

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Warren Steel Holdings, LLC for Approval of a Reasonable Arrangement	: : :	Case No. 14-1009-EL-AEC
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JOINT STIPULATION AND RECOMMENDATION

1. Introduction and Procedural Schedule

This proceeding was initiated by Warren Steel Holdings, LLC ("Warren Steel"), an electric arc furnace melt shop and casting facility and a "mercantile customer" as defined by section 4928.01 of the Ohio Revised Code ("R.C."), on June 4, 2014 in its Application for Approval of a Reasonable Arrangement ("Application") pursuant to Chapter 4901:1-38 of the Ohio Administrative Code ("OAC"). The Application was properly filed pursuant to R.C. 4905.31.

Section 4901:1-38-05 of the OAC provides that interested parties may file comments regarding an application for approval of a Reasonable Arrangement. Pursuant to that rule, such comments must be filed within twenty (20) days following the date on which an application is filed. No Motions to Intervene were filed.

Rule 4901-1-30, OAC, provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such a proceeding. This document sets forth the understanding and agreement of the Parties who have signed below ("Signatory Parties") and jointly recommends that the Public Utilities Commission of Ohio ("Commission") approve and adopt this Joint Stipulation and Recommendation ("Stipulation") as part of its Opinion and Order in this proceeding without modification, in order to resolve all of the issues that have been or could have been raised in this proceeding. This Stipulation is supported by adequate data and information, represents a just and reasonable resolution of issues in this proceeding, violates no regulatory principle or precedent, and is the product of lengthy, serious bargaining among knowledgeable parties in a cooperative process. The Stipulation represents an accommodation of the diverse interests represented by the Parties, and it is entitled to careful consideration by the Commission. For purposes of resolving the issues raised

by this proceeding, the undersigned Parties further stipulate, agree and recommend as set forth below.

II. Signatory Parties

The stipulation is entered into by and among:

Staff of the Public Utilities Commission of Ohio ("Staff");
Warren Steel Holdings, LLC

Both of the Signatory Parties agree to fully support adoption of the Stipulation without modification in this proceeding.

III. Commission Authority to Approval Unique Arrangements

R.C. 4905.31 permits the Commission to approve and authorize a reasonable schedule or arrangement between a mercantile customer and an Electric Distribution Utility ("EDU") or a public utility electric light company upon application by a mercantile customer. More specifically, R.C. 4905.31 provides for non-tariff reasonable arrangements, including arrangements to recover the costs incurred in connection with economic development and job retention programs. Warren Steel is seeking approval and authorization of a schedule or arrangement in order to receive an electric rate which will allow it to compete with out-of-state competitors, forge strategic partnerships with other Ohio steel companies and reopen its steel manufacturing operation.

Warren Steel consumes more than 700,000 kilowatt hours of electricity annually and is therefore a "mercantile customer" as defined by R.C. 4928.01. Warren Steel is within the certified service territory, and is a retail customer, of Ohio Edison, which is a public utility as defined by R.C. 4905.02 and an electric distribution utility as defined in R.C. 4928.01.

IV. Economic Development Commitments

Warren Steel currently employs approximately 180 wage and salary workers and 66 full-time contractors. When overtime is taken into account, Warren Steel employs 309 full-time equivalents. The annual payroll is \$15.4 million, plus \$5 million in fringe benefits. These are family-supportive jobs that are highly valued in Trumbull County. In 2013, Warren Steel purchased \$81 million in goods and services from Ohio vendors. Warren Steel has invested significant capital in its facility, with ownership capital contribution approaching \$90 million, loans exceeding \$60 million, capital investment totaling over \$24 million, and working capital expenditures approaching \$125 million. Warren Steel also has plans to improve operational reliability, quality, expand its product offering, and increase production. While Warren Steel was producing at an annualized rate of 240,000 tons per year, it has the capability to produce at a far greater level (1 million tons). However, capital expenditures of approximately \$10 million in the first year and up to an additional \$33 million in the next three to four years will be required to achieve full capacity. Competitive electric pricing would enable Warren Steel to undertake a \$2.1 million upgrade its substation to state-of-the-art, which could save 1,179,303 kWh, based upon 70,000 tons per month production. It would also enable Warren Steel to undertake a \$600,000 Smart-ARC electric arc furnace modernization, which could save 4,724,629 kWh, based upon 70,000 tons per month production. These energy efficiency/peak demand reduction savings will be dedicated to Ohio Edison at no cost. At higher production levels, Warren Steel anticipates potential workforce requirements rising to 374 full-time equivalent jobs. This would result in total direct, indirect, and induced jobs of 1,466 and employee compensation of \$69.2 million. Government revenues would rise to \$5.5 million annually. The economic impact of approving this Reasonable Arrangement was determined through a detailed study presented as Exhibit A to the Application.

