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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Joint Application )  
for Establishment of a Unique )  
Arrangement between the Ohio ) **Case No. 10-1461-EL-AEC**  
Power Company and Severstal )  
Wheeling, Inc. )

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**AMENDED JOINT APPLICATION OF OHIO POWER COMPANY AND  
SEVERSTAL WHEELING, INC.**

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October 1, 2010

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FILE

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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

<b>In the Matter of the Joint</b>	)	
<b>Application for Establishment of</b>	)	
<b>a Unique Arrangement between</b>	)	<b>Case No. 10-___-EL-AEC</b>
<b>Ohio Power Company and</b>	)	
<b>Severstal Wheeling, Inc.</b>	)	

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**AMENDED JOINT APPLICATION**

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1. Severstal Wheeling, Inc. ("Wheeling") is a "mercantile customer" as defined by Section 4928.01, Revised Code. Wheeling is a wholly owned subsidiary of Severstal International in North America ("Severstal North America"). Severstal North America is the fourth largest U.S. steelmaker. It produces a full range of flat rolled and coated steel products, and is a significant supplier to construction, automotive, container, appliance and service center industries, and has a long-term commitment to the U.S. market.
2. Wheeling operates both an Electric Arc Furnace and a Hot Strip Mill at its facility in Mingo Junction, Ohio (the "Mingo Operations"). The Mingo Operations have been idle since April 2009. The Mingo Operations currently employ 51 people. The Mingo Junction community is economically depressed. According to the 2000 U.S. Census Bureau, the median income for a household in Mingo Junction was \$30,196, compared to a National median of \$41,994. In 2008, 10.8% of families and 12.8% of the population were below the poverty line. In 2008, the estimated median household income in Mingo Junction was \$35,715, compared to Ohio's median of \$47,988.
3. Wheeling is within the certified service area of and obtains electricity from the Ohio Power Company ("Ohio Power"), an electric distribution utility as defined in Section 4928.01, Revised Code.
4. In order for Severstal North America to consider restarting Wheeling's Mingo Operations, Wheeling is requesting market based pricing for generation service from Ohio Power without the two year commitment contained in Ohio Power's Rate GS-4. This operational flexibility is necessary because of uncertain economic conditions, including the demand for steel produced at the Mingo Operations. Because Wheeling is not seeking a discount from Ohio Power's otherwise applicable tariff rate for generation service no delta revenue is created by this unique arrangement. Further, the restart of Wheeling's Mingo Operations would require an investment in excess of \$90 million in costs. The restart could result in the recall of up to 500 steelworkers (and up to 25 salaried positions). This recall will reset the benefits and sub-pay for up to 24 months under the Steelworker Collective Bargaining Agreement. Wheeling is hopeful that the proposed unique arrangement will place it in a position to focus future increased

production requirements for steelmaking to Mingo Operations. Finally, the restart of the Mingo Operations will result in increased state and local taxes, including school taxes. This will benefit all Ohio citizens.

5. Section 4905.31, Revised Code, permits the Commission to enable a unique arrangement between a mercantile customer and an electric distribution utility or a public utility electric light company upon joint application. By this joint application, Wheeling and Ohio Power are requesting that the Commission approve this arrangement that will permit Wheeling to reopen the Mingo Operations. In recognition of Wheeling's unique operating flexibility and operational need for intermittent plant production, Ohio Power supports Wheeling's plant startup with this proposed unique arrangement.
6. In this joint application, Wheeling and Ohio Power shall submit the structure and content of the unique arrangement, as required by Rule 4901:1-38-05, Ohio Administrative Code ("O.A.C.").

**A. Term**

The Term of the proposed arrangement shall in no event extend past December 31, 2011. The effective date shall be the date upon which the Commission permits the arrangement to become effective. At any time Wheeling may upon 90 days notice terminate this agreement without minimum monthly billing demand charges or other penalties, including for purposes of switching its electric generation service to a Competitive Retail Electric Service provider. The unique arrangement will be automatically terminated and Wheeling will purchase generation service under Ohio Power's GS-4 rate schedule with a standard two-year term, if Wheeling's demand exceeds 8 MW when not purchasing market power under Paragraph 6.B. Upon receiving written notice from Wheeling of its desire to commence good faith negotiations to: 1) modify or extend this arrangement, 2) establish a modified Rate GS-4 to avoid long term customer obligations as a new unique arrangement, or 3) provide Wheeling a rate that is substantially equivalent to similarly-situated competitors served by Ohio Power, Ohio Power shall participate in such good faith negotiations. No modifications or extensions shall be effective without the Commission's prior approval.

