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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO 2010 OCT -1 PM 1:53

In the Matter of the Joint Application)
for Establishment of a Unique)
Arrangement between the Ohio)
Power Company and Severstal)
Wheeling, Inc.)

Case No.

PUCO

10-1458-EL-AEC

JOINT APPLICATION OF OHIO POWER COMPANY AND SEVERSTAL
WHEELING, INC.

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October 1, 2010

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Joint)	
Application for Establishment of)	
a Unique Arrangement between)	Case No.
Ohio Power Company and)	
Severstal Wheeling, Inc.)	

JOINT APPLICATION

1. Severstal Wheeling, Inc. ("Wheeling") is a "mercantile customer" as defined by Section 4928.01, Revised Code. Wheeling is a wholly owned subsidiary of Severstal International in North America ("Severstal North America"). Severstal North America is the fourth largest U.S. steelmaker. It produces a full range of flat rolled and coated steel products, and is a significant supplier to construction, automotive, container, appliance and service center industries, and has a long-term commitment to the U.S. market.

2. Wheeling operates both an Electric Arc Furnace and a Hot Strip Mill at its facility in Mingo Junction, Ohio (the "Mingo Operations"). The Mingo Operations have been idle since August 2008. The Mingo Operations currently employ 51 people. The Mingo Junction community is economically depressed. According to the 2000 U.S. Census Bureau, the median income for a household in Mingo Junction was \$30,196, compared to a National median of \$41,994. In 10.8% of families and 12.8% of the population were below the poverty line. In 2008, the estimated median household income in Mingo Junction was \$35,715, compared to Ohio's median of \$47,988.

3. Wheeling is within the certified service area of and obtains electricity from the Ohio Power Company ("Ohio Power"), an electric distribution utility as defined in Section 4928.01, Revised Code.

4. In order for Severstal North America to consider restarting Wheeling's Mingo Operations, Wheeling must obtain market based pricing for generation service from Ohio Power without the two year commitment contained in Ohio Power's Rate GS-4. This operational flexibility is necessary because of uncertain economic conditions, including the demand for steel produced at the Mingo Operations. Because Wheeling is not seeking a discount from Ohio Power's otherwise applicable tariff rate for generation service no delta revenue is created by this unique arrangement. Further, the restart of Wheeling's Mingo Operations would require an investment in excess of \$90 million in hard and soft costs. The restart could result in the recall of up to 500 steelworkers. This recall will reset the benefits and sub-pay for up to 24 months under the Steelworker Collective Bargaining Agreement. Wheeling is hopeful that the proposed unique arrangement will place it in a position to focus future increased production

requirements for steelmaking to Mingo Operations. Finally, the restart of the Mingo Operations will result in increased state and local taxes, including school taxes. This will benefit all Ohio citizens.

5. Section 4905.31, Revised Code, permits the Commission to enable a unique arrangement between a mercantile customer and an electric distribution utility or a public utility electric light company upon joint application. By this joint application, Wheeling and Ohio Power are requesting that the Commission approve this arrangement that will permit Wheeling to reopen the Mingo Operations. For purposes of promoting economic development in Ohio, Ohio Power Company supports Wheeling's plant startup with this proposed unique arrangement.
6. In this joint application, Wheeling and Ohio Power shall submit the structure and content of the arrangement, as required by Rule 4901:1-38-05, Ohio Administrative Code ("O.A.C.").

A. Term

The Term of the proposed arrangement shall in no event extend past December 31, 2011. The effective date shall be the date upon which the Commission permits the arrangement to become effective. Upon receiving written notice from Wheeling of its desire to commence good faith negotiations to: 1) modify or extend this arrangement, 2) establish a modified Rate GS-4 to avoid long term customer obligations as a new unique arrangement, or 3) provide Wheeling a rate that is substantially equivalent to similarly situated competitors served by Ohio Power Ohio Power shall participate in such good faith negotiations. No modifications or extensions shall be effective without the Commission's prior approval.

B. Pricing

Except as otherwise stated herein, all terms and conditions of service contained in Ohio Power's Commission approved tariffs shall apply. Wheeling will pay, during the term of the contract, Ohio Power Company's Commission approved Rate GS-2 including base rates and riders as its "non-production electric power rate". All energy consumed during a production period will be billed according to the market power arrangement plus the Distribution & Transmission charges as stipulated in the GS4 rate schedule including the Provider of Last Resort Rider, except the Environmental Investment Carrying Cost Rider. During production periods, the total power requirements will be purchased based on market based price according to the following:

- i. Wheeling will request and agree to a price per MWh approximately one week prior to production startup.
- ii. Power will be purchased in whole MW's per hour (MWh) for the entire production period.

