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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE JOINT APPLICATION OF THE TIMKEN COMPANY AND THE OHIO POWER COMPANY FOR APPROVAL OF A UNIQUE ARRANGEMENT FOR THE TIMKEN COMPANY'S CANTON, OHIO FACILITIES	:	CASE NO. 10-3066-EL-AEC

JOINT APPLICATION

I. Introduction

A. Legal and Policy Overview

Pursuant to Sections 4905.31 and 4928.66, Revised Code, and Rules 4901:1-38-05 and 4901:1-39-05(G) of the Ohio Administrative Code, The Timken Company ("Timken") and the Ohio Power Company ("Ohio Power") respectfully submit this Application to the Public Utilities Commission of Ohio ("Commission") for approval of a Unique Arrangement between a mercantile customer and an electric utility company. The Unique Arrangement applies to the Canton, Ohio manufacturing complex and its Technology Center (collectively the "Canton Facility") located within the service territory of Ohio Power. The Unique Arrangement has two components. The first component is the establishment of a special rate necessary to facilitate capital investment in production assets and energy conservation that will serve to sustain Timken's competitive position and thereby sustain employment at the Canton Facility. The second component is to integrate Timken's conservation efforts at the Canton Facility into Ohio Power's peak demand reduction and energy efficiency programs for the benefit of all Ohio Power customers.

Timken has been manufacturing products in Ohio since 1901, when it opened a bearing and axle plant in Canton, Ohio; now it's worldwide headquarters. Today, the Canton manufacturing complex makes friction reducing bearing components and specialty alloy steel products which compete in a worldwide market. The Technology Center is the epicenter of Timken's global research, development and deployment initiatives. The Canton Facility is critical to the economic vitality of the State of Ohio. Timken's Canton Facilities directly employ over 3,500 full time associates and indirectly support the employment of tens of thousands of Ohioans who work for the scores of Ohio companies who supply the goods and services used at the Canton Facility.

In addition to playing a critical role in the economy of Northeast Ohio, Timken's size and energy flexibility plays a role in maintaining system reliability and economic rates for Ohio Power's customers. Those same attributes and the impressive engineering improvements it has implemented, would allow Timken going forward to play a significant role in assisting Ohio Power on behalf of its other customers to fulfill the reduction to peak load demand (MW) and energy use (MWh) required by Amended Substitute SB 221 ("SB 221"). The very size and scope of Timken's capital and energy intensive operations permits Timken to interrupt a significant number of MW up to [[redacted]][1] MW on short notice and thus act as a shock absorber for customers in the short term. Its energy intensive operations, however, makes Timken vulnerable to energy price increases. Further, the Canton Facility has a limited ability to absorb rapid price increases for electric services because the cost of electricity represents a significant cost of manufacturing bearing components and specialty alloy steels in Ohio. Rapid increases in energy prices can make goods manufactured at the Canton Facility noncompetitive in both foreign and

[1] Redacted in the public version.

domestic markets. Noncompetitive prices for the goods from the Canton Facility threaten not only the thousands of direct employees of Timken who live and work in Stark and surrounding counties, but the tens of thousands of Ohioans who earn their livelihood by supplying goods and services to the Canton Facility. Given the size of Timken's load, even relatively small cost changes in the price of electricity can significantly impact the Company's competitiveness, its ability to be profitable and ultimately to continue to provide high-paying manufacturing jobs in Ohio. Timken's past investments and programs have permitted the Canton Facility to enhance the reliability of the Ohio Power system for firm customers by agreeing to interrupt up to [[redacted]][2] MW of Timken's load upon request by Ohio Power. Further, Ohio Power is permitted to interrupt not only for system reliability and to sustain Ohio Power's firm customers, but also for economic reasons.

In sum, the size and scope of the Canton Facility's energy intensive operations permits Timken to interrupt a significant number of MW on short notice and thus act as a shock absorber for other Ohio Power customers in the short term. Timken will continue to fulfill that role and in accordance with Section 4928.66, Revised Code, and as further discussed in this Application, will integrate its peak load reduction and energy efficiency reductions with Ohio Power to help achieve the statutory goals for peak load and kWh reductions established by SB 221.

Since 2007, the cost of electricity per kWh at the Canton Facility has increased by some twenty-five percent (25%). Further, an additional eight percent (8%) increase in energy pricing has been authorized for 2011.[3] These increases in generation could not have come at a worse time for a manufacturer such as Timken, for not only the United States but the world economy had slipped into the worst economic downturn since the Great Depression of the 1930s. The

[2] Redacted in the public version.

[3] See In re Ohio Power, Case No. 08-917-EL-SSO.

scope and rapid timing of the authorized and anticipated future increases threaten the competitiveness of the Canton Facility.

Recognizing this real threat to its competitiveness in the world market, and the inability for Timken to substantially offset these energy cost increases with energy efficiencies, Timken seeks to utilize the statutory scheme under Sections 4905.31(E), Revised Code, to provide stability for its energy pricing. When enacting SB 221, the General Assembly recognized that certain mercantile customers like Timken may not be well suited for the hybrid rate making formula permitted under the electric security plans called for under Section 4928.143, Revised Code. The hybrid rate system established by the General Assembly sought to achieve the discipline of market pricing in lieu of cost of service rates, yet maintain the social benefits of investing in conservation. To address this concern, the General Assembly used SB 221 to amend the existing statutory scheme covering unique arrangements under Section 4905.31(E), Revised Code, to provide for non-tariff special contracts which may include "... a device to recover costs incurred in connection with any economic development and job retention program." Various companies in Ohio over the last year have relied on the General Assembly's amendment to Section 4905.31(E), Revised Code, to enter into energy pricing arrangements with their respective utilities.[4] The Unique Arrangement proposed in this Application seeks to smooth out the impact of future tariff electric price increases under the SB 221 hybrid rates, in exchange for capital investments in production and energy conservation which should preserve employment and increase energy efficiency.

The purpose of this Application is to seek Commission approval of a Unique Arrangement between Timken and Ohio Power as allowed pursuant to Section 4905.31(E),

[4] See In re Ormet Primary Aluminum Corp. Case No. 09-119-EL-AEC; In re Eramet Marietta Case No. 09-516-EL-AEC.

Revised Code. The Application provides that the Canton Facility will pay special rates for the next ten years in order to facilitate the achievement of established goals of capital investment in production and energy efficiency equipment. There will also be a job retention pledge. The Unique Arrangement pricing will also take into consideration the size, interruptible nature, conservation of energy and peak load demand reduction of the Canton Facility that will be integrated into the Ohio Power conservation program in general and specifically the energy efficiency goals established in Section 4928.66, Revised Code. Timken would not receive either an exemption from Ohio Power's conservation rider nor a cash payment for integration though such are generally offered to mercantile customers who integrate their conservation projects.

B. The Special Rate Design

The Application proposes special rates based on a simple declining discount off of the applicable tariff rates. The discount applies to all tariff cost components including generation, transmission, distribution and all riders. The discount begins at fifteen percent (15%) for the twelve months following the first bill subject to the special rate. The discount to the applicable tariff rate would then be reduced by one percent (1%) every year for the first five years and by two percent(2%) every year for the remaining years. The difference between the proposed special rates and otherwise applicable tariff rates, the "delta revenue," would be accounted for and collected through Ohio Power's Economic Development Rider.