**B. Pricing**

Pricing will vary depending on whether Wheeling is in a production period or a non-production period, a production period being defined in seven-day increments during which Wheeling's demand is expected to exceed 8MW. Except as otherwise stated herein, all terms and conditions of service contained in Ohio Power's Commission approved tariffs shall apply. Wheeling will pay, during the term of the contract, Ohio Power Company's Commission approved Rate GS-2 including base rates and riders for electric service during any non-production period. All energy consumed during a production period will be billed according to the

market power arrangement plus all applicable Distribution & Transmission charges specified in the GS4 rate schedule including the Provider of Last Resort Rider. During production periods, the total power requirements will be purchased based on market based price according to the following:

- i. Wheeling will request and agree to a price per MWh approximately one week prior to production startup, based on an hourly load schedule provided by Wheeling to Ohio Power (which includes 168 hours of projected consumption pattern for each one-week production period).
- ii. Power will be purchased in whole MW's per hour (MWh) for the entire production period.
- iii. Purchases for production periods will be in whole weeks (7 days) and will include production ramp-up and ramp-down periods.
- iv. Wheeling will receive a quote from Ohio Power for the hourly load schedule they submit. Ohio Power will provide this energy on a firm liquidated damages basis which means Wheeling must pay for the energy reserved. Variances from the load schedule submitted by Wheeling, or hourly imbalances, will be purchased or sold at the hourly LMP (actual hourly price), with additional charges or credits issued to Wheeling.

**C. Service Level**

This unique arrangement is for up to 185,000kW electric demand load, (200,000kW of load net of approximately 15,000kW co-generation) for Wheeling's steel manufacturing.

**D. Other Terms and Conditions**

All standard terms and conditions of service will be applicable except that Wheeling's credit worthiness will be reviewed to determine the need for a security deposit for the plant based on full operation. If security is required, Wheeling has the option of providing security to cover its standard tariff billing and prepay weekly for all market power purchases, for the duration of the agreement.

7. This unique arrangement benefits the State of Ohio, Ohio Power, and Severstal North America. It benefits the State of Ohio by potentially creating 525 direct jobs plus hundreds of additional indirect jobs, increasing economic development and increasing state, local and school tax revenues. It benefits Ohio Power by allowing the provision of additional distribution services which Ohio Power would not otherwise provide. It will benefit Severstal North America by enabling intermittent production and potentially restarting one of its steel-making facilities. In addition, this market based unique arrangement results in zero delta revenue.

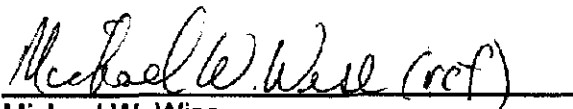
Therefore, there will be no recovery necessary from the rest of Ohio Power's customer base.

8. Section 4928.02, Revised Code, sets out Ohio's state policy related to electricity service. Approval of Wheeling's application will advance Ohio's state policy.<sup>1</sup> Specifically, approval of Wheeling's application will promote job growth and retention in Ohio.
9. Rule 4901:1-38-05, O.A.C., requires a demonstration that a proposed unique arrangement does not violate Sections 4905.33 and 4905.35, Revised Code. Wheeling represents the proposed unique arrangement is not anti-competitive and does not disadvantage any competitive retail electric service ("CRES") provider. Wheeling proposes this market based reasonable arrangement solely for purposes of attempting to reopen the facilities described above.

#### **Request For Expedited Ruling**

10. For the foregoing reasons, Wheeling and Ohio Power urges the Commission to find that the arrangements described herein are just and reasonable and promptly act to enable a reasonable arrangement between Wheeling and Ohio Power on the terms and conditions generally described herein.
11. Further, Wheeling, Severstal North America and Ohio Power are requesting that the Commission issue an Order approving this arrangement by October 29, 2010 and a waiver of the 20 day period for comment so as to allow Wheeling to fully consider the reopening of the Mingo Operations as part of a review of its U.S. operations. Applicant is thus requesting that the Commission utilize an expedited process to review this application. An expedited ruling will significantly enhance the possibility that Severstal North America will be able to commit in excess of \$90 million in costs to restart the Mingo Operations. This would then lead to the creation of up to 500 steel worker jobs and up to 25 salaried positions, as well as increased state, local and school taxes in a very economically depressed area of this state. Therefore, an expedited ruling is in the public interest.

Respectfully submitted,



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<sup>1</sup> Wheeling respectfully submits that this information satisfies the requirements of Rule 4901:1-38-05(C), O.A.C.

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AFFIDAVIT

State of Ohio )

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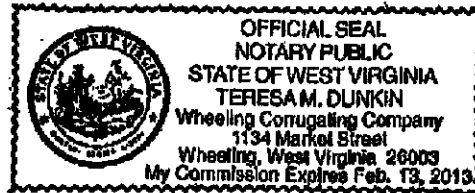
I, Wilbur B. Winland, being first duly sworn, verify that I have reviewed the foregoing Application and that the allegations contained in the Application are true and accurate to the best of my knowledge and belief.

*Wilbur B. Winland, Jr. / Bn*  
Wilbur B. Winland  
President and General Manager  
Severstal Wheeling, Inc.

Sworn to and subscribed before me, a Notary Public, this 30<sup>th</sup> day of September 2010.

Lainie McMahon signed the above on Wilbur Winland's behalf, with Mr. Winland's permission.

*Teresa M. Dunkin*



**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing *Amended Joint Application* was provided to the following persons this 1<sup>st</sup> day of October 2010, via first class mail, postage prepaid, hand-delivery or electronically via email attachment.

  
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