BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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| In the Matter of the Joint Application of TimkenSteel Corporation and The Ohio Power Company to Amend a Unique Arrangement. | ) ) ) ) | Case No. 10-3066-EL-AEC |

FINDING AND ORDER

The Commission finds:

(1) On March 26, 2014, the Commission approved the joint application of the Ohio Power Company (AEP Ohio or Utility), an electric utility as defined by R.C. 4928.01, and the Timken Company (Timken), a mercantile customer as defined by R.C. 4928.01, to amend the unique arrangement for Timken's Canton, Ohio facilities that manufacture specialty steel products, that had been approved by the Commission on April 12, 2011, pursuant to R.C. 4905.31 and Ohio Adm.Code 4901:1-38-05(A). The amendment assigned Timken's interest to a new independent, unaffiliated entity, TimkenSteel Corporation (TimkenSteel or Customer), to reflect the corporate separation of Timken's steel operations from its bearings and power transmission operations. The amendment was not opposed by Industrial Energy Users-Ohio (IEU-Ohio), Ohio Energy Group (OEG), or the Ohio Consumers' Counsel (OCC), the only intervenors in this proceeding.

(2) On September 18, 2014, TimkenSteel and AEP Ohio filed a joint application to further modify their unique arrangement to allow TimkenSteel to shop for electric generation service beginning January 1, 2015, and throughout the term of the arrangement, and to allow TimkenSteel to continue to serve as an interruptible resource for AEP Ohio and receive an interruptible service credit during the period of January 1 through May 31, 2015, while preserving the other terms of the arrangement. Under the current arrangement, TimkenSteel receives a ten-year declining discount off the applicable tariff rate, subject to an aggregate discount cap, to facilitate the Customer's investments in production and

energy conservation that, in turn, preserve employment levels and increase efficiency. As part of this arrangement, TimkenSteel agrees to integrate its conservation efforts at the Canton facility into the Utility's energy efficiency and peak demand reduction (EE/PDR) programs to meet AEP Ohio's reduction requirements under R.C. 4928.66. The joint application states that TimkenSteel has already exceeded its capital investment commitment by more than 800 percent, and has increased its full-time employees from 2,072 in January 2014 to 2,516 as of July 2014. The applicants add that the current arrangement benefits AEP Ohio customers since the Company's EE/PDR savings offset AEP Ohio's statutory conservation requirements while TimkenSteel continues to pay the Utility's EE/PDR rider.

The joint application states that TimkenSteel is projected to meet the aggregate discount by early December 2014, and the Customer seeks to amend the current arrangement to permit shopping for electric generation service beginning January 1, 2015, to mitigate the loss of the rate discount, while permitting the interruptible credit from January 1 through May 31, 2015. The application asserts that AEP Ohio will not be harmed if TimkenSteel is permitted to shop for generation service since all of the Utility's standard service generation supply will be auction-based as of January 1, 2015. Further, the Utility's other customers will actually benefit from a rate reduction under the amended arrangement since no delta revenues will be collected through AEP Ohio's rates when TimkenSteel's rate discount ends when the aggregate discount cap is met. The application also notes that AEP Ohio has called nine emergency interruptions of TimkenSteel's load over the past three years, including three in non-summer months in 2014, and seeks to continue this mutually beneficial arrangement. The joint applicants note that the Commission has previously allowed customers to continue to participate in an electric distribution utility's interruptible program even if they choose to shop for generation service. *See, In re Duke Energy Ohio, Inc.*, Case No. 11-3549-EL-SSO, Opinion & Order (November 22, 2011) at 35-36.

(3) Correspondence filed by IEU-Ohio and OEG on September 29 and October 10, 2014, respectively, indicate that neither of these parties oppose the proposed amendments.

(4) On October 21, 2014, TimkenSteel filed a motion for protective order, pursuant to Ohio Adm.Code 4901-1-24, to prevent public disclosure of information contained in the joint application filed on September 18, 2014. Such information is similar to that previously granted confidential treatment in the Commission's March 26, 2014 Order. Accordingly, TimkenSteel's motion will be granted, and such information will remain under seal for a period of 24 months from the date of filing. If TimkenSteel wishes to extend this confidential treatment, it should file an appropriate motion at least 45 days in advance of the expiration date, pursuant to Ohio Adm.Code 4901-1-24(F). If no such motion to extend confidential treatment is filed, the Commission may release this information without prior notice to TimkenSteel.

(5) On October 22, 2014, the joint applicants filed a revision to their application, reporting that the Customer's aggregate rate discount will end prior to December 2014, as originally projected. Therefore, the applicants request to amend the current arrangement to permit shopping for electric generation service beginning December 1, 2014, while permitting the interruptible credit from December 1, 2014 through May 31, 2015. As discussed below, the joint applicants note that the requested revision will not result in additional delta revenue or affect any other ratepayer.

(6) Ohio Adm.Code 4901:1-38-05 authorizes an electric utility, with one or more of its customers, to file an application for approval to enter into a unique arrangement pursuant to R.C. 4905.31. The applicant bears the burden of proof to show that the proposed arrangement is reasonable, does not directly or indirectly provide rebates, special rates, and free service in violation of R.C. 4905.33, and does not provide an unreasonable advantage or prejudice towards any party under R.C. 4905.33.

(7) Upon our review of the proposed amendment, as revised, and the requirements for an electric utility to enter into a

> unique arrangement with one of its customers, the Commission finds the requirements are clearly met, and the amendment, as revised, should be approved. The joint application is reasonable in that it is cost-effective, and promotes State policy consistent with R.C. 4928.02 by facilitating the creation and retention of jobs and economic investment in the State of Ohio. The amendment of the unique arrangement, as approved by this Commission on April 27, 2011 and March 26, 2014, will allow TimkenSteel the opportunity to mitigate the loss of its rate discount after meeting the aggregate discount cap, while permitting AEP Ohio to continue to use TimkenSteel's Canton facilities as an interruptible resource for the benefit of all of the Utility's customers. Accordingly, we find that amendment of the unique arrangement, as revised, is reasonable and should be approved.

It is, therefore,

ORDERED, That the joint application to amend the unique arrangement between TimkenSteel and AEP Ohio, as revised, be approved. It is, further,

ORDERED, That TimkenSteel's motion for protective order be granted, and the unredacted joint application that was filed under seal on September 18, 2014, remain under seal in the Docketing Division until September 18, 2016. It is, further,

ORDERED, That nothing in this Finding and Order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this Finding and Order be served upon each party of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Thomas W. Johnson, Chairman

Steven D. Lesser

Lynn Slaby

M. Beth Trombold

Asim Z. Haque

RMB/dah

Entered in the Journal
OCT 29 2014

Barcy F. McNeal
Secretary