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June 8, 2011

Ms. Betty McCauley
Docketing Division
Power Siting Board
180 E. Broad Street, 11th Floor
Columbus, OH 43215

Re: 10-3066-EL-AEC
Contract implementing the Unique Arrangement Between The Timken Company
and Ohio Power Company

Dear Ms. McCauley:

On April 27, 2011 the Public Utilities Commission of Ohio issued an Opinion and Order approving the application in the above styled proceeding authoring a unique arrangement between The Timken Company and the Ohio Power Company. Although not required by the specific terms of the Opinion and Order, it has been the custom with unique arrangements that the agreement between the electric utility and the customer implementing the terms and conditions of the Unique Arrangement be filed.

Thus, enclosed for filing please find an original and ten copies for filing.

Very truly yours,



M. Howard Petricoff
Vorys, Sater, Seymour and Pease LLP
Attorneys for The Timken Company

MHP/mhp

Enclosure
CC: All Parties of Record

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CONTRACT FOR UNIQUE ARRANGEMENT

THIS CONTRACT FOR UNIQUE ARRANGMENT (the "Contract") is entered into on this Third day of June 2011, by and between Ohio Power Company, its successors and assigns (the "Company"), and The Timken Company, its permitted successors and assigns (the "Customer"), and is effective as set forth below (the "Effective Date").

WITNESSETH

WHEREAS, the Company currently provides electric service to the Customer at the facilities, plants and equipment associated with the premises located at 1835 Dueber Avenue, SW, and Faircrest Street, SW, Canton, OH (the "Canton Manufacturing Facility"), currently billed under Company Account No. 070-271-300-00 under a contract between the parties entered into as of October 29, 2004, as amended (the "Canton Manufacturing Facility Contract"); and

WHEREAS, the Company currently provides electric service to the Customer at the premises located at 4500 Mount Pleasant Road, NW, North Canton, OH 44720 (the "Technology Center"), currently billed under Company Account No. 075-944-100-0, under a contract between the parties entered into as of November 24, 2010, as amended (the "Technology Center Contract"); and

WHEREAS, the Customer asserts that it wishes to make capital investment in its current manufacturing operation at the Canton Manufacturing Facility and the Technology Center (collectively the "Customer's Facilities"), which requires access to and successful deployment of capital, predicated, in part, on the Customer's ability to secure a reliable supply of electricity pursuant to terms and conditions that will provide it with a reasonable and predictable price over a term sufficient to justify a significant capital expenditure; and

WHEREAS, in order to obtain such a supply of electricity, the Customer and the Company submitted to the Public Utilities Commission of Ohio (the "Commission") an application for a unique arrangement in Commission Case No. 10-3066-EL-AEC (the "Application"), which was approved without modification by the Commission in its April 27, 2011 Opinion and Order (the "Order"), which along with the Application is attached as Exhibit A to this Contract;

NOW, THEREFORE, in consideration of the Commission's Order approving the Application for the unique arrangement, the Company and the Customer enter into this Contract which by its terms shall supersede any and all contrary terms in the Canton Manufacturing Contract and the Technology Center Contract, both contracts to continue in full force and effect for the term of this Contract.

- 1. Effective Date and Term.** The Effective Date of this Contract shall be June 1, 2011, which is the date of the first billing month following the Commission's Order. The Contract shall be in effect pursuant to the terms of the unique arrangement set forth in the Application as approved by the Commission in its Order (the "Unique Arrangement") for a period of one-hundred and twenty (120) months. Additionally, the Customer may elect to terminate the Contract at any time upon ninety (90)

days notice 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. This Contract shall also terminate if the Commission subsequently modifies the Unique Arrangement as presented in the Application and the Company and the Customer agree in writing to terminate the Contract.

2. **Invoice Discount.** For the term of this Contract, the Company shall reduce the monthly total invoices of the Customer for the Canton Manufacturing Facility and the Technology Center pursuant to paragraph 20 of the Application as approved by the Commission's Order. Furthermore, for the first twelve (12) months of the term of this Contract, the Company shall limit the total monthly invoice amounts for the Canton Manufacturing Facility and the Technology Center to no more than 105% of the invoice amounts for each respective facility for the corresponding month in 2008 (the "Limiter"). The Limiter shall compound every twelve (12) months thereafter at a rate of five (5) percent using 105% of the 2008 monthly invoice amounts for the Canton Manufacturing Facility and the Technology Center as the base amount. In no event shall the Customer's aggregate discount off tariff exceed twenty-five (25) percent.