V. Recommended Findings

The Parties hereby agree that the following statements of fact and law are true and accurate and recommend that they be adopted by the Commission as the "Reasonable Arrangement" for purposes of resolving any issues raised by the Application:

Warren Steel and Ohio Edison shall enter into a Reasonable Arrangement contract similar in form to that

which is attached hereto as "Exhibit 1." The Reasonable Arrangement, consistent with the terms approved by the Commission as part of this Application, will provide electric service at a cost that allows Warren Steel to reopen its steelmaking operations in Ohio.

Ohio Edison is authorized to recover all costs incurred by it associated with this Reasonable Arrangement, including the full and timely recovery of all delta revenue. The Rate Discount under this Reasonable Arrangement shall be recovered through Ohio Edison, The Cleveland Electric Illuminating Company, and The Toledo Edison Company's DRR riders, or other successor recovery mechanism(s), and if timely recover is not permitted, the Rate Discount through the DRR riders, or other successor recovery mechanism(s), then this Reasonable Arrangement will automatically terminate at that time.

VI. Request for Approval

This Reasonable Arrangement benefits Warren Steel, the State of Ohio, consumers as a whole and local governments. Approval of this Application will advance state policy as set forth in R.C. §4928.02. Specifically, approval of the Reasonable Arrangement will facilitate Ohio's effectiveness in the global economy by avoiding the layoff of 309 full-time equivalent jobs in Northern Ohio that may otherwise be lost. Additionally, approval will allow Warren Steel to potentially increase its workforce to 374 full-time equivalent jobs. Once Warren Steel restarts operations, then the total net annual impact in the region will be 1,128 jobs, \$53.2 million in employee compensation, \$4.3 million in tax revenues and \$81 million in purchases from Ohio vendors.¹

Ohio Adm. Code §4901:1-38-05 requires a demonstration that a proposed Reasonable Arrangement does not violate R.C. §§4905.33 and 4905.35. Warren Steel represents that the proposed Reasonable Arrangement is not anti-competitive, discriminatory, or unduly preferential and does not disadvantage any CRES provider. Under the Reasonable Arrangement, Warren Steel agrees to shop for electric generation service from a CRES provider. But for the Reasonable Arrangement, there may be no Warren Steel load available to shop. Warren Steel proposes this Reasonable Arrangement solely for purposes of attempting to create a viable and sustainable business model that will allow it to restart operations.

¹ Warren Steel respectfully submits that this information satisfies the requirements of Ohio Adm. Code §4901:1-38-05(C).

In order to create a viable and sustainable business model for Warren Steel as soon as possible, Warren Steel requests that the Commission approve this Joint Stipulation and Recommendation by the end of July, 2014. Expedited approval by the Commission is necessary in order to secure the strategic partnership with the Ohio-based company discussed in the Application and to allow Warren Steel to restart operations without layoffs. Warren Steel's current circumstances necessitate expedited Commission approval of the rates proposed herein as emergency relief authorized pursuant to R.C. §4909.16.

Through the affidavits and the economic impact study attached to the Application, Warren Steel submits that it has met its burden of proof to demonstrate that the proposed Reasonable Arrangement is just and reasonable. Further, Warren Steel avers that Ohio Edison does not oppose this Application.