- iii. Purchases for production periods will be in whole weeks (7 days).
- iv. Wheeling will receive a quote from Ohio Power for the hourly load schedule they submit. Ohio Power will provide this energy on a firm liquidated damages basis which means Wheeling must pay for the energy reserved. Variances from the load schedule submitted by Wheeling, or hourly imbalances, will be purchased or sold at the hourly LMP (actual hourly price), with additional charges or credits issued to Wheeling.

If the demand exceeds 8MW when not purchasing market power, the GS4 rate schedule will be applied for a standard two year term. However, production ramp-up and down periods will be included in the market price arrangement as scheduled in advance for each production period.

C. Service Quality

This unique arrangement is for up to 165,000kW electric demand load, (180,000kW of load net of approximately 15,000kW co-generation) for Wheeling's hot steel manufacturing.

D. Other Terms and Conditions

Wheeling's credit worthiness will be reviewed to determine the need for a security deposit for the plant based on full operation. If security is required, Wheeling has the option of providing security to cover its standard tariff billing and prepay weekly for all market power purchases, for the duration of the agreement.

- 7. This unique arrangement benefits the State of Ohio, Ohio Power, and the Severstal North America. It benefits the State of Ohio by potentially creating 525 direct jobs plus hundreds of additional indirect jobs, increasing economic development and increasing state, local and school tax revenues. It benefits Ohio Power by allowing the collection of new distribution charges including POLR charges, which Ohio Power would not otherwise receive. It will benefit Severstal North America by restarting one of its steel-making facilities. In addition, this market based unique arrangement results in zero delta revenue. Therefore, there will be no recovery necessary from the rest of Ohio Power's customer base.
- 8. As indicated by Rule 4901:1-38-08, O.A.C., discussions regarding unique arrangements subject to approval pursuant to Section 4905.31, Revised Code, sometimes include questions regarding the appropriate treatment of the costs and benefits of such arrangements. Accordingly, Wheeling and Ohio Power urge the Commission to address this subject in compliance with Section 4905.31, Revised Code, and Rule 4901:1-38-08, O.A.C.

9. Section 4928.02, Revised Code, sets out Ohio's state policy related to electricity service. Approval of Wheeling's application will advance Ohio's state policy.¹ Specifically, approval of Wheeling's application will promote job growth and retention in Ohio.
10. Rule 4901:1-38-05, O.A.C., requires a demonstration that a proposed unique arrangement does not violate Sections 4905.33 and 4905.35, Revised Code. Wheeling represents the proposed unique arrangement is not anti-competitive and does not disadvantage any competitive real electric service ("CRES") provider. Wheeling proposes this market based reasonable arrangement solely for purposes of reopening the facilities described above. Purchasing generation at market based rates is by definition competitive.
11. For the foregoing reasons, Wheeling and Ohio Power urges the Commission to find that the arrangements described herein are just and reasonable and promptly act to enable a reasonable arrangement between Wheeling and Ohio Power on the terms and conditions generally described herein.
12. Further, Wheeling, Severstal North America and Ohio Power are requesting that the Commission issue an Order approving this arrangement by October 22, 2010 and a waiver of the 20 day period for comment so as to allow Wheeling to fully consider the reopening of the Mingo Operations as part of a review of its U.S. operations. Applicant is thus requesting that the Commission utilize an expedited process to review this application.

Respectfully submitted,



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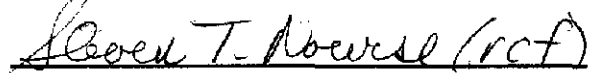


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¹ Wheeling respectfully submits that this information satisfies the requirements of Rule 4901:1-38-05(C), O.A.C.

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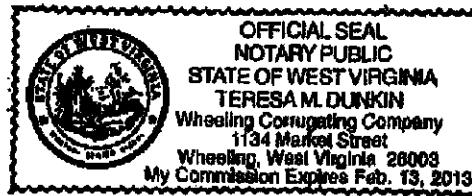
I, Wilbur B. Winland, being first duly sworn, verify that I have reviewed the foregoing Application and that the allegations contained in the Application are true and accurate to the best of my knowledge and belief.

Wilbur B. Winland, Jr. / *EW*
Wilbur B. Winland
President and General Manager
Severstal Wheeling, Inc.

Sworn to and subscribed before me, a Notary Public, this 30th day of September 2010.

Lainie McMahon signed the above on Wilbur Winland's behalf, with Mr. Winland's permission.

Teresa M. Dunkin



CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Joint Application* was provided to the following persons this 1st day of October 2010, via first class mail, postage prepaid, hand-delivery or electronically via email attachment.


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