The amount of capacity and the energy subject to the economic development discount is limited. The economic discount shall not apply to any energy usage over [[redacted]][5] kWh per month. Similarly, any capacity usage exceeding [[redacted]][6] kW on the monthly invoice will not be subject to the discount. Except as described in Section I, Subsection C, "Additional

[5] Redacted in the public version.
[6] Id.

Growth", any and all incremental kWh or kW above the monthly limits shall be priced at the full tariff rates.

Prior to the passage of SB 221 the Commission had a long established practice of granting special contracts for the purpose of attracting or maintaining jobs, especially in energy intensive industries.[7] In large measure, the Commission's former economic development rate program was codified by SB 221 in Section 4905.31(E), Revised Code. That subsection provides for both discounts to the qualifying customer and the recovery of the delta revenue by the utility. A key consideration in both the Commission's former economic development program and the SB 221 provisions for economic development is the concept of gradualism.[8] The idea is not to create a permanent subsidy, but to avoid the harm of price shocks by smoothing out the increases in exchange for future capital investments and the retention of jobs.

It is the expectation of both Timken and Ohio Power that special rates, when implemented, will consist only of the declining discount until Timken is at tariff rates after 120 months. However, the Application also provides for a contingency in the event of a price spike during the term of the special rates. The Application calls for a "Limiter," a pre-set ceiling for each month of the Unique Arrangement. The base amount of the Limiter will be set at the cost of power for each month in 2008. The year 2008 was selected as the base because that was the last normal year before the worldwide recession dramatically reduced production at the Canton Facility. The Limiter ceiling is reset each year by increasing the prior year's monthly maximum by five percent (5%). Thus, the effect of the Limiter is to allow Timken to plan for a maximum

[7] In re The Toledo Edison Company for Approval of an Economic Development Agreement with North Star Steel BHP Steel L.L.C., Case No. 95-910-EL-AEC.

[8] In re Cincinnati Gas & Electric Co., Case Nos. 80-260-EL-AIR, 80-429-ATA, Opinion and Order dated March 18, 1981 ("[t]here are, however, other relevant considerations in designing utility rates, such as the principle of continuity or gradualism, which seeks to minimize the impact of rate changes on individual classes of customers").

monthly cost for electricity. Mechanically, the Limiter, if triggered, will provide an additional discount off tariff to the Canton Facility and would increase the overall delta revenue. Though the Limiter adds to the complexity of the rate, it is necessary to assure that the goal of gradualism and the prudency of strategic capital investments are not compromised.

Given concerns that future legislative and/or regulatory mandates could cause power prices to reach unexpected levels and consequently increase the delta revenue arising from the special rates as a result of the Limiter, the Parties agree to impose a limit on the Limiter. If the Limiter results in a tariff discount of more than twenty-five percent (25%), the Limiter would be capped and no discounts above twenty-five percent (25%) would be authorized. Any amounts over twenty-five percent (25%) would be paid by Timken.

SB 221 permits customers to switch from the standard service offer to the competitive market. That principle is maintained in this Application. Timken may elect to purchase power on the open market, in compliance with the applicable switching rule, thereby eliminating any further delta revenue from being passed through the Ohio Power Economic Development Rider. At such time the Unique Arrangement would terminate.

Finally, to assure that the cost of the economic development sought from the Unique Arrangement is not "unlimited," this Application proposes an absolute dollar limit on the aggregate amount of dollars that can qualify for the Economic Development Rider from the declining annual rate discount described in paragraph 20 of Section II, Subsection D herein and the Limiter described in paragraph 24 of Section II, Subsection D herein for the ten year term of the Unique Arrangement. The cap on the aggregate discount arising from the rate discount and

Limiter shall be set at [[redacted]][9] million dollars. That is an amount which equals roughly [[redacted]][10] percent of the 2009 local payroll from the Canton Facility.

C. Additional Growth

This Application for a Unique Arrangement provides for maintaining jobs at a specified level and an agreed amount of capital investment in production and energy conservation assets. Should global economic conditions warrant, Timken may expand the Canton Facility. Timken's potential expansions would require up to [[redacted]][11] MW of incremental demand comprised of [[redacted]][12] MW interruptible capacity and [[redacted]][13] MW firm capacity. Each increase in firm or interruptible demand will be preceded by an election made by Timken. Said election must be exercised within the first five years of the Unique Arrangement. The incremental capacity requirements at the Canton Facility of up to [[redacted]][14] MW would not qualify for the discounts in energy and capacity established under the special rates proposed in this Application, but would qualify for a discount of the demand component of the Ohio Power GS-4 rate equal to twenty percent (20%) for a period of ten years starting from the dedication of the capacity. This twenty percent (20%) discount would apply to the prevailing tariff demand charges for the applicable firm and interruptible capacity needed for the additional growth.

D. Energy Efficiency and Peak Load Demand Reduction

Timken has historically invested in projects that have resulted in reduced energy consumption. Since 2007, Timken has achieved in excess of 46 Million kWh in reductions. As part of the Application, Timken pledges all of the reductions it has made in kWh consumption

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[9] Redacted in the public version.
[10] Id.
[11] Id.
[12] Id.
[13] Id.
[14] Id.

and the shift from on peak to off peak usage to Ohio Power's energy efficiency and peak demand reduction plan. A list of the projects completed by Timken at the Canton Facility from 2007 through 2009 are presented in Appendix A. Those reductions are now to be integrated into Ohio Power's program. In light of the special rates, there will be no waiver of the Energy Efficiency/Peak Demand Reduction Rider, or an additional cash payment to Timken for these conservation projects, even though Timken funded them.

For the term of this Unique Arrangement, Timken will work with Ohio Power on future conservation projects. Timken plans to invest some [[redacted]][15] million dollars in conservation projects during the term of the Unique Arrangement. All of the conservation and peak load reduction attributable to those future conservation projects shall be integrated into the Ohio Power program. Further, Timken shall work with Ohio Power to provide the necessary documentation to support the energy savings achieved by such conservation projects and the investments in energy efficiency made by Timken. A copy of the integration contract is attached as Appendix B and incorporated as part of this Application.

II. Statement of Facts

A. Timken's Canton, Ohio Facilities

1. Timken is a leading global manufacturer of highly engineered bearings, specialty alloy steels and related components and assemblies. Timken is the largest manufacturer of tapered roller bearings and alloy seamless mechanical tubing in the world. Timken is the largest manufacturer of bearings in North America.

2. Timken is an Ohio corporation, incorporated in 1901, with its worldwide headquarters in Canton, Ohio. Timken has 16 office and manufacturing facilities in Ohio which

[15] Redacted in the public version.

employ more than 4,300 associates. Timken's Ohio payroll exceeds 465 million dollars and it typically pays 165 million dollars in state and local taxes annually.

3. The Canton Facility, located in Stark County, manufactures specialty steels, bearing components and tubular goods for use in the automotive, industrial, aerospace and defense industries. In 2008, Timken invested over 60 million dollars for a new small bar mill and 14 million dollars for thermal treatment equipment at the Canton Facility.

4. In 2009, the Canton Facility employed approximately 3,533 associates in Stark County, making Timken the second largest employer in the county with an annual payroll of [[redacted]][16] million dollars.

5. Timken's hourly workers receive [[redacted]][17] per hour. When benefits, overtime and incentives are included, the average hourly worker earns [[redacted]][18] per hour.

6. Timken's facilities employ a large number of salaried employees who average more than [[redacted]][19] per year before benefits, incentives and performance awards.

