

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Republic Steel for Approval of a Unique) Case No. 14-1009-EL-AEC
Arrangement for Republic Steel's Lorain,)
Ohio Facility.)

ENTRY

The attorney examiner finds:

- (1) Pursuant to R.C. 4905.31 and Ohio Adm.Code 4901:1-38-05(B), a mercantile customer of an electric utility may apply to the Commission for a unique arrangement with the electric utility.
- (2) On June 4, 2014, Warren Steel Holdings, LLC (Warren) filed an application for approval of a unique arrangement with Ohio Edison Company (OE) for Warren's Trumbull County, Ohio facility. In its application, Warren states that it seeks a unique arrangement in order to obtain a competitive rate in order to restart its steel plant operations, which were shut down in late March 2014 for a number reasons, of which high energy costs was the most significant. Warren notes that the rate that it paid prior to its shutdown was much higher than the rates paid by its predecessor or any of its competitors. Warren explains that electricity represents one of the largest costs of manufacturing. Warren submits that the proposed arrangement is reasonable and will provide it with a competitive electric rate and will help ensure the long-term viability of the plant. Warren asserts that failure to provide it with a competitive electric rate will place at risk 309 direct and full-time equivalent company jobs. Additionally, the plant closure could cost the local economy 1,128 jobs and \$53.2 million in employee compensation.

Warren states that approval of the proposed arrangement will allow it to attract strategic partnerships that will support its growth and expansion. Specifically, it states that it is in the process of negotiating a strategic partnership with a major steel producer to supply product out of northern Ohio, but it must compete with an electric arc furnace operation in another state which has been offered fixed pricing at rate lower than that which Warren had been operating under. Warren represents that the proposed arrangement will allow it compete with the

out-of-state manufacturer. Additionally, Warren states that it has a second strategic opportunity that would increase its production by 6,000 tons per month, but the opportunity is contingent upon the Warren plant reopening and approval of a competitive power rate, such as the one proposed by the arrangement set forth in this case.

Warren indicates that competitive electric pricing would enable it to undertake a \$2.1 million upgrade to its substation, which could save it 1,179,303 kWh and enable it to undertake a \$600,000 Smart-ARC electric furnace modification, which could save 4,724,629 kWh. Warren represents that it has plans to improve operational reliability, quality, expand its product offering, and increase production. At higher production levels, it anticipates increasing its workforce requirements to 374 full-time equivalent jobs, resulting in total direct, indirect, and induced jobs of 1,466 and employee compensation of \$69.2 million, with government revenues rising to \$5.5 million annually. Warren commits to having a minimum number of direct employees and direct contractors after the first full month of restarted operations. It also commits to a specified level of capital expenditures within the first year of restarted operations.

Warren's application requests a rate discount from OE's applicable tariff rate for six years, commencing no later than 30 days after a Commission order approving the application. For the first three years of the agreement, 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 arrangement from the monthly "all-in" rate/MWh that the customer would otherwise pay for electric generation, transmission, and distribution service, including all applicable riders. For years four, five, and six, the discount shall respectively be 20, 10, and five percent less the applicable OE Standard Service Offer (SSO) price.

The maximum annual rate discount to be received by Warren is \$10 million. The maximum rate to be received over the six-year term of the arrangement is \$35 million. The rate discount under the proposed arrangement will be recovered through Delta Revenue Recovery riders, or other successor recovery mechanisms.

- (3) In order to create a viable and sustainable business model for Warren as soon as possible, the applicant requests that the Commission approve the application on an expedited basis pursuant to R.C. 4909.16. Warren explains that such treatment is necessary in order to secure the strategic partnership with the Ohio-based company discussed supra, and in order to allow Warren to restart operations without layoffs.
- (4) The attorney examiner finds that a hearing should be held in order to consider Warren's application. Accordingly, the matter should be set for hearing on July 3, 2014, at 10:00 a.m., at the offices of the Commission, 180 East Broad Street, 11th Floor, Hearing Room 11-D, Columbus, Ohio 43215-3793.
- (5) Ohio Adm.Code 4901:1-38-05(F) establishes an intervention and comment period following the filing of an application for a unique arrangement. The comment period in this proceeding expired on June 24, 2014. While no comments were filed, OE filed a motion to intervene. The company submits that it has a real and substantive interest in this proceeding and that its interests are not adequately represented by the existing parties. In support of its motion, OE notes that it will be a signatory party to the contract underlying the unique arrangement requested in the proceeding.
- (6) The motion to intervene is reasonable and should be granted.

It is, therefore,

ORDERED, That a hearing in this case should be held as set forth in Finding (4). It is, further,

ORDERED, That the motion to intervene be granted consistent with Finding (6). It is, further,

ORDERED, That a copy of this Entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

s/Jay S. Agranoff

By: Jay S. Agranoff
Attorney Examiner

jrj/vrm

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Case No(s). 14-1009-EL-AEC

Summary: Attorney Examiner Entry scheduling an evidentiary hearing for July 3, 2014, at 10:00 a.m.; electronically filed by Vesta R Miller on behalf of Jay S. Agranoff, Attorney Examiner, Public Utilities Commission of Ohio