VII. Conclusion

This Stipulation is a product of lengthy, serious, arm's-length bargaining among the Signatory Parties, which negotiations were undertaken by the Signatory Parties to settle this proceeding. This Stipulation is supported by adequate data and information; as a package, the Stipulation benefits customers and the public interest; represents a just and reasonable resolution of all issues in this proceeding; violates no regulatory principle or practice; and complies with and promotes the policies and requirements of Title 49 of the Ohio Revised Code. This Stipulation represents an accommodation of the diverse interests represented by the Signatory Parties and, though not binding, is entitled to careful consideration by the Commission.

Except for enforcement purposes or to establish that the terms of the Stipulation are lawful, neither this Stipulation nor the information and data contained herein or attached hereto shall be cited as a precedent in any future proceeding for or against any Signatory Party, if the Commission approves the Stipulation. Nor shall the acceptance of any provision within this Stipulation be cited by any party or the Commission in any forum so as to imply or state that any signatory party agrees with any specific provision of the Stipulation. More specifically, no specific element or item contained in or supporting this Stipulation shall be construed or applied to attribute the results set forth in this Stipulation as the results that any Signatory Party might support or seek, but for this Stipulation in these proceedings or in any other proceeding. This Stipulation contains a combination of outcomes

that reflects an overall compromise involving a balance of competing positions, and it does not necessarily reflect the position that one or more of the Signatory Parties would have taken on any individual issue. Rather the Stipulation represents a package that, taken as a whole, is acceptable for the purposes of resolving all contested issues without resorting to litigation. The Signatory Parties believe that this Stipulation, taken as a whole, represents a reasonable compromise of varying interests.

This Stipulation is conditioned upon adoption of the Stipulation by the Commission in its entirety and without material modification. If the Commission rejects or materially modifies all or any part of this Stipulation, any Signatory Party shall have the right within thirty (30) days of issuance of the Commission's order to apply for rehearing. The Signatory Parties agree that they will not oppose or argue against any other Party's application for rehearing that seeks to uphold the original unmodified Stipulation. If the Commission does not adopt the Stipulation without material modification upon any rehearing ruling, then within thirty (30) days of such Commission rehearing ruling any Signatory Party may terminate and withdraw from the Stipulation by filing a notice with the Commission. If the Commission does not act upon the application(s) for rehearing in support of the Stipulation as filed within forty five (45) days of the filing of the application(s) for rehearing, then any Signatory Party may terminate and withdraw from the Stipulation by filing a notice with the Commission. Upon the filing of either of these notices, the Stipulation shall immediately become null and void. No Signatory Party shall file a notice of termination and withdrawal without first negotiating in good faith with the other Signatory Parties to achieve an outcome that substantially satisfies the intent of the Stipulation. If a new agreement is reached, the Signatory Parties will file the new agreement for Commission review and approval. If the discussions to achieve an outcome that substantially satisfies the intent of the Stipulation are unsuccessful, the Commission will convene an evidentiary hearing to afford the Signatory Parties the opportunity to present evidence through witnesses, to cross-examine witnesses, to present rebuttal testimony, and to brief all issues that the Commission shall decide based upon the record and briefs as if this Stipulation had never been executed. If the discussions to achieve an outcome that substantially satisfies the intent of the Stipulation are successful, some, or all, of the Signatory Parties shall submit the amended Stipulation to the Commission for approval after a hearing if necessary.

Unless the Signatory Party exercises its right to terminate its Signatory Party status or withdraw as described above, each Signatory Party agrees to and will support the reasonableness of this Stipulation before the Commission, and to cause its counsel to do the same, and in any appeal it participates in from the Commission's adoption and/or enforcement of this Stipulation. The Signatory Parties also agree to urge the Commission to accept and approve the terms hereof before the end of July, 2014.

This Stipulation and Recommendation has been signed by the authorized agents of the undersigned Parties as of this 25th day of June, 2014.