7. Timken purchases goods and services from over 1,800 Ohio businesses totaling approximately 1.39 billion dollars a year. Timken's purchases from its Ohio-based supply chain provide a tremendous multiplier effect for the state and local economies, having a Value Added multiplier effect of 3.33.[20]

8. Timken is a mercantile customer pursuant to Section 4928.01(A)(19), Revised Code, and Rule 4901:1-38-01(F) of the Ohio Administrative Code.

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16 Redacted in the public version.
17 Id.
18 Id.
19 Id.
20 Data prepared by Ohio Department of Development, Office of Policy Research and Strategic Planning using source data from IMPLAN by Minnesota IMPLAN Group, Inc, Version 3.0, database 2008 (Sectors 170 & 171).

B. Ohio Power

9. Ohio Power is a public utility as defined in Section 4905.02, Revised Code.

10. Ohio Power, pursuant to the boundaries established by the Commission under Section 4933.82, Revised Code, is the electric distribution utility serving the Canton Facility.

11. Ohio Power is authorized pursuant to the Opinion and Order in Case No. 08-918-EL-SSO to increase its rates in calendar years 2010 and 2011.

12. Ohio Power and Timken have met to discuss: a) the need for this Application, b) the merits of the Application for the community, c) the accuracy of the electric demand, consumption and conservation achievement, and d) the conservation potential for the Canton Facility.

13. The provisions of the arrangement presented in this Application is the product of good faith negotiations between Timken and Ohio Power. Both parties are in agreement as to the public benefit derived under this arrangement. The Parties affirm the accuracy of the electric demand, consumption and conservation achievement, and conservation potential for the Canton Facility.

C. Need for Rate Adjustments in Order to Sustain Competitiveness and Enhance Economic Development/Retention

14. Timken competes in globally competitive markets in both the steel and bearing sectors. Access to reliable and affordable electricity is absolutely essential to successfully competing in this unprecedented market environment that is characterized by ever-increasing threats from competitors in developing countries/emerging economies. Fierce global competition, the worldwide recession in general and the pervasive idling of industrial plants throughout North America, limit the ability of the Canton Facility to absorb electric rate increases.

15. On average, the Canton Facility prior to the worldwide recession purchased in excess of [[redacted]][21] million dollars worth of electricity per year, making electricity a significant cost component of the products made at the Canton Facility. Electricity is the third largest cost component of Timken's steel business, surpassed only by costs associated with scrap metal purchases and labor.

16. For the Canton Facility to not only survive in these economic conditions but expand, Timken must continue to provide quality products, timely delivery, design and engineering support, and keep production costs competitive with domestic and foreign manufacturers. The electric rates for the Canton Facility have become a competitive barrier, and price stability over an extended period of time is required to maintain the economic vitality of the Canton Facility.

17. Establishing rates for the Canton Facility which have a cap on increases is reasonable given the importance of the Canton Facility's operations in Ohio – both in terms of preserving employment and the multiplier effect the Canton Facility has in Stark and surrounding counties and the State of Ohio as a whole.

18. The Canton Facility is able, upon short notice, to curtail up to [[redacted]][22] MW of demand. This ability to rapidly shed demand can and has been called upon by Ohio Power to ensure reliable service for firm customers and results in more economical pricing for all customer classes.

19. Under the IRP-D Tariff, Ohio Power can interrupt a significant portion of the Canton Facility load not only for system reliability emergencies but also for economic reasons (subject to a buy-through election by the customer). This ability to interrupt the Canton Facility

[21] Redacted in the public version.
[22] Id.

up to 200 hours per year benefits native load customers who otherwise may incur higher prices as a result of the pass through of the cost of power purchased during a time period when market prices are relatively high.

D. Terms of the Rate Adjustment

20. Commencing with the billing month following approval of this Application by the Commission, Ohio Power shall reduce the total invoice charges for Timken's Canton Facility by fifteen percent (15%) from tariff. The fifteen percent (15%) discount shall remain in effect for twelve billing months. Commencing with the thirteenth month the discount will be reduced to fourteen percent (14%) for a period of twelve billing months. This pattern of reducing the discount by one percent per year shall continue for the next four years. Commencing with the sixth year of the Unique Arrangement the reduction in the discount shall be reduced by two percent (2%) per year for five years. Thus, unless terminated prior to the end of the 10 year term, the proposed discounts would be as follows:

Dates	Percent
Year 1	15%
Year 2	14%
Year 3	13%
Year 4	12%
Year 5	11%
Year 6	10%
Year 7	8%
Year 8	6%
Year 9	4%
Year 10	2%
Thereafter	0%

21. These discounts shall apply to Timken's total bill from Ohio Power.

22. The demand and kWh available to receive the discount will be capped at [[redacted]][23] kWh and [[redacted]][24] kW (the "Monthly Usage Cap"). Except as described in Section I, Subsection C, "Additional Growth", Timken will pay for any kWh and kW above the Monthly Usage Cap at standard tariff rates.

23. To guard against excessive spikes in the amounts paid for electricity and to even out the annual increases in the cost of electricity, a limiter provision will also be incorporated that acts to cap the monthly amount that Timken will pay for energy use at its Canton Facility to no more than five percent (5%) over the corresponding month in the prior year. The Limiter will only apply to the portion of Timken's bill that is below the Monthly Usage Cap.

24. The Limiter will be set initially at the power costs for energy and capacity based on 2008 monthly costs and will then increase on a straight-line basis of five percent (5%) year-to-year. The Limiter, if triggered, will provide an additional discount off tariff to the Canton Facility. If the effect of the Limiter would cause a condition whereby the total discount off tariff results in a discount that is greater than twenty-five percent (25%) from the monthly rates charged Timken by Ohio Power, Ohio Power will reset the Unique Arrangement discount such that the gap between the approved tariff and the Unique Arrangement discount for the Canton Facility does not exceed twenty-five percent (25%). Any amounts over twenty-five percent (25%) would be billed to Timken.

25. The discounted electric services rates do not include the kWh tax which Timken will continue to self assess.

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[23] Id.
[24] Id.

26. Timken may elect to terminate the Unique Arrangement and purchase power on the open market, in compliance with the applicable switching rule, thereby eliminating any further delta revenues from being passed through the Ohio Power Economic Development Rider.

27. At any time Timken may upon ninety day's notice terminate this Unique Arrangement 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. If new tariffs become available, or if Timken desires to move to a different tariff, such shall be permitted and the discount calculation shall apply.

28. The term of the Unique Arrangement shall be for a period of 120 billing months commencing with the first billing period following Commission approval of this Unique Arrangement.

29. The difference between the amount Timken pays for electric service under the Unique Arrangement and the amount that Timken would have paid under the applicable tariff rates shall be eligible for collection via Ohio Power's Economic Development Rider. In the event that Ohio Power is not permitted to put in place, or maintain the Economic Development Rider, the full cost of supply will become the responsibility of Timken (reduced for applicable demand response or conservation projects).

30. In no event however shall the aggregate amount of the rate discount detailed in paragraph 20 of Section II, Subsection D herein or the Limiter detailed in paragraph 24 in Section II, Subsection D herein be authorized for collection through the Economic Development rider in excess of [[redacted]][25] million dollars. This restriction on the ultimate amount which is eligible for collection through economic development riders shall not include any amounts attributable to

[25] Id.

the new capacity contract requirements and related discount referenced in paragraph 40 herein and new economic development programs or plans which are authorized by the Commission after the filing of this Application including new investments which may arise under Subsection F below.

E. Terms of Demand Response and Energy Efficiency Integration

31. Section 4928.66, Revised Code, imposed benchmark goals related to energy efficiency and peak demand reduction. In regards to cost recovery, Section 4928.66(A)(2)(c) states that "[a]ny mechanism designed to recover the cost of energy efficiency and peak demand reduction programs under divisions (A)(1)(a) and (b) of this section may exempt mercantile customers that commit their demand-response or other customer-sited capabilities, whether existing or new, for integration into the electric distribution utility's demand-response, energy efficiency, or peak demand reduction programs, if the Commission determines that that exemption reasonably encourages such customers to commit those capabilities to those programs."

32. In furtherance of this Application and the Unique Arrangement presented herein, Ohio Power and Timken have entered into an agreement (the "Agreement") whereby Timken will commit existing demand reduction and energy efficiency projects along with future projects and demand response projects for integration with Ohio Power's demand reduction, demand response and energy efficiency programs. Although it is entitled to do so and to offset in part the delta revenue, Timken will not seek exemption from Ohio Power's conservation rider which is designed to recover the cost of energy efficiency and peak demand reduction programs under divisions (A)(1)(a) and (b) of Section 4928.66, Revised Code.

33. Timken's facilities have long engaged in energy conservation projects. Since 2007, Timken has achieved in excess of 46 Million kWh in reduction. In accordance with Section 4928.66, Revised Code, Timken will integrate approved energy conservation achievements for the period of 2007 through 2009 into Ohio Power's conservation program.

34. In the Agreement which Timken and Ohio Power have executed (Appendix B), Timken grants permission to Ohio Power and the Commission's Staff to measure and verify energy savings and/or peak demand reductions resulting from Timken's projects and resources.

35. Timken's energy savings and demand reductions from its conservation projects will be calculated using the same general methodology used to calculate Ohio Power's energy savings and demand reductions for purposes of determining compliance with the statutory benchmarks.

36. Timken has agreed to integrate the conservation projects listed on Appendix A all of which are conservation projects planned and/or implemented at the Canton Facility. Timken anticipates that over time it will update Appendix A by including new projects and possibly modifying, amending or replacing previously listed projects with comparable conservation projects. Timken will inform Ohio Power of changes to Appendix A as soon as practical.

37. Timken will continue to develop conservation projects at the Canton Facility and as required under the Agreement, future projects shall be integrated into the Ohio Power program established pursuant to Section 4928.66, Revised Code.

38. Timken anticipates investing [[redacted]][26] million dollars in future conservation projects at the Canton Facility within the next 120 months.

[26] Redacted in the public version.

F. Incentive for Growth

39. Currently, Ohio Power has an agreement to provide the Canton Facility with [[redacted]][27] MW including [[redacted]][28] MW for the Timken Technology Center's firm electrical service and [[redacted]][29] MW of interruptible power. This is an amount sufficient to operate the Canton Facility at its historic levels

40. In order to assist in the possible expansion of Timken's manufacturing facilities within the first five years of the Unique Arrangement, Ohio Power has agreed, upon approval by the Commission, to offer Timken up to [[redacted]][30] MW of incremental power comprised of a firm [[redacted]][31] MW and [[redacted]][32] MW interruptible power. Such new contract capacity requirements will qualify for an alternative discount consisting of the demand charges only. The incremental power will be billed at 80% of Ohio Power's prevailing tariff demand charge for the applicable firm or interruptible standard offer generation service for a period of ten years starting from the dedication of the capacity. Current standard offer options include the IRP-D (Interruptible Power-Discretionary) tariff.

41. The additional capacity and energy consumed as part of the expansion would not qualify for the special rate discount off tariff for capacity and energy.

[27] Id.
[28] Id.
[29] Redacted in the public version.
[30] Id.
[31] Id.
[32] Id.

G. Investment and Employment Pledges

42. If the proposed Unique Arrangement is approved, Timken pledges that it will maintain a level of employment at the Canton Facility of [[redacted]][33] full time employees, absent a *Force Majeure*.

43. Timken pledges that it shall invest no less than [[redacted]][34] million dollars in the Canton Facility over a ten year period including its investments in energy efficiency and conservation referenced in paragraph 37. Timken's investment will be front-loaded, with [[redacted]][35] million dollars to be committed in the first five years of the ten year period.

44. Timken shall report the status of both its Canton Facility employment levels and investment levels annually to the Staff of the Commission under seal.

45. If Timken in its annual report to the Commission or if the Commission Staff on its own establishes that for a calendar year the average full time employment level at the Canton Facility fell below the established goal of [[redacted]][36] full time employees, then the monthly rate discount consisting of both the value of the percentage rate reduction described in paragraph 20 of Section II, Subsection D herein and the Limiter described in paragraph 24 of Section II, Subsection D herein shall be automatically reduced[37] proportionately with the percentage level of development shortfall as calculated in paragraph 47 below. The proportionate reduction in the monthly rate discount associated with failure to maintain the employment level at the Canton Facility shall be reinstated once Timken has demonstrated that the number of full time employees at the Canton Facility has been returned to the goal number.

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[33] Id.

[34] Id.

[35] Redacted in the public version.

[36] Id.

[37] The reduction in the monthly rate discount would commence effective with the next full billing cycle following the submission of the Report by the Company or the Commission Staff establishing a shortfall in either the minimum employment level or the investment in production and energy conservation equipment.

46. If the investment in production and energy efficiency assets at the Canton Facility commencing January 1, 2010 as described in paragraph 43 above fails to equal [[redacted]][38] million dollars by December 31, 2014 as either reported by Timken or as established by the Staff, then a shortfall in the capital investment obligation shall be declared. The percentage shortfall shall be the ratio of the actual amount of dollars invested in production or energy conservation assets by the close of the 5th year divided by [[redacted]][39] million dollars. The proportionate reduction in the monthly rate discount associated with failure to make the requisite investment amounts shall be reinstated once Timken has demonstrated that it has achieved the initial [[redacted]][40] million dollars requisite investment in the Canton Facility.

47. The pro rata reduction to the monthly rate discount in paragraph 20 of Section II, Subsection D herein and the Limiter in paragraph 24 of Section II, Subsection D herein shall be determined by summing the ratios of compliance with both the employment goal and the investment goal and dividing that percentage by two. The resulting percentage will then be used to reduce the monthly rate discount.[41]

48. If an event of *Force Majeure* prevents Timken, after making a good faith effort to fulfill the goals detailed in paragraphs 42 or 43 in a timely manner, then Timken may file a request with the Commission to make suitable arrangements for amending the commitments in paragraph 42 or 43 in light of the event of Force Majeure.

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[38] Redacted in the public version.
[39] Redacted in the public version.
[40] Id.
[41] Thus, for example, in year one if the employment goal was 100 full time employees and on average Timken only employed 80 employees then the ratio of 8/10 would be added to the ratio of 0 for the investment as none is required and a reduction percentage of 10% [(.2+0) /2 = .1 or 10%] would be applied to the monthly rate discount for year two until the employment goal was achieved. If in year five there were still only 80 full time employees and only half of the required investment had been made then the reduction percentage would be 35% [(.2+.5)/2 =.35 or 35%].

49. Under no circumstance shall Timken be made to pay back any discount(s) received prior to the termination or modification of the Unique Arrangement.

50. Timken shall not receive payment from Ohio Power for Section 4928.66, Revised Code, conservation projects as a result of the integration of those projects with Ohio Power including a waiver of the Energy Efficiency/Peak Demand Reduction rider.

H. Miscellaneous Statements

51. The proposed Unique Arrangement does not violate the provisions of Sections 4905.33 and 4905.35, Revised Code.

52. Attached as Appendix C is an affidavit from a Timken official attesting to the veracity of the information provided in this Application.

53. Attached as Appendix D are copies of letters that Timken has received from local elected officials and community leaders supporting the Unique Arrangement proposed in this Application.

54. When the Commission weighs the significant benefit of the large base load of the Canton Facility to all customers, the key economic role the Canton Facility plays throughout Ohio, plus the potential gain of incorporating the Canton Facility conservation plans into Ohio Power's energy efficiency plans at no cost, it should find that the benefits of the Unique Arrangement proposed in the Application far outweigh the cost of the discounts requested.

55. The Company and Timken reserve the right to terminate the Unique Arrangement if the Commission substantially modifies the Unique Arrangement as presented in this Application.

WHEREFORE, The Timken Company and Ohio Power respectfully request that the Commission approve the above described Unique Arrangement subject to the terms and conditions specified herein to commence as soon as possible.

Respectfully submitted,

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Telephone: (614) 716-1608
Fax: (614) 716-2950
Email: stnourse@aep.com

Counsel for the Ohio Power Company

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE JOINT APPLICATION OF THE TIMKEN COMPANY AND THE OHIO POWER COMPANY FOR APPROVAL OF A UNIQUE ARRANGEMENT FOR THE TIMKEN COMPANY'S CANTON, OHIO FACILITIES	:	**CASE NO. 10-3066-EL-AEC**

APPENDIX A

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE JOINT APPLICATION OF THE TIMKEN COMPANY AND THE OHIO POWER COMPANY FOR APPROVAL OF A UNIQUE ARRANGEMENT FOR THE TIMKEN COMPANY'S CANTON, OHIO FACILITIES	:	**CASE NO. 10-3066-EL-AEC**

APPENDIX B

CASE NO. 10-3066-EL-AEC
APPENDIX B TO APPLICATION
SELF-DIRECT PROGRAM AGREEMENT

THIS SELF-DIRECT PROGRAM AGREEMENT (the "Agreement") is entered into on this 17th day of Dec., 2010, by and between Ohio Power Company d/b/a AEP Ohio, its successors and assigns (the "Company"), and **The Timken Company**, its successors and assigns (the "Customer") (collectively, the "Parties"), and is effective as set forth below (the "Effective Date").

WHEREAS, the Company currently provides electric service to the Customer at certain of its facilities; and

WHEREAS, the Customer has implemented various energy efficiency and demand reduction projects at its Canton, Ohio manufacturing complex (the "Facility"); and

WHEREAS, the Customer contemplates implementing additional energy efficiency projects and demand reduction projects at the Facility; and

WHEREAS, the Customer desires to integrate its energy and demand conservation programs with the Company's energy and demand conservation programs; and

WHEREAS, the Company desires to accept the commitment of the Customer to integrate its energy and demand conservation programs with the Company's energy and demand conservation programs as part of a comprehensive economic development and conservation plan presented to the Public Utilities Commission of Ohio (the "Commission") pursuant to Section 4905.31(E), Revised Code.

NOW, THEREFORE, in consideration of the promises and mutual covenants set forth herein, the parties do hereby agree as follows:

1. **Effective Date and Term**. The Effective Date of this Agreement shall be the date upon which the Commission authorizes the Unique Arrangement between the Company and the Customer proposed in Case No. 10-3066 EL-AEC and shall remain in effect until such Unique Arrangement terminates.

2. **Demand Reduction**. The Customer hereby commits each calendar year the results from the demand reduction projects listed in Appendix A to the Application for the Unique Arrangement proposed in Case No. 10-3066 EL-AEC ("Appendix A") to the Company for purposes of compliance with Section 4928.66, Revised Code. Further, the Customer agrees to commit to the Company all future demand reduction projects implemented by the Customer during the term of this agreement. The Customer may also remove demand reduction projects from Appendix A provided the demand reduction projects are no longer in place and/or utilized by the Customer. An amendment to Appendix A as contemplated herein shall be made upon written notice by the Customer to the Company pursuant to paragraph 15 herein, and shall take effect upon written consent by the Company, which consent shall not be unreasonably withheld, and approval by the Commission if such is required.

3. **Demand Response**. The Customer agrees to commit to the Company, for purposes of compliance with Section 4928.66, Revised Code for the term of this Agreement, all future demand response programs implemented by the Customer at the Facility by amending

Appendix A to list each new demand response project. The Customer may also remove demand response projects from Appendix A provided the demand response projects are no longer utilized by the Customer. An amendment to Appendix A as contemplated herein shall be made upon written notice by the Customer to the Company pursuant to paragraph 15 herein, and shall take effect upon written consent by the Company, which consent shall not be unreasonably withheld, and approval by the Commission if such is required.

4. **RTO Demand Response Program Participation.** Notwithstanding the Customer's commitment to integrate its energy and demand conservation projects with the Company's energy and demand conservation programs, the Customer reserves any right to participate in either a Company demand response program or a PJM Interconnection demand response program. If the Customer joins a PJM Interconnection demand response program, it will work with the Company to see if any demand reduction pledged to the PJM program may be integrated into the Company's conservation programs.

5. **Energy Efficiency.** The Customer hereby commits its existing energy efficiency projects listed on Appendix A and currently in use at the Facility to the Company for purposes of compliance with Section 4928.66, Revised Code for the term of this Agreement. The Customer agrees to commit all future energy efficiency projects implemented by the Customer and/or planned by the Customer at the Facility by amending Appendix A to list each new energy efficiency project. The Customer may also remove energy efficiency projects from Appendix A provided the energy efficiency projects are no longer utilized by the Customer. An amendment to Appendix A as contemplated herein shall be made upon written notice by the Customer to the Company pursuant to paragraph 15 herein, and shall take effect upon written consent by the Company, which consent shall not be unreasonably withheld, and approval by the Commission if such is required.

6. **Coordination with Federal Law.** Notwithstanding the Customer's commitments under this Agreement, the Customer shall be entitled to participate and receive the full benefit of any and all federal programs and/or incentives related to energy efficiency, carbon emission reduction, conservation or like programs existing at any time during the term of this Agreement to the extent the Customer's participation in such programs and/or incentives does not preclude the Company from recognizing the demand reduction, demand response or energy efficiency results arising from those programs listed on Appendix A for purposes of compliance with Section 4928.66, Revised Code.

7. **Coordination Requirements.** During the term of this Agreement, the Company and the Customer agree to take all reasonable steps necessary to coordinate the integration of the Customer's demand reduction projects, demand response projects and energy efficiency projects with the Company's demand reduction, demand response and energy efficiency programs. These steps are described in Appendix A.

8. **Measurement and Verification.** The Customer agrees to prepare an annual measurement and verification report. The report shall comply with all requirements set forth in the Commission's rules, as modified from time to time. The Customer will provide that report to the Company and the Commission's Staff no later than February 15 of each year during the term of this Agreement. Measurement of energy savings and/or demand reductions shall be completed in accordance with the Commission's protocols, rules and/or Technical Reference Manual for measurement and verification for industrial facilities similar to the Facility. It is anticipated that measurement and verification will vary based on the type of project. Where reasonably feasible, measurement and verification will be completed by projecting the annual

savings from the demand reduction programs, energy efficiency projects and demand response programs listed on Appendix A and comparing the projected annual savings to actual savings. Alternatively, measurement and verification may be completed by projecting the annual savings and verifying equipment installation and/or use modification. The Customer agrees to maintain data forms in a manner acceptable to the Company and Staff of the Commission.

During the term of this Agreement, the Customer will grant permission to the Company and to the Commission's Staff to measure and verify energy savings and/or peak demand reductions resulting from energy efficiency projects, demand reduction and demand-response projects at the Facility (collectively the "Results"). The Customer will allow representatives from the Company and the Commission's Staff access to the Facility to perform such measurements and verifications. All individuals performing such site measurements and verifications must comply with all applicable safety procedures at the Facility. Any information obtained by the Company and the Commission's Staff during any such site visit including, but not limited to, the Results shall be treated as confidential by the Company and the Commission's Staff to the extent permitted by law. The Company and the Commission's Staff shall execute a confidentiality agreement as reasonably requested by the Customer. In addition, the Customer agrees to make reasonable efforts to comply with any request by the Company or the Commission's Staff for additional information, supporting detail, calculations, manufacturer specifications or any other information the Company or the Commission's Staff deems necessary.

9. **Baseline Calculation.** For purposes of the annual report referenced in paragraph 8 and measurement of annual energy efficiency and peak demand reductions, the Customer shall calculate baselines for the Customers' kilowatt-hour consumption and peak demand based on the averages of the three most recent years of metered data. Customer's initial baseline shall be measured using metered data from 2006, 2007 and 2008 and then normalized. The baselines will be normalized for changes in weather, peak demand and other appropriate factors so that the compliance measurement is not influenced by factors outside the control of the Customer. Any normalization changes will be documented.

10. **Forecasting.** Customer represents to the best of its knowledge that all of the information submitted to the Company in connection with this Agreement, including without limitation, Appendix: A, is true and accurate and that Customer understands that the Company is expressly relying upon this representation as a condition of entering into this Agreement.

11. **Noncompliance With Demand Response.** Should the Customer join either a Company sponsored or a PJM Interconnection Demand Response program and fail to comply with the terms of such commitment, that non compliance shall not be considered a breach of this Agreement unless and until the Company sponsored or the PJM Interconnection Demand Response program is part of the conservation programs listed in Appendix A.

12. **Termination.** This Agreement may be cancelled by either of the Parties should one of the three following conditions occur: a) a change in law or regulation renders the agreement impractical for either Party; b) the Parties mutually agree to amend, suspend, or replace this Agreement; or c) the Unique Arrangement of which this Agreement is a part is terminated.

13. **Rebates.** The Customer may participate in the Company's other business programs including, but not limited to, advanced technology pilots and alternative energy incentives.

14. **Force Majeure.** Neither Party shall be liable to the other for any expenses, loss or damage resulting from delays or prevention of performance arising from a Force Majeure. "Force Majeure" shall mean acts of God, riots, labor or material shortages, act(s) by any government, governmental body or instrumentality or regulatory agency (including delay or failure to act in the issuance of approvals, permits or licenses), fires, explosions, floods, breakdown or damage to plants, equipment or facilities, or other causes of similar nature which are beyond the reasonable control of the party. The party affected by Force Majeure shall give notice to the other party as promptly as practical of the nature and probable duration of such Force Majeure, with the effect of such Force Majeure eliminated insofar as possible with all reasonable dispatch. The performance by the Parties hereunder shall be excused only to the extent made necessary by the Force Majeure condition, provided that neither party shall be required pursuant to this Agreement to rebuild all or a major portion of its facilities which are destroyed or substantially impaired by a Force Majeure event.

15. **Notice.** All notices or other communications required or permitted by this Agreement shall be in writing and shall be deemed given when personally delivered to the Company or the Customer or, in lieu of such personal delivery services five (5) days after deposit in the U.S. Mail, first class, postage prepaid, certified, addressed as follows:

If to the Company, at:

Ohio Power Company d/b/a AEP Ohio
301 Cleveland Ave. SW
Canton, OH 44702
Attention: Manager - Energy Efficancy / Demand Response

If to the Customer, at:

The Timken Company
1835 Dueber Ave., S.W.
Canton, OH 44706
Attention: Commodity Manager – Energy (MMS-01)

16. **Confidentiality.** The Parties understand that all documentation and verification relating to this Agreement is subject to strict confidentiality. Except as otherwise described herein, the Company will not disclose such information except under an appropriate protective agreement or a protective order issued by the Commission pursuant to Section 4901-1-24 of the Ohio Administrative Code. By executing this Agreement, Customer acknowledges and agrees that the Company may disclose to the Commission or the Commission's Staff any and all confidential documentation and verification information provided by the Customer related to this Agreement provided that the Company uses reasonable efforts to protect the confidentiality of such information as described in this paragraph or by filing such information under seal. Notwithstanding the foregoing, the Company agrees that any information obtained through this Agreement from the Customer related to metering technology, Facility information and process information shall be deemed and treated as confidential information by the Company and shall not be used for any other purpose or disclosed without the prior written consent of the Customer.

17. **Assignment.** This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and/or assigns, but the Customer shall not

transfer or assign any of the rights hereby granted to any non-affiliated third-party without the prior written consent of the Company.

18. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute one and the same agreement. With the exception of Appendix A, no modification of this Agreement is effective unless reduced to writing, signed by both Parties, and approved by the Commission.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed on its behalf by an appropriate officer thereunto duly authorized, all as of the date set forth at the beginning of this Agreement.

The Timken Company

By: ____________________

Name: Thomas D. Moline

Title: Vice President-Steel Manufacturing

Date: 09 Sep 2010

Ohio Power Company

By: ____________________

Name: Jon F. Williams

Title: Manager EE/PDR

Date: 17 Dec. 2010

9/02/2010 9187741

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE JOINT APPLICATION OF THE TIMKEN COMPANY AND THE OHIO POWER COMPANY FOR APPROVAL OF A UNIQUE ARRANGEMENT FOR THE TIMKEN COMPANY'S CANTON, OHIO FACILITIES	:	**CASE NO. 10-3066-EL-AEC**

APPENDIX C

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE JOINT APPLICATION OF THE TIMKEN COMPANY AND THE OHIO POWER COMPANY FOR APPROVAL OF A UNIQUE ARRANGEMENT FOR THE TIMKEN COMPANY'S CANTON, OHIO FACILITIES	:	**CASE NO. 10-___-EL-AEC**

State of Ohio)
) SS:
County of Stark)

AFFIDAVIT OF WARD J. TIMKEN, JR.

I, Ward J. Timken, Jr., being first duly sworn, declare that I am the Chairman of the Board of **The Timken Company**, and that the information provided in the foregoing application and appendices is true and accurate to the best of my knowledge and belief.

Ward J. Timken, Jr.
Chairman of the Board

The foregoing instrument was acknowledged before me this 24th day of November, 2010 by Ward J. Timken, Jr., Chairman of the Board of **The Timken Company**, an Ohio corporation, on behalf of the corporation.

Janice L. Burke
Notary Public

NOTARIAL SEAL STATE OF OHIO

JANICE L. BURKE
Notary Public, State of Ohio
My Commission Expires 01-07-2013

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE JOINT APPLICATION OF THE TIMKEN COMPANY AND THE OHIO POWER COMPANY FOR APPROVAL OF A UNIQUE ARRANGEMENT FOR THE TIMKEN COMPANY'S CANTON, OHIO FACILITIES	:	**CASE NO. 10-3066-EL-AEC**

APPENDIX D

August 19, 2010

Mr. Alan R. Schriber, Chairman
Public Utilities Commission of Ohio
180 E. Broad St.
Columbus, OH 43215

RE: The Timken Company, Canton, Ohio, "Unique Arrangement"

Dear Chairman Schriber:

I respectfully offer my support for the Timken Company and American Electric Power's joint application to the Public Utilities Commission of Ohio for a "unique arrangement".

The Timken Company has a history in Ohio dating back 110 years. They have over 4,500 associates in Ohio alone and 16,500 worldwide. Not only are they an essential part of Ohio's manufacturing economy; they have a tremendous multiplier effect on Ohio's economy in general. They purchase approximately $1.4 Billion per year of materials and supplies from over 1,800 Ohio-based businesses. It is important for them to be able to remain competitive in the global markets they compete in. Electricity is a significant cost element of their business and affects their decision about where to produce their products. Securing a long-term stability and predictability in their energy prices will allow them to make informed decisions and in turn be more competitive.

Although the Timken Company is very energy efficient, it is also extremely energy-intensive consuming over 1.2 Billion kWh per year in Ohio. This currently costs them in excess of $46 Million annually on electricity to operate their Ohio facilities. A mere change of $0.001/kWh equates to a change of over $1 Million per year.

The Timken Company and American Electric Power have worked together to construct a plan that will satisfy their needs and concerns, and also believe it will facilitate the state of Ohio's effectiveness in the global economy. During the 10 year agreement, the Timken Company will be able to improve its ability to be competitive and to make informed future investment decisions that will retain high-paying manufacturing jobs within the state of Ohio.

Once again, I support this application from American Electric Power and The Timken Company as I believe the Stark County area and the state of Ohio will benefit greatly.

Sincerely,

Scott Oelslager
State Representative
House District 51

SO/jrb

Cc: Steven D. Lesser, P.U.C.O. Commissioner
Valerie A. Lemmie, P.U.C.O. Commissioner
Paul A. Centolella, P.U.C.O. Commissioner
Cheryl Roberto, P.U.C.O. Commissioner

THE CITY OF
CANTON
WILLIAM J. HEALY II, MAYOR

August 18, 2010

Dr. Alan R. Shriber, Chairman
Public Utilities Commission of Ohio
180 E. Broad St.
Columbus, Ohio 43215

RE: The Timken Company, Canton, Ohio, "Unique Arrangement"

Dear Chairman Shriber and PUCO Commissioners:

I am writing to you today to voice my strong support for the application for a unique arrangement that is being jointly filed by The Timken Company and American Electric Power Company.

Founded in 1899, The Timken Company has been an economic pillar of the greater Canton community for over 100 years. Timken employs approximately 20,000 associates worldwide, with over 4,500 associates here in Ohio. The company's largest manufacturing footprint is in Canton, Ohio, which also serves as its global headquarters and the epicenter of its global research and development network.

Timken's flagship operations in Canton make it the second largest employer in Stark County, with an annual local payroll in excess of $400 Million. As Timken's payroll number suggests, these are well-paying manufacturing, administrative and professional jobs that are vitally important to the local and surrounding economies. However, The Timken Company's economic impact reaches far beyond our city and county borders. Timken spends in excess of $1.4 Billion annually (excluding energy purchases) with its Ohio-based supplier network. There is a tremendous multiplier effect to Ohio's broader economy as a result of the thousands of jobs provided by Timken's supplier base.

In addition to providing high paying jobs for our citizens, Timken is also vitally important to the state and local tax base. In fact, Timken pays various Ohio taxes amounting to over $165 Million per annum.

Providing The Timken Company with the opportunity to keep its cost structure competitive is absolutely essential. Electricity is a substantial part of Timken's cost structure, exceeded only by labor and scrap metal purchases. Timken spends in excess of $45 Million per year to run its Canton operations. Given the magnitude of Timken's electricity load, a mere change of a tenth of a cent per kilowatt hour equates to over $1 Million per year.

The public interest is well served in assuring that The Timken Company has long term access to affordable and reliable electricity. The ten-year agreement for which Timken and AEP seek approval provides the requisite economic certainty needed to encourage long term strategic investment, sustain competitiveness, and provides the best opportunity for keeping well-paying jobs in Canton, Ohio.

On behalf of the City of Canton, I respectfully urge your approval of this application as soon as possible.

Sincerely,

Wm. J. Healy II

William J. Healy, Mayor
City of Canton

Cc: Commissioner Steven D. Lesser
Commissioner Valerie A. Lemmie
Commissioner Paul A. Centolella
Commissioner Cheryl Roberto

Committees:
Public Utilities, ranking member
Alternative Energy
Economic Development
Healthcare Access & Affordability

Contact Information:
Office: 614-466-9078
Toll-Free: 1-800-282-0253
FAX: 614-719-6950
Email: district50@ohr.state.oh.us
www.house.state.oh.us

State Representative Todd A. Snitchler
50th Ohio House District

~~August 18th, 2010~~

Alan R. Schriber
Chairman, PUCO
180 E. Broad St.
Columbus, OH 43215

Dear Chairman Schriber,

I write to you today concerning the commission's pending approval of a "Unique Arrangement" between The Timken Company and American Electric Power who is a key supplier of electricity here in Ohio, particularly in Stark County. I support this initiative and urge the commission's favorable consideration of their joint application.

The Timken Company has been a staple of Ohio industry and innovation for over 100 years and is critically important to the health and growth of Ohio's economy. Timken currently employs nearly 4,500 Ohioans and generates $165 million in tax revenues for the state each year. Additionally, Timken spends close to $1.4 billion annually as it does business with over 1,800 Ohio-based suppliers who support Timken's operations.

With such an energy-intensive operation geared toward meeting a worldwide demand and competing globally in an expanding and competitive industry, Timken consumes over 1.2 billion kWh of electricity per year, which costs the company roughly $47 million. The Timken Company understands the importance of securing long-term stability and predictability in their energy costs as electricity is a significant cost element of their business.

By granting this joint application, the PUCO will allow Timken to have stable electricity rates for the period of the joint application. Ohio will benefit from the significant impact Timken brings to the state and local communities and as a state we will demonstrate our collective commitment to the Ohio manufacturing sector and to companies that are the best corporate citizens in our nation.

The term of the agreement between Timken and AEP is ten years, providing Timken with the requisite affordability and predictability in their electricity rates to allow them to remain competitive and retain valuable high-paying manufacturing jobs in Ohio. The agreement will provide Timken with a discount off of the otherwise applicable tariffs which will be helpful to the company as their electricity costs are a large component of their total cost structure.

Ohio's public interest is best served through facilitating The Timken Company's competitiveness and stability through this agreement. As such, I strongly encourage the commission to approve their application as filed.

Please feel free to contact me if you have questions regarding the contents of this letter by calling my office at 614-466-9078. Thank you for your consideration.

