

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

ENTRY

The Commission finds:

- (1) Severstal Wheeling, Inc. (Wheeling), a wholly owned subsidiary of Severstal International in North America (Severstal North America), is a mercantile customer, as defined in Section 4928.01, Revised Code, and obtains electric service from the Ohio Power Company (Ohio Power). Ohio Power is an electric distribution utility as defined in Section 4928.01, Revised Code, and, as such, is subject to the jurisdiction of the Commission.
- (2) On October 1, 2010, Wheeling and Ohio Power filed a joint application for a unique arrangement, in accordance with Section 4905.31, Revised Code, and Rule 4901:1-38-05, Ohio Administrative Code (O.A.C.). According to Wheeling and Ohio Power (collectively, the parties), the unique arrangement would allow Severstal North America to consider restarting operations at Wheeling's facility in Mingo Junction, Ohio (Mingo Facility), which has been idle since April 2009. Under this agreement, Wheeling can receive market-based pricing for generation service without the two-year commitment contained in Ohio Power's Rate GS-4. Under the terms of the proposed agreement, Wheeling is not seeking a discount from Ohio Power's otherwise applicable tariff rate. Instead, the parties assert that the terms contained in the unique arrangement provide the flexibility necessary for Severstal North America to consider resuming operations under uncertain economic conditions, including the uncertain demand for steel produced at the Mingo Facility. Moreover, in support of the arrangement, the parties assert that restarting the Mingo Facilities would result in the recall of up to 500 steelworkers and an increase in the state and local tax base.

- (3) Specifically, the unique arrangement would include, among others, the following terms:
- (a) The proposed arrangement shall become effective upon the date of this entry and shall not extend past December 31, 2011. At any time, Wheeling may terminate the agreement upon 90 days notice, without minimum monthly billing demand charges or other penalties, including for the purposes of purchasing generation from a competitive retail electric supplier.
 - (b) If Wheeling's demand exceeds 8 megawatts (MW) when not purchasing market power, the unique arrangement will automatically terminate and Wheeling will purchase generation service under Ohio Power's GS-4 rate schedule with a standard two-year term.
 - (c) Future negotiations shall be made in good faith and no modifications or extensions to the unique arrangement shall be effective without prior Commission approval.
 - (d) Pricing will depend on whether Wheeling is in a production period or a non-production period. Wheeling will pay, during the terms of the contract, Ohio Power Company's Rate GS-2. All energy consumed during a production period will be billed according to the market power arrangement plus all applicable distribution and transmission charges specified in the GS-4 rate schedule, including the provider-of-last-resort rider. During production periods, the total power requirements will be purchased based on market-based pricing according to the following:
 - (i) Wheeling will request and agree to a price per megawatt hour (MWh) approximately one week prior to production startup, based on an hourly load schedule provided by Wheeling to Ohio Power.

- (ii) Power will be purchased in whole MWhs for the entire production period.
 - (iii) Purchases for production periods will be in whole weeks and will include production ramp-up and ramp-down periods.
 - (iv) Wheeling will receive a quote from Ohio Power for the hourly load schedule it submits. 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, with additional charges or credits issued to Wheeling.
 - (v) The unique arrangement is for up to 185,000 kilowatts (kW) of electric demand load, which is comprised of 200,000 kW of load net of approximately 15,000 kW of co-generation, for Wheeling's steel manufacturing.
 - (vi) All other standard terms and conditions of service will be applicable, except that Wheeling's credit worthiness will be reviewed. If a security deposit is required, Wheeling has the option for the duration of the agreement, of providing security to cover its standard tariff billing and prepaying on a weekly basis for all market power purchases.
- (4) As set forth in Rule 4901:1-38-05(F), O.A.C., affected parties may file a motion to intervene and file comments and objections to any application filed under the rule within 20 days of the date of the filing of the application. On October 4, 2010, the attorney examiner issued an entry shortening the period for comments to 10 days.

- (5) On October 13, 2010, Industrial Energy Users-Ohio (IEU) filed a motion to intervene, asserting that its members purchase a substantial amount of electricity and related services from Ohio Power and may be affected by this arrangement. No memorandum contra was filed in opposition to IEU's motion to intervene. The Commission finds that the motion to intervene is reasonable and should be granted. IEU provides no comments specific to the application.
- (6) On October 14, 2010, the Ohio Consumers' Counsel (OCC) filed a motion to intervene and comments in support of the application. In support of its motion to intervene, OCC states that it represents Ohio Power's residential consumers and that the interests of these consumers may be affected by this case. No memorandum contra was filed in opposition to OCC's motion to intervene. The Commission finds that the motion to intervene is reasonable and should be granted.
- (7) In its comments on the application, OCC avers that it supports the application, which has positive benefits for consumers, AEP, and Wheeling. Specifically, because consumers are not being asked to subsidize this unique arrangement, this application supports economic development without shifting the burden to consumers. Therefore, OCC recommends that the application be approved.
- (8) Upon review of Wheeling's application, the Commission finds that Wheeling's request for a unique arrangement is reasonable, is consistent with Section 4905.31, Revised Code and Rule 4901:1-38-05, O.A.C., and should be approved.

It is, therefore,

ORDERED, That the application for a unique arrangement be approved in accordance with finding (8). It is, further,

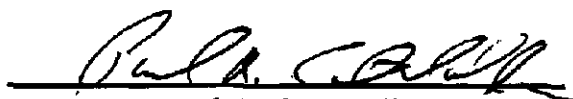
ORDERED, That nothing in this finding and order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this finding and order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



Alan R. Schriber, Chairman



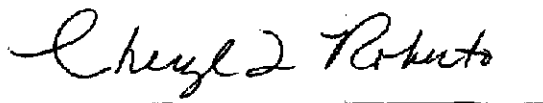
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Entered in the Journal

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Renee J. Jenkins
Secretary