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Hunter, Donielle

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Public Utilities Commission of Ohio
Investigation and Audit Division

Memorandum

Date: 7/8/2009

Re: Robert Roesch
2419 State Route 618

Belpre, OH 45714

Docketing Case No.: 08-917-EL-SSO and 08-918-EL-SSO

Notes:

Please docket the attached in the case number above.

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7/8/2009



May 22, 2009

Dr. Alan Schriber, Chairman
Public Utilities Commission of Ohio
180 East Broad Street, 12th Floor
Columbus, OH 43215

Dear Dr. Schriber:

I am the Site Manager for the Kraton Polymers manufacturing facility located in Belpre, Ohio. Kraton Polymers is a global manufacturer and supplier of engineered Elastomeric Polymers. The Belpre Plant is the largest site within the Kraton Polymers business, contributing 50% of the total annual business revenue. Products manufactured at the Belpre Plant are sold on a global basis of which 35% are exported from the U.S.

The Belpre Plant has a direct employment of over 370 people and provides further onsite employment for approximately 50-100 contractors. Wages and expenditures in the local community are over \$60 million. The Belpre Plant annual electric bill was approximately \$7,500,000 in 2008.

We are a customer of CSP (Columbus Southern Power) and have been closely following the AEP ESP (Electric Security Plan) case (No. 08-917-EL-SSO) at the PUCO (Public Utilities Commission of Ohio). We had seen the recent PUCO decision indicating that it had modified and approved AEP's ESP, such that, it would phase-in increases to customer's generation rates capped at 7 percent in 2009 and 6 percent in 2010 and 2011 and expected to see similar nominal increases when we received our first bill under the newly approved tariffs.

We recently received our first monthly bill under the new CSP tariffs. Our average energy cost increased from 4.61 cents/kWh to 5.32 cents/kWh (we used CSP's previous customer tariff worksheets to calculate the cost under the previous tariffs using the same energy and demand quantities as in the current bill). This is a 15.4 percent increase.

An increase of this magnitude is difficult to understand, particularly given the current difficult economic conditions. Kraton Polymers sales have decreased over 30% during the last year due to the recent global economic downturn. The Elastomeric Polymers market is a very competitive, global market. Kraton Polymers has over 20 direct competitors, many based in countries with lower cost structures than in the United States. Many of our competitors export their products into the U. S.

Kraton Polymers U.S. LLC

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The Belpre Plant must have competitive and predictable costs in order to be successful in selling our products on the global market, and to attract capital to grow our business and ensure continued employment. Any negative impact on our competitiveness risks displacing the production from our plant to competitors, or Kraton Polymers plants in other parts of the world.

In addition, Kraton Polymers buys many of the same types of energy supplies that AEP purchases (natural gas, coal, oil). Prices are down significantly over the course of the last year, in all of these markets. This makes it difficult to understand the reasoning that the PUCO has used to justify the capped increase in AEP's tariffs, much less, the apparent higher percentage increase that we have just seen in our electric bill.


One of the largest component of tariff increase was caused by the revised POLR (Provider of Last Resort) rider, which increased over 800% (our cost went from \$6388 to \$60470 for the month of April). This is an increase from approximately 1% to 8% of our monthly bill. Given that there has been no switching of customers in the CSP territory from the default electric provider service, it is again difficult to understand what the PUCO is allowing AEP to recover costs against.

Until there is switching in AEP's territory, there will be no need to purchase any POLR options to provide back-up electrical supply for customers returning to the default electrical service. There is no justification for this rider. The PUCO should have taken the position that until switching began to occur in the AEP territory, there was no need for any POLR charge. In addition, mechanisms could have been put in place such that once switching begins to occur, AEP could apply for reimbursement for actual incurred POLR costs.

We are aware of ongoing comments by our elected representatives, including Governor Strickland, about the need to address continuing loss of high paying manufacturing jobs in the State of Ohio. The increase in cost caused by the recently approved tariffs will significantly reduce the competitiveness of many businesses in our area and could potentially shut some businesses down. Kraton Polymers will be taking actions to offset these increased costs by reducing costs elsewhere, including, a reduction in planned hiring.

In closing, Kraton Polymers respectfully requests that the PUCO review its recent decision on the AEP ESP and more fairly address the interests of the consumers and the State of Ohio. Action must be taken to reverse the increase in electric costs which is making the State of Ohio less competitive relative to other areas in the U.S. and other parts of the world.

Sincerely,



Robert D. Roesch
Site Manager



CC: Governor Ted Strickland
Senator Bill Harris
Senator Chris Widener
Senator Ray Miller
Senator Jimmy Stewart
Representative Armond Budish
Representative Timothy J. DeGeeter
Representative Kevin Bacon
Representative Jennifer Garrison
Ronda Hartman Fergus, PUCO
Valerie Lemmie, PUCO
Paul Centofella, PUCO
Cheryl Roberto, PUCO
Jade Davis, PUCO
Mark Sanahan, Ohio Air Quality Development Authority
Paul Mommessin, Kraton Polymers
David Mongilio, Kraton Polymers

