
this 22nd day of October, 2017.



Notary Public ID # 567340