Respectfully submitted,



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ON BEHALF OF THE PUCO

Exhibit 1

REASONABLE ARRANGEMENT

This Reasonable Arrangement ("Agreement") is between Warren Steel Holdings, LLC which is authorized to conduct business in the State of Ohio and its successors and assigns ("Warren Steel"), and Ohio Edison Company ("Ohio Edison"), an electric utility duly organized and validly existing under the laws of Ohio and its successors and assigns.

WHEREAS, on June 4, 2014 Warren Steel submitted an Application for approval of a Reasonable Arrangement to the Public Utilities Commission of Ohio ("Commission") pursuant to R.C. §4905.31 and Ohio Adm. Code §4901-1-38-05. Warren Steel is a mercantile customer as defined by R.C. §4928.01.

WHEREAS, Warren Steel is an ISO 9001 certified electric arc furnace melt shop and casting facility, producing carbon and alloy steel continuously cast rounds, squares, and rectangles for use in the specialty steel consuming industries including the energy, construction, and automotive industries. The state-of-the-art electric arc furnace at the Warren Steel facility is capable of producing 1 million tons of steel annually.

WHEREAS, Warren Steel is within the certified service area of Ohio Edison Company ("Ohio Edison" or "Company"). Ohio Edison is an electric distribution utility as defined in R.C. Section §4928.01.

WHEREAS, due to continued operating losses, the facility was shutdown in late March 2014. Operations at Warren Steel have not resumed.

WHEREAS, the plant shutdown was necessitated by a number of factors, but was primarily caused by Warren Steel's high energy costs.

WHEREAS, Warren Steel currently employs approximately 180 wage and salary workers and 66 full-time contractors. When overtime is taken into account, Warren Steel employs 309 full-time equivalents. The annual payroll is \$15.4 million, plus \$5 million in fringe benefits.

WHEREAS, Warren Steel is a driver of economic activity in Warren, Ohio and the region. An independent economic impact study found that Warren Steel's total net annual impact in the region is 1,128 jobs and \$53.2 million in employee compensation.

WHEREAS, Warren Steel made purchases of \$81 million from Ohio vendors in 2013. The companies were located in 117 zip codes across the state.

WHEREAS, in 2013, state and local governments in Ohio received \$4.3 million in tax revenues related to the Warren Steel plant operation.

WHEREAS, the proposed Reasonable Arrangement will provide Warren Steel with a competitive electric rate and will help ensure the long-term viability of the plant. The Reasonable Arrangement is part of a comprehensive strategy to return Warren Steel to a viable and sustainable business.

WHEREAS, approval of the Reasonable Arrangement will allow Warren Steel to attract strategic partnerships, which support its growth and expansion.

WHEREAS, Warren Steel has a second strategic opportunity available with an Ohio-based company that would increase its production by 6,000 tons per month, but that opportunity is contingent upon the Warren Steel plant reopening and approval of a competitive power rate for Warren Steel, such as the one proposed by the Reasonable Arrangement outlined below.

WHEREAS, Ohio Edison is authorized to recover all costs incurred by it associated with this Reasonable Arrangement, including the full and timely recovery of all delta revenue. The Rate Discount under this Reasonable Arrangement shall be recovered through Ohio Edison, The Cleveland Electric Illuminating Company, and The Toledo Edison Company's DRR riders, or other successor recovery mechanism(s), and if timely recover is not permitted, the Rate Discount through the DRR riders, or other successor recovery mechanism(s), then this Reasonable Arrangement will automatically terminate at that time. Therefore, any delta revenue recovered will be directly tied to economic development benefits for the state of Ohio.

WHEREAS, R.C. §4905.31 permits the Commission to approve a Reasonable Arrangement between a mercantile customer and an electric distribution utility or a public utility electric light company.

NOW, THEREFORE, Warren Steel and Ohio Edison enter into this Reasonable Arrangement setting forth the provisions of a power and energy supply agreement to facilitate the location of the expanded Lorain Facility in the certified service territory of Ohio Edison for the duration of this Agreement.

