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Neloms, Tim

From:	Hauge, Eric <Eric.Hauge@arcelormittal.com>
Sent:	Thursday, February 04, 2016 1:37 PM
To:	Puco Docketing
Subject:	ArcelorMittal comments re: PPA Cases 14-1693-EL-RDR; 14-1297-EL-SSO
Attachments:	ArcelorMittal Cleveland - Ohio PPA Letter from Eric Hauge FINAL.pdf

Dear Public Utilities Commission of Ohio:

I am writing to urge you to act to reject the negotiated settlements of FirstEnergy and AEP (and a small group of others who have negotiated certain benefits) to enable the utilities to implement unwarranted and costly Power Purchase Agreement (PPA) riders and other cost-driving provisions.

Should the Public Utilities Commission of Ohio (PUCO) approve the deals, both utilities can use riders to collect costs from all of their customers to subsidize their generation assets they have determined are otherwise uneconomical. In an unprecedented request in an unregulated market, they propose to protect the utility shareholders from cost risk and to guarantee profits and cost recovery for eight years at the expense of their customers and to the detriment of the Ohio economy.

The State of Ohio has chosen to deregulate its electricity markets, a process that has worked well for both the consumer and the utilities. During the ups in the market, the Ohio utilities made exceptional profits. Now that there is a downturn in the markets, these same utilities are looking to take advantage of the system by not having their shareholders bear any of the financial risk associated with their prior business decisions.

Ohio's Consumers' Counsel estimated the FirstEnergy proposal could cost consumers $3.9 billion over eight years, while the AEP proposal could cost consumers $2 billion. ArcelorMittal would face cost increases of more than $20 million in that eight year span, with no concomitant benefits.

The timing could not be worse. As a company, we've been transparent about the challenges facing our USA business and our industry. Global steel overcapacity has resulted in a flood of record-level imports that have eroded the increase in demand we would normally experience from an improving U.S. economy. The influx of imports has drastically reduced domestic steel pricing, with hot-rolled coil spot pricing down by more than 40 percent since Q1 2014. In the United States alone, the steel industry has announced a temporary or permanent loss of more than 12,000 jobs in 2015.

We have been forced to implement a number of cost savings initiatives including a reduction in purchasing, supplier and operating costs and a revised health care plan for our salaried employees. We are also working hard to improve our business performance through strategies that include asset optimization planning, stronger trade enforcement to battle the flood of unfairly traded imports, and labor negotiations with the United Steelworkers.

The loss of tens of millions of dollars over the next several years could have a significant impact on the 3,000 jobs we provide in Ohio, take away from innovation and reduce scarce capital investments, hurting the long-term viability of our Ohio facilities and our USA business.

If PUCO approves these proposals, it will not only increase costs to customers, but open the door to other proposals that undermine the very basis of deregulation. Such a decision may result in the following: discourage good management practices; constrain competition; and dampen technological innovation in Ohio.

The markets for electricity in Ohio are currently working to the benefit of consumers. The proposals on the table will harm the consumer-friendly efficiency of Ohio's markets and important energy-intensive manufacturers like ArcelorMittal.

Sincerely,

Eric Hauge
Vice President & General Manager
ArcelorMittal Cleveland

Mailed copies to the following: Honorable John Kasich, Ohio Governor
Wayne Struble, Chief of Staff to the Governor
Jai Chabria, Senior Advisor to the Governor
Honorable Tom Patton, Ohio Senate
Honorable Michael J. Skindell, Ohio Senate
Honorable Sandra R. Williams, Ohio Senate
Honorable Kenny Yuko, Ohio Senate
Honorable John Barnes, Jr., Ohio House of Representatives
Honorable Janine R. Boyd, Ohio House of Representatives
Honorable Nicholas J. Celebrezze, Ohio House of Representatives
Honorable Mike Dovilla, Ohio House of Representatives
Honorable Stephanie D. Howse, Ohio House of Representatives
Honorable Bill Patmon, Ohio House of Representatives
Honorable Martin J. Sweeney, Ohio House of Representatives

Eric D. Hauge | Vice President & General Manager

ArcelorMittal Cleveland/Warren

3060 Eggers Avenue, Cleveland, Ohio 44105-1012

T +1 216 429 6002 | F +1 216 429 6019 | www.arcelormittal.com