

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ormet )  
Primary Aluminum Corporation for )  
Approval of a Unique Arrangement with ) Case No. 09-119-EL-AEC  
Ohio Power Company and Columbus )  
Southern Power Company. )

ENTRY

The Commission finds:

- (1) By opinion and order issued on July 15, 2009, the Commission modified and approved the amended application of Ormet Primary Aluminum Corporation (Ormet) for a unique arrangement with Columbus Southern Power Company and Ohio Power Company (jointly, AEP-Ohio) for electric service to Ormet's aluminum-producing facility located in Hannibal, Ohio.<sup>1</sup>
- (2) On October 12, 2012, Ormet filed a motion for expedited approval of payment deferral, pursuant to Section 4905.31, Revised Code, and Rules 4901-1-12(C) and 4901:1-38-05(B), Ohio Administrative Code (O.A.C.). Specifically, Ormet seeks approval of a modification to its unique arrangement with AEP-Ohio, such that Ormet would be authorized to defer payment of its billed amounts for October and November 2012, which would otherwise be due in November and December 2012, respectively. Ormet proposes to pay the deferred amounts over the 12 months of 2014 and the first five months of 2015 in equal monthly installment payments that are equal to 1/17, or 5.88235 percent, of the cumulative amount of the two bills. Ormet notes that its recommended deferred payment arrangement is short in duration and does not substantively change the terms of its unique arrangement with AEP-Ohio. Ormet further requests that the

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<sup>1</sup> By entry issued on March 7, 2012, the Commission approved and confirmed the merger of Columbus Southern Power Company into Ohio Power Company, effective December 31, 2011. *In the Matter of the Application of Ohio Power Company and Columbus Southern Power Company for Authority to Merge and Related Approvals*, Case No. 10-2376-EL-UNC.

Commission direct that, if Ormet fails to make a scheduled payment, the amount of the missed payment may be treated as delta revenue.

- (3) In support of its motion, Ormet states that the recent approval of AEP-Ohio's electric security plan<sup>2</sup> resulted in an increase to Ormet's electricity bill of approximately \$20 million per year, beginning with its bill for September 2012. Ormet notes that, due to a declining metals market and an overabundance of supply, Ormet exhausted its rate discount for 2012 within the first nine months of the year. Ormet explains that its operations have been strained by outstanding debt obligations, increased electric rates, and the market surplus of aluminum, which have caused an immediate cash flow problem for Ormet. Ormet adds that it is located in an economically depressed region of the state and that its contribution as an employer, taxpayer, and purchaser of goods and services is vital to the area's economy. Ormet believes that the deferred payment arrangement is vital to protect thousands of Ohio jobs. Finally, Ormet notes that AEP-Ohio consents to the relief requested in the motion.
- (4) Additionally, Ormet requests an expedited ruling on its motion. To facilitate an expedited ruling, Ormet also requests waivers of Rules 4901:1-38-05(B)(2) and (F), O.A.C. Ormet explains that Rule 4901:1-38-05(B)(2), O.A.C., requires the filing of an affidavit from a company official as to the veracity of the information provided in an application for a unique arrangement. Ormet states that it will file the required affidavit as a late-filed exhibit within seven days of the filing of its motion. With respect to Rule 4901:1-38-05(F), O.A.C., which provides for a 20-day comment period following the filing of an application for a unique arrangement, Ormet explains that the nature of the relief requested and the need for an expedited ruling have prompted Ormet to request a waiver of the rules.

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<sup>2</sup> *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer*, Case No. 11-346-EL-SSO, et al., Opinion and Order (August 8, 2012).

- (5) Initially, the Commission finds, pursuant to Rule 4901-1-12(F), O.A.C., that an expedited ruling is appropriate in this matter, without the filing of memoranda, and that an expedited ruling will not adversely affect a substantial right of any party. Further, we find that Ormet's request for a deferred payment arrangement is reasonable and should be granted to the extent set forth in this entry. Specifically, the Commission grants Ormet's request to modify the terms of its unique arrangement with AEP-Ohio, such that Ormet may defer payment of its bills for October and November 2012, with payment to occur in 2014 and the first five months of 2015, in monthly installments that are equal to  $1/17$ , or 5.88235 percent, of the cumulative amount of the two bills, as proposed in Ormet's motion. The Commission finds that AEP-Ohio should be authorized to modify its accounting procedures, pursuant to Section 4905.13, Revised Code, to defer incurred costs not recovered from Ormet's billings for October and November 2012 not to exceed \$20 million. With regard to Ormet's request that any missed deferred payment be treated as delta revenue, we grant the request, subject to the \$20 million cap. Therefore, we find that any amounts, up to \$20 million, that are not timely paid by Ormet under the deferred payment schedule approved today shall be considered as foregone revenue under Section 4905.31, Revised Code, and shall be recovered by AEP-Ohio through its Economic Development Rider. Finally, pursuant to Rule 4901:1-38-02(B), O.A.C., the Commission grants Ormet's request for waivers of Rules 4901:1-38-05(B)(2) and (F), O.A.C., and directs Ormet to file the affidavit required by Rule 4901:1-38-05(B)(2), O.A.C., by October 19, 2012.

The Commission finds that the relief granted is a sufficiently reasonable and properly constrained means to address Ormet's cash flow problem, while considering the interests of AEP-Ohio and its other ratepayers. We emphasize that the relief granted to Ormet is limited to approval of the deferral of no more than the two payments specified in this entry, and should not be extended to other payments. Although the Commission grants Ormet's request for payment deferral, we are concerned by the

financial risk being incurred by AEP-Ohio's ratepayers, and find that the recent history of cases involving Ormet's generation prices is relevant and must be recognized.

On November 8, 2006, in Case No. 05-1057-EL-CSS, the Commission approved a stipulation that set a generation rate below the market and below the tariff rate for like customers at that time, and provided a means for AEP-Ohio to recover an agreed to difference, or delta, that was anticipated to be at least \$56 million over two years.<sup>3</sup> On July 15, 2009, in the present case, the Commission approved a unique arrangement, whereby Ormet's price for generation would be linked to the world price for aluminum.<sup>4</sup> The 10-year unique arrangement provided for unprecedented subsidies, other ratepayers assuming the delta of \$60 million per year for 2010 and 2011 and \$54 million for 2012, with the delta being reduced by \$10 million per year thereafter.

The record in these cases documents the benefits that Ormet brings to Monroe County, the region, and the state of Ohio. The Commission's approval of the unique arrangement was predicated on an effort to keep Ormet and its hundreds of jobs viable, and to reduce over time and eventually eliminate Ormet's dependency on the delta revenue. In the present year, \$54 million has not been enough to sustain Ormet. We nevertheless approve Ormet's request for relief in order to provide continuity to the employees and businesses that are dependent on Ormet. However, the Commission expects that any further relief requested by Ormet will be accompanied by a detailed business plan confirming its long-term ability to exist without ratepayer support.

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<sup>3</sup> *In the Matter of the Complaint of Ormet Primary Aluminum Corporation and Ormet Aluminum Mill Products Corporation v. South Central Power Company and Ohio Power Company*, Case No. 05-1057-EL-CSS, Supplemental Opinion and Order (November 8, 2006).

<sup>4</sup> *In the Matter of the Application of Ormet Primary Aluminum Corporation for Approval of a Unique Arrangement with Ohio Power Company and Columbus Southern Power Company*, Case No. 09-119-EL-AEC, Opinion and Order (July 15, 2009).

It is, therefore,

ORDERED, That Ormet's motion for expedited approval of payment deferral and request for waivers be granted to the extent set forth herein. It is, further,

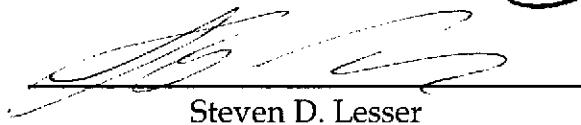
ORDERED, That AEP-Ohio be authorized to defer incurred costs not recovered from Ormet's billings for October and November 2012 not to exceed \$20 million. It is, further,

ORDERED, That a copy of this entry be served upon all parties of record in this case.

THE PUBLIC UTILITIES COMMISSION OF OHIO



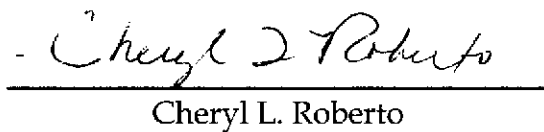
Todd A. Snitchler, Chairman



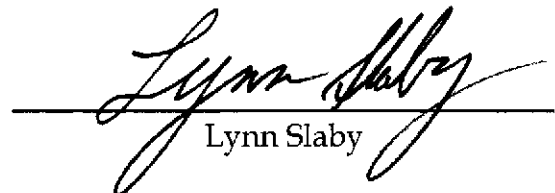
Steven D. Lesser



Andre T. Porter



Cheryl L. Roberto

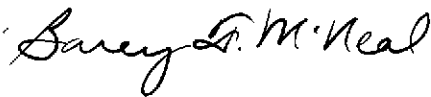


Lynn Slaby

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Entered in the Journal

**OCT 17 2012**



Barcy F. McNeal  
Secretary