A) Term and Effective Date

The term of this Reasonable Arrangement shall be six years. The term may not commence until the Commission approves Warren Steel's Application. The earliest the term may commence is the first of the month following Commission approval, and the term must commence no later than thirty (30) days after a Commission order approving Warren Steel's Application. Within those parameters, the term will commence upon Warren Steel notifying Ohio Edison in writing of the restart of operations at its plant. The effective date of the reasonable arrangement will be the date the term starts, as determined under this provision. Beginning on the effective date of the Reasonable Arrangement, each successive twelve month period constitutes a term year of the Reasonable Arrangement. Ohio Edison and Warren Steel will enter into a written contract ("Agreement") that is consistent with the Application approved by the Commission in this proceeding.

B) Pricing

i. General Terms and Conditions

1. Customer will shop for electric generation service from a competitive retail electric service ("CRES") provider.
2. Customer will initially take transmission and distribution service from Ohio Edison under Rate GT, or its successor. There is no minimum bill, demand ratchet, or take or pay obligation under this Reasonable Arrangement except as provided under Rate GT.
3. Customer will receive a Rate Discount (delta revenue) from Ohio Edison over the term of the Reasonable Arrangement. The amount of the Rate Discount will be determined on a monthly basis by first subtracting the target price for a given year of the Reasonable Arrangement term from the monthly "all-in" rate/MWh that Customer would otherwise pay for electric generation, transmission, and distribution service including all applicable riders (excluding the self-assessed state kilowatt hour tax). That difference will then be multiplied by the monthly MWh consumption of Warren Steel to calculate the Rate Discount.
4. The target price for each year of the Reasonable Arrangement will be as follows:

1. Year One - \$50/MWh. This initial target price was chosen since that is the rate being offered to a competitor in a southern state, and that is a rate which will allow Warren Steel to be competitive with Ohio's other electric arc furnace steel manufacturers.
 2. Year Two - \$51/MWh.
 3. Year Three - \$52.5/MWh
 4. Year Four - 20% less than the applicable Ohio Edison SSO (non-shopping) price. "SSO price" means the price that Warren Steel would be obligated to pay if it were taking electric service from Ohio Edison on a non-shopping basis, excluding the self-assessed state kilowatt hour tax.
 5. Year Five - 10% less than the applicable Ohio Edison SSO (non-shopping) price
 6. Year Six - 5% less than the applicable Ohio Edison SSO (non-shopping) price
5. The maximum Rate Discount received by Customer each year of the Reasonable Arrangement will be capped at \$10 million. If during any month prior to the end of the term year the maximum annual Rate Discount is realized, then the Rate Discount will be suspended in that month for the remainder of the term year. The Rate Discount will begin again at the start of the next term year. The maximum Rate Discount received by Customer over the six year term of the Reasonable Arrangement will be capped at \$35 million. If during any month prior to the end of the Reasonable Arrangement, the maximum Rate Discount is realized, then the Rate Discount will terminate and Warren Steel will be obligated to pay for electric service with no Rate Discount.
 6. Except with respect to Ohio Edison's ability to fully recover delta revenue, nothing in this Agreement prohibits Customer from seeking modifications from the Commission to this Reasonable Arrangement.
 7. Customer commits to have a minimum of 200 direct Warren Steel employees and 25 direct contractors after the first full month of restarted operations. If these job commitments are not achieved, without valid justification, then the Commission may reduce the annual and total delta revenue amounts provided for under this Reasonable Arrangement in proportion to the percentage of job commitments that were not achieved (e.g. if Warren Steel's job commitments are missed by 2%, then the delta revenue amounts may be reduced by 2%). Customer will provide quarterly reports to Commission Staff on the status of employment levels. Ohio Edison shall continue to bill Warren Steel under the terms of the approved Reasonable Arrangement and Agreement until otherwise directed by the Commission.
 8. Customer commits to have capital/spares and major repair expenditures of \$10 million over the first twelve months of restarted operations. Over the full term of the Reasonable Arrangement, Customer commits to total capital/spares and major repair expenditures of up to \$33 million, based upon achievement of Warren Steel's business expansion model. If a new air separation plant is added, then an additional capital investment of approximately \$15 million will be required. If these capital/spares and major repair expenditure commitments are not achieved, without valid justification, then the Commission may reduce the annual and total delta revenue amounts provided for under this Reasonable Arrangement in proportion to the percentage of capital/spares and major repair expenditure commitments not achieved. This proportional delta

