

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

May 28, 2004

In Reply Refer To:
Marathon Ashland Pipe Line LLC
Docket Nos. IS04-312-000 and
IS04-312-002

Marathon Ashland Pipe Line LLC
539 South Main Street
Findlay, OH 45840

Attention: Donald P. Bozell, President

Reference: Establishment of Security Cost Recovery Mechanism and Implementation
of Security Surcharge Rate

Dear Mr. Bozell:

1. On April 30, 2004, Marathon Ashland Pipe Line LLC (MAPL) filed oil pipeline tariffs in Docket No. IS04-312-000,¹ and a correction supplement in Docket No. IS04-312-002² on May 21, 2004, with proposed effective dates of June 1, 2004. Supplement No. 1 to FERC Tariff No. 302 includes a new provision, Item No. 27 –Security Surcharge, to the rules and regulations that sets out the methodology MAPL uses to calculate its proposed security surcharge recovery rate for the movement of crude petroleum under several of its FERC tariffs. On May 14, 2004, MAPL filed confidential data to support its proposed initial security surcharge of 0.40 cents per barrel that it will apply to movements beginning June 1, 2004, through and including May 31, 2005. MAPL filed Supplement No. 2 to FERC Tariff No. 302 to correct a misstated date in its Supplement No. 1. Based on a review of the filings and consistent with its policy regarding security cost recovery mechanisms and surcharges, the Commission will permit the tariffs listed in footnote numbers one and two to become effective June 1, 2004, subject to the conditions discussed below. Acceptance of this filing benefits the public because it helps MAPL to ensure the reliability and security of its operational facilities and the crude oil transported through its pipeline system.

¹ Supplement No. 1 to FERC Tariff No. 302, and FERC Tariff Nos. 403 through 418.

² Supplement No. 2 to FERC Tariff No. 302.

2. MAPL made the instant filings in accordance with the Commission's Statement of Policy in Docket No. PL01-6-000 issued September 14, 2001 (Policy Statement).³ Because of the events of September 11, 2001, MAPL states it developed a surcharge to recover prudently incurred security-related costs necessary to further safeguard the reliability and security of its pipeline system. Specifically, MAPL adds a new provision, Item No. 27, in proposed Supplement No. 1 to FERC Tariff No. 302, to its rules and regulations that establishes the methodology MAPL uses to calculate a security surcharge recovery rate for crude petroleum movements under MAPL's FERC Tariff Nos. 403 through 418. Item No. 27 includes a table specifying the Expenditure and Recovery Periods as follows:

Expenditure Period	Recovery Period
September 11, 2001 to March 31, 2004	June 1, 2004 to May 31, 2005
April 1, 2004 to March 31, 2005	June 1, 2005 to May 31, 2006
April 1, 2005 to March 31, 2006	June 1, 2006 to May 31, 2007
April 1, 2006 to June 30, 2006	June 1, 2007 to May 31, 2008

3. For the period from September 11, 2001 through March 31, 2004, MAPL maintains it spent money on security-related projects pertaining to its crude oil systems, including the installation of automatic gates and additional security fencing around office and tank farm facilities, and additional on-site security and security guard patrols. MAPL states that due to the confidential nature of these security features, it filed under separate confidential cover data to support its initial proposed security surcharge recovery rate of 0.40 cents per barrel and will provide a more detailed report to the Commission upon request.

4. MAPL states that it collected and identified all security-related expenses for the first Expenditure Period (September 11, 2001 to March 31, 2004). The initial security surcharge, MAPL continues, was calculated by determining the percentage of its total annual revenues as reported in its FERC Form No. 6 attributable to interstate movements and applying this percentage factor to the security costs incurred during the first Expenditure Period. According to MAPL, it then allocated this amount to interstate barrels by dividing its total interstate throughput into this amount, which identified the appropriate security surcharge for the first Recovery Period.

5. On an ongoing basis, MAPL states it will continue to identify and track security expenses incurred during each Expenditure Period and then calculate the applicable security surcharge rate for each Recovery Period based on the most recent FERC Form No. 6 information.

³ Extraordinary Expenditures Necessary to Safeguard National Energy Supplies, Docket No. PL01-6-000, 96 FERC ¶ 61,299 (2001).

6. MAPL's Supplement No. 2 to FERC Tariff No. 302 corrects Supplement No. 1 to FERC Tariff No. 302 to indicate that it will include interest costs incurred commencing May 1, 2004, in the security surcharge rate using the published FERC interest rate accumulating from June 1, 2004, as posted on the FERC website:

<http://ferc.gov/legal/ferc-regs/acct-matts/interest-rates.asp>.

7. MAPL states that at the end of each surcharge Recovery Period, any under/over-collected amount will carry forward to the next Recovery Period. MAPL also states it will perform a reconciliation and apply a true-up of the surcharge revenue collected and actual expenditures within 60 days of the end of the of the final surcharge Recovery Period and refund or invoice its shippers on a pro-rata basis of barrels shipped during the last Recovery Period. If this true-up amount is within one percent of the costs incurred, MAPL states it will not make any additional collections or refunds.

8. No interventions or protests to MAPL's proposal were received.

9. On September 14, 2001, the Commission issued its Policy Statement regarding extraordinary expenditures necessary to further safeguard the reliability and security of national energy supplies. In the wake of the tragic events of September 11, 2001, the Commission provided that pipelines may file applications to recover prudently incurred costs necessary to further safeguard the reliability and security of our energy supply infrastructure in response to the heightened state of alert.

10. MAPL states it will continue to identify security expenses incurred during each Expenditure Period. The Commission finds that with the addition of the following reporting requirement, MAPL's proposal will satisfy both the need to recover extraordinary security costs and the requirement for just and reasonable rates. With regard to future annual Expenditure and Recovery Periods, we will require MAPL to file annually on May 1st a detailed report with supporting documents and justifications demonstrating the prudence of all claimed costs for the security-related expenses claimed. Accordingly, the Commission accepts the tariffs listed in footnote numbers one and two, subject to the additional reporting requirement specified above, effective June 1, 2004.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties