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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

2011 MAR 21 PM 5:24

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 **PUCO**


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**DIRECT TESTIMONY OF JAMES W. GRIFFITH**

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**Q.1. Please state your name, title and business address.**

**A.1.** My name is James Griffith. I am the President and Chief Executive Officer of  
The Timken Company ("Timken"). My business address is 1835 Dueber Avenue S.W.,  
Canton, Ohio 44706-0932.

**Q.2. Please describe your educational background.**

**A.2.** I received a bachelor's degree in industrial engineering and a Master of Business  
Administration from Stanford University.

**Q.3. What is your professional background?**

**A.3.** I joined Timken in 1984 and have held positions as plant manager, vice president  
of manufacturing in North America and managing director of the company's business in  
Australia. From 1996 to 1999, I led Timken's automotive business in North America and  
the company's bearing business activities in Asia and Latin America. I was elected  
President, Chief Operating Officer and Director in 1999 and was named Chief Executive  
Officer in 2002. I am the President of the World Bearing Association and Chairman of  
the Board of Directors of the Manufacturing Advocacy and Growth Network. I am Vice  
President of the Management Executives' Society and serve on the boards of directors of  
the US-China Business Council and Goodrich Corporation.

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1 **Q.4. On whose behalf are you offering testimony?**

2 **A.4.** I am testifying on behalf of The Timken Company in support of the Application  
3 filed in this proceeding.

4 **Q.5. What is the purpose of your testimony?**

5 **A.5.** The purpose of my testimony is to support the Application by describing  
6 Timken's operations at the Canton Facility, the challenges Timken faces both globally  
7 and domestically, why Timken is seeking the unique arrangement, how the unique  
8 arrangement will help Timken's Canton Facility remain competitive and the impact on  
9 the Canton Facility if the Commission does not approve the arrangement.

10 **Q.6. Are there aspects of Timken's corporate culture that the Commission should**  
11 **consider in regards to the Application?**

12 **A.6.** Yes. Timken's culture is based on four core values that serve as a roadmap to  
13 guide Timken's decisions for the benefit of all Timken stakeholders. The first value is  
14 Ethics & Integrity. When making business commitments, ethics, honesty and respect are  
15 the most important considerations. To that end, Timken takes very seriously its  
16 commitments in the Application, especially its continued investment in the Canton  
17 Facility. At Timken, we take to heart a statement attributed to Timken's founder Henry  
18 Timken, that "If you have an idea which you think is right, push it to a finish. But above  
19 all, don't set your name to anything you will ever have cause to be ashamed of." The  
20 second and third values are Quality and Innovation. The quality of Timken's products  
21 and services is an extension of its commitment to ethics and sets it apart from its  
22 competitors.. Timken strives for innovation, focusing on continuously advancing energy-  
23 efficient, durable performance in every part of its business. These innovations can lead to

1 new capital investments and continued investment in Timken's manufacturing facilities  
2 like Timken's Canton, Ohio manufacturing facilities. The fourth value is Independence.  
3 This value is very important to Timken because independence fosters the greatest  
4 potential for creativity and growth. Taken together, these four values provide a roadmap  
5 as to how Timken does business. Timken can control how well it succeeds in following  
6 these core values on a daily basis. Timken, however, cannot control the ever changing  
7 market conditions such as increases in electricity costs.

8 **Q.7 Please describe Timken's operations at the Canton Facility?**

9 **A.7.** Timken has had operations in Canton, Ohio for over 100 years, since 1901.  
10 Timken made its first investment in steelmaking operations in 1917 when it opened its  
11 first steel plant in Canton, Ohio. This investment was made to ensure a reliable supply of  
12 steel for use in making Timken bearings. Through the years, Timken has continued to  
13 invest in its Canton, Ohio operations. Today, Timken's Canton, Ohio operations consist  
14 of its Technology Center and the Canton District facilities consisting of the Faircrest  
15 Steel Plant, the Gambrinus Steel Plant, the Harrison Steel Plant, the Gambrinus Roller  
16 Plant and Timken's corporate offices. Together the Technology Center and the Canton  
17 District facilities make up the Canton Facility as described in the Application.

18 **Q.8. How important is the Canton Facility to the economy of Ohio?**

19 **A.8.** Prerecession, Timken's annual Ohio payroll typically exceeded \$465 million  
20 dollars. Further, Timken typically paid some \$165 million in state and local taxes  
21 annually and purchased \$1.39 billion dollars worth of goods and services from 1,800  
22 different Ohio businesses. Assuming a multiplier of 3.3 that is an infusion of just over  
23 \$4.5 billion dollars into the Ohio economy. The preliminary figures for 2010 are far off

1 this mark. For example, Timken's 2010 Ohio payroll numbers were down 26% to \$344  
2 million in large measure because of layoffs related to the slow economic recovery, as  
3 well as the exiting of unprofitable business. To maintain its current operations let alone  
4 return to the prerecession numbers Timken must be competitive in the world market.

5 **Q.9. What challenges does Timken face in today's market to be competitive?**

6 **A.9.** Like other manufacturers, Timken is facing great pressure both domestically and  
7 globally. Timken's domestic and global competitors continue to invest in their facilities.  
8 For example, China has increased its investment in steelmaking capacity by  
9 approximately 500 million tons in the last five years. Compare that with the fact that  
10 domestic steelmaking capacity in the U.S. only totals 100 million tons. Also, today's  
11 customers do not care where manufacturing facilities are located. Customers are focused  
12 on price and quality, not the location of the factory that manufactured the product.  
13 Considering the importance of price in today's economy, it is critical to Timken's success  
14 that it be competitive in every cost aspect of its business.

15 **Q.10. What steps has Timken taken to compete in today's global economy?**

16 **A.10.** Over the first 100 years of the company, Timken focused on a primary product, a  
17 tapered roller bearing and specialty alloy steel. As the economy globalized, Timken  
18 recognized the need to enhance the differentiation of its products and business model.  
19 Timken has expanded into power transmission components and services in industrial  
20 markets where its products make machines run better. Timken leveraged its capabilities,  
21 expanded its products and expanded its geographic range. At the same time, Timken had  
22 exited product lines where it could not be competitive and achieve profitability. Timken  
23 recognized that to be a successful manufacturer, it must continue to evolve and worked

1 aggressively to globalize its operations. It is lean, operationally excellent, agile and  
2 employs highly skilled people. Timken has also taken advantage of new markets, new  
3 suppliers and new relationships in the global economy to grow its steel business and  
4 expand the variety of products for customers. Over the last decade, this approach has  
5 made Timken a much better company. In 2010, Timken exported over \$400 million in  
6 U.S. manufactured products including \$40 million in steel produced in the Canton  
7 facility.

8 **Q.11. If Timken has taken these steps and had success, why is it asking for approval of the**  
9 **unique arrangement proposed in the Application?**

10 A.11. Timken's Canton operations, especially its steel manufacturing facilities, are very  
11 competitive. Historically, one of the primary reasons Timken's Canton operations have  
12 been competitive is the reasonable price Timken pays for the electricity it requires for its  
13 steel operations. Electricity constitutes the third largest cost component of Timken's  
14 steel business. The only way Timken can effectively compete both domestically and  
15 globally is to be competitive in the cost aspects of every part of our business including  
16 electricity. The increases in Ohio's electric rates have been eroding Timken's  
17 competitiveness for products from its Canton operations. Although Timken is very  
18 committed to the Canton Facility and maintaining its success, it is very difficult to make  
19 new investments in a facility when the facility's ability to be cost competitive is at risk.

20 **Q.12. How will the unique arrangement proposed in the Application help sustain**  
21 **Timken's Canton Facility?**

22 A.12. Remember, that the cost of electricity is the third largest cost component of  
23 Timken's steel business. The Application provides Timken not only a lower cost for

1 electricity but also some degree of certainty on the future cost increases for electricity at  
2 the Canton Facility. Savings on the cost of electricity will immediately improve the  
3 bottom line at the Canton Facility. Higher profitability coupled with some degree of  
4 certainty as to future electric rate increases will help Timken compete in the global  
5 economy and make the Canton Facility a much more attractive location for capital  
6 investments in manufacturing. Bottom line, manufacturing at the Canton Facility is  
7 important not only to Timken and the thousands of people that Timken directly employs,  
8 but to its Ohio suppliers, their employees and local government who in part are  
9 dependent on the Canton Facility holding its own in the world steel market.

10 **Q.13. What will be the impact on Timken's Canton Facility if the Commission does not**  
11 **approve the Application?**


12 **A.13.** Continued electric rate increases will significantly raise the cost of operating the  
13 Canton Facility. Each increase in operating costs lowers the profitability at the Canton  
14 Facility and challenges its competitiveness.. Increases and uncertainty in the cost of  
15 electricity in Ohio undermines the ability to justify capital investments and win new  
16 business. This is not a good result for Timken, its Canton Facility or Ohio. Timken is  
17 committed to Ohio and this Application provides the Commission with an opportunity to  
18 match Timken's commitment to keeping steel manufacturing in Ohio.

19 **Q.14. Does this conclude your direct testimony?**

20 **A.14.** Yes, it does.

## CERTIFICATE OF SERVICE

I certify that a copy of the foregoing document was served by regular U.S. Mail and electronic mail on the following persons this 21<sup>st</sup> day of March, 2011.

  
Michael J. Settineri

Steven T. Nourse  
American Electric Power Service  
Corporation  
1 Riverside Plaza, 29th Floor  
Columbus, OH 43215  
[stnourse@aep.com](mailto:stnourse@aep.com)

David F. Boehm  
Michael L. Kurtz, Esq.  
Boehm, Kurtz & Lowry  
37 East Seventh Street, Suite 1510  
Cincinnati, Ohio 45202  
[dboehm@BKLawfirm.com](mailto:dboehm@BKLawfirm.com)  
[Mkurtz@BKLawfirm.com](mailto:Mkurtz@BKLawfirm.com)

Thomas McNamee  
William Wright  
Attorney General's Office  
Public Utilities Commission of Ohio  
180 E. Broad St., 6<sup>th</sup> Floor  
Columbus, OH 43215  
[thomas.mcnamee@puc.state.oh.us](mailto:thomas.mcnamee@puc.state.oh.us)  
[william.wright@puc.state.oh.us](mailto:william.wright@puc.state.oh.us)

Samuel C. Randazzo  
Joseph E. Olikier  
McNees Wallace & Norick LLC  
21 East State Street 17<sup>th</sup> Floor  
Columbus, OH 43215  
[sam@mwncmh.com](mailto:sam@mwncmh.com)  
[joliker@mwncmh.com](mailto:joliker@mwncmh.com)

Maureen R. Grady, Counsel of Record  
Michael E. Idzkowski  
Assistant Consumers' Counsel  
Office of the Ohio Consumers' Counsel  
10 West Broad Street, Suite 1800  
Columbus, OH 43215-3485  
[grady@occ.state.oh.us](mailto:grady@occ.state.oh.us)  
[idzkowski@occ.state.oh.us](mailto:idzkowski@occ.state.oh.us)