revenue reduction would be in addition to any reduction due to missed job numbers. Customer will provide annual reports to Commission Staff on the status of capital/spares and major repair expenditures on a cumulative to-date basis. Ohio Edison shall continue to bill Warren Steel under the terms of the approved Reasonable Arrangement and Agreement until otherwise directed by the Commission.

9. Customer will use best efforts to minimize its electric costs, including bidding interruptible load into the PJM Interconnection, LLC capacity market. Revenue received as a result of Customer's participation in the PJM markets will be used to reduce the delta revenue recovered pursuant to the Reasonable Arrangement.
 10. Customer will dedicate the energy efficiency/peak demand reduction savings resulting from the upgrade of its substation, the Smart-ARC project, and any additional capital/spares and major repair expenditures made during the term of the Reasonable Arrangement to Ohio Edison at no additional cost to Ohio Edison. Customer will not seek an exemption from the Demand Side Management and Energy Efficiency Rider during the term of the Reasonable Arrangement. Nor will Customer opt-out of Ohio Edison's energy efficiency/peak demand reduction portfolio plan during the term of the Reasonable Arrangement.
 11. The Rate Discount under this Reasonable Arrangement shall be recovered through Ohio Edison, The Cleveland Electric Illuminating Company, and The Toledo Edison Company's DRR riders, or other successor recovery mechanism(s), and if timely recovery of the Rate Discount is not permitted through the DRR rider, or other successor recovery mechanism, then this Reasonable Arrangement will automatically terminate at that time.
 12. Customer commits to pay its account(s) with Ohio Edison in full and to remain in good standing prior to commencement of the Reasonable Arrangement. If Customer's account(s) with Ohio Edison are not paid in full and in good standing at any time during the term of the Reasonable Arrangement, the Reasonable Arrangement and associated discounts will be suspended until the account(s) are paid in full and returned to good standing.
- ii. Assignment. This Reasonable Arrangement, including all rights and obligations hereunder, shall be fully assignable by Warren Steel to any new owner or operator of the plant with the written consent of Ohio Edison and the Public Utilities Commission of Ohio, which consent shall not be unreasonably withheld. Except as provided herein, all standard terms and conditions of Ohio Edison will be applicable.
 - iii. Termination Rights. Any time during the contract term, Warren Steel can elect to terminate this Reasonable Arrangement with prior written notice to Ohio Edison. Such termination may not take effect at the earliest until the first day of the billing period following written notice to Ohio Edison.
 - iv. Repayment. Warren Steel shall not be required to repay any Rate Discount received or accrued under this Agreement, except in the case where Customer violates the law or this Reasonable Arrangement or commits fraud or misrepresentation.

C) Service Level

This Reasonable Arrangement is for up to 70,000 kW electric demand as measured during a thirty-minute integrated billing period for steel manufacturing at Warren Steel. If Warren Steel

adds production facilities during the term of this Reasonable Arrangement, then the service level electric demand will be increased accordingly.

PROOF OF SERVICE

I certify that a true copy of the foregoing **Joint Stipulation and Recommendation** submitted on behalf of the Staff of the Public Utilities Commission of Ohio was served by regular U.S. mail, postage prepaid, or via electronic mail, upon the following parties of record, this 26th day of May, 2014.

/s/ Thomas W. McNamee

Thomas W. McNamee
Assistant Attorney General

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Summary: Stipulation Joint Stipulation and Recommendation electronically filed by Mrs. Tonneta Y Scott on behalf of PUCO