Sincerely,

Todd A. Snitchler
State Representative
50th Ohio House District

Stephen D. Slesnick
State Representative

Proudly Serving Ohio's
52nd House District

August 20, 2010

Chairman Alan R. Schriber
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

Dear Chairman Schriber,

I am writing to convey my support for the application being jointly filed by The Timken Company and American Electric Power Company for a unique arrangement.

The Timken Company has tremendous economic impact in my district, serving as the second largest employer in Stark County. Timken currently employs over 4,500 of Ohio's workers, most of which are located in Canton. Additionally, the Timken Company shows strong commitment to corporate citizenship in the community.

A unique arrangement will facilitate Timken's ability to remain competitive in the global industry by allowing the company to control a critical component of its manufacturing cost. The interests of both the City of Canton and the state of Ohio are best served by ensuring lasting success for the company and its workers.

Therefore, I respectfully urge your approval of the application for a unique arrangement between The Timken Company and American Electric Power Company.

Sincerely,

Stephen D. Slesnick

Stephen D. Slesnick
State Representative
52nd House District

(614) 466-8030 (800) 282-0253 (toll free) District52@ohr.state.us
77 South High Street • Columbus, Ohio 43215-6111

Ohio Senate
Statehouse
Columbus, Ohio 43215
614-466-0626
614-466-4250 Fax
E-mail: SD29@senate.state.oh.us

District Office:
330-478-2900

Committees:
Agriculture, Chair
Education, Vice Chair
Health, Human Services, and Aging
Ways and Means and Economic Development

Special Committees:
Ohio Children's Trust Fund Board
Ohio Retirement Study Council
Ohio Expositions Commission
Ohio Legislative Service Commission
Ohio Steel Industry Advisory Council

Kirk Schuring
State Senator
29th District

August 19, 2010

Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

Dear Members of the Public Utilities Commission of Ohio,

I am writing to express my strong support of the unique arrangement application that has been jointly submitted by the Timken Company and American Electric Power (AEP) for approval by the Public Utilities Commission of Ohio (PUCO).

For over 100 years, the Timken Company has been a vital part of our state and local economy and a valuable corporate citizen. The Timken Company is a major employer in our area with thousands of families depending on them for their livelihood and health. Additionally, hundreds of local businesses benefit from the sale of services, products, and supplies to Timken. Without question, maintaining and growing the economic strength of the Timken Company is extremely important to my Senate district, particularly during these difficult economic times.

It is very crucial in this intensely competitive global marketplace that all production costs are scrutinized and controlled in both the short and long term. This is especially true in regards to the cost of energy and its growing share of the price of producing a product.

To that end, the unique arrangement application that has been negotiated between AEP and the Timken Company will ensure that the Timken Company's energy costs are competitive at a time in which energy prices are rising and are very unstable. The 10-year agreement will give the Timken Company a competitive edge and also the ability to predict their energy costs for a long time to come.

Once again, the approval of this unique arrangement by the PUCO is critically important to my Senate district. I respectfully request that you give your utmost consideration to this extraordinary agreement that addresses a critically important part of the Timken Company's cost of doing business and its overall economic well-being.

Sincerely,

Kirk Schuring
State Senator
29th Senate District

Stark
Development
Board, Inc.

August 18, 2010

The Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

To the Chairman and Members of the Ohio Public Utilities Commission of Ohio

This letter is to provide the support to an agreement that has been reached between The Timken Company and American Electric Power ("AEP") for a special electric power contract. This contract, if approved by the Public Utility Commission of Ohio ("PUCO") will substantially improve Timken's ability to remain competitive in the fiercely competitive global markets that the company serves. This agreement also provides greater rate certainty and predictability for a critical component of the company's cost structure - one that also greatly influences future investment decisions by the company.

This is important to the Stark Development Board and to all the resident's of Stark County, Ohio because The Timken Company has its global headquarters in Canton Ohio, and is the county's second largest employer. The company currently employs over 4,500 people and provides hourly wages from between $ 19.21 to $23.93 and the total hourly compensation, including wages, benefits, overtime and incentives - is $40.00 to $50.00. For the salaried workforce, the average annual salary of non-officers is over $75,000, excluding benefits and performance award compensation.

In addition to the jobs the company provides, over 1,800 Ohio businesses are an integral part of the company's supply chain. Excluding energy purchases, The Timken Company spends approximately $1.39 billion each year with these suppliers. As such, we believe that the Company's financial strength and future growth are vitally important to the stability of Ohio's supply chain- most of which are thousands of small businesses that also create or sustain jobs.

Stark Development Board
116 Cleveland Avenue, N.W., Suite 600 Canton, Ohio 44702-1730
330-453-5900 FAX 330-453-1793
www.starkcoohio.com

The company has shared with us that its Ohio footprint includes 13 plants, office buildings and other facilities in Canton, North Canton, Bucyrus and New Philadelphia. Most of these facilities are served by AEP's Ohio operating company, Ohio Power. Collectively, these facilities consume in excess of 1.5 billion kilowatt-hour per year, at an annual cost of electricity for these facilities in excess of $46 million. As such, even a small change in the price per kWh has significant impact on the company's electric bills to operate and the company's profitability and competitiveness. In fact, a change of $.001 kWh equates to one million dollars of savings for the company's Canton operations alone.

It is for all these reasons that SDB supports the proposed agreement between The Timken Company and AEP and requests PUCO to approve this important agreement.

Sincerely,

Stephen L. Paquette
President & CEO
The Stark Development Board, Inc.

CANTON *REGIONAL*
CHAMBER OF COMMERCE

222 Market Avenue North, Canton, Ohio 44702 • Main Line (330) 456-7253 • (800) 533-4302
General Fax: (330) 452-7786 • Finance, Sales, Marketing & Events Fax: (330) 489-6005 • www.cantonchamber.org

August 18, 2010

Mr. Alan R. Schriber
Chairman
The Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

Dear Mr. Schriber,

The Canton Regional Chamber of Commerce wants to go on record in support of a special contract developed by The Timken Company and AEP currently before the PUCO for approval. These two companies have proposed a 10 year agreement whereby AEP will provide The Timken Company electricity based on a declining-discount-off-tariff structure.

This will provide both companies with requisite affordability and predictability in rates that will improve their ability to be competitive and to make informed decisions regarding future investments. We believe the public interest is well served by this agreement.

The Timken Company, based in Canton for 110 years, is extremely important to our local economy. The company presently has 16,500 associates worldwide of which 4,500 are in Ohio and 3,500 are in Stark County. Each year the company pays $465 million in payroll taxes and another $165 million in other various taxes.

The company has over 1,800 Ohio based suppliers of which it spend roughly $1.39 billion each year on goods and services. Both the steel and bearing industries are capital intensive. The average annual investment in their Ohio facilities ranges from $24 million to $47 million. In 2008 alone the company, in Canton, invested $60 million in a new small bar mill and $14 million in a thermal treatment facility.

The company while energy efficient is also energy intensive. In Ohio the company consumes 1.2 million kWh per year at an approximate cost of $47 million. Given the realities in global markets it's important to understand and recognize that electricity is a significant cost and directly affects decisions on where to produce products. We feel this agreement will help insure that the company maintains significant operations in our community.

We urge the PUCO to approve the agreement. This was negotiated between the parties and we support their proposal. This agreement will be good for the citizens of Ohio and will strengthen our manufacturing base and help grow our statewide economy.

Cordially,

Dennis P. Saunier

Dennis P. Saunier
President and CEO