It is the intent of the Company and the Customer that the discount provided for under the Unique Arrangement, set forth in the Application as approved by the Commission's Order, shall not apply to any kWh and kW used at the Canton Manufacturing Facility over the amounts set forth in paragraph 22 of the Application. Any kWh and kW over those amounts shall be billed under the applicable tariff schedule currently in effect. All kWh and kW used at the Technology Center shall be subject to the discount under the Unique Arrangement.

3. **Discount Recovery.** As provided for in the Application, the Company shall be entitled to collect the rate discount via the Company's Economic Development Rider. In no event shall the aggregate amount of the rate discount exceed the amount set forth in paragraph 30 of the Application as approved by the Commission's Order. The Company and the Customer agree that the aggregate rate discount limit shall not include any amounts attributable to the new capacity contract requirements and the related discount set forth in paragraph 40 of the Application or attributable to new economic development programs or plans which are authorized by the Commission. The Company and the Customer agree that under no circumstances shall the Customer be made to pay back any discounts received prior to the termination of this Contract.
4. **Future Capacity.** In order to assist in the possible expansion of the Customer's Facilities, the Company agrees within the first five (5) years of this Contract and subject to Commission approval, to offer the Customer incremental power as specified in paragraph 40 of the Application. The Company and the Customer agree that such new contract capacity requirements will qualify for an alternative discount and that the Company and the Customer will file a joint application with the Commission seeking approval of the alternative discount. So long as the Company's tariffs applicable to the Customer remain in substantially the same

form as the tariffs in effect as of the Effective Date, the alternative discount will apply to demand charges only and the incremental power will be billed at eighty (80) percent of the Company's tariff demand charge for the applicable firm or interruptible standard offer generation service for a period of ten (10) years starting from the dedication of the capacity ("Alternative Discount Term"). In the event the Company's tariffs applicable to the Customer are modified substantially, the Company and the Customer agree that the alternative discount shall be applied to each Customer's monthly bill for the Customer's Facilities over the remaining period of the Alternative Discount Term so that the alternative discount amount as a percent of the overall monthly bill, prior to applying the alternative discount and the discount approved by the Order, will be approximately equal to what the percent difference would be if the same billing determinates were applied under the Company's tariffs in place as of May 2011.

5. **Energy Efficiency and Demand Reduction Integration.** The Company and the Customer acknowledge that they have entered into an agreement, a copy of which is attached hereto as Exhibit B, whereby the Customer has committed existing demand reduction and energy efficiency projects along with future projects and demand response projects for integration with the Company's demand reduction, demand response and energy efficiency programs (the "Integration Agreement"). The Company and the Customer acknowledge and agree that the Integration Agreement shall terminate as of the date this Contract terminates.
6. **Assignment.** The Customer may assign this Contract with the written consent of the Company.
7. **Notices.** Any notice required or desired by either party to be given hereunder shall be made:

If to the Company at:

Ohio Power Company
180 E. Broad Street, 11th Fl
Columbus, OH 43215-3793

If to the Customer at:

The Timken Company
Direct Materials Steel Purchasing
1835 Dueber Avenue SW
Canton, Ohio 44706-2798

Either party may submit to the other party a written notice of a location, address, or title of contact person change and such notice shall serve to modify this Section 7 of this Contract. Any communications required to be in writing pursuant to this Contract may be delivered by first class U.S. Mail, courier service or commonly used forms of electronic communication (e.g., fax or email) consistent with the provisions set forth in this Section 7. Notice shall be deemed to be received upon actual receipt if delivered by courier, fax or email, or three (3) days after postmarked if sent by first class U.S. Mail, postage prepaid.

8. **Other Events of Default; Termination.** The parties agree that upon ninety (90) days prior written notice, the Company may terminate without liability to the Customer, this Contract if the Customer becomes insolvent or makes a general

assignment for the benefit of creditors or admits in writing its inability to pay debts as they mature or if a trustee or receiver of the Customer or of any substantial part of the Customer's assets is appointed by any court or proceedings instituted under any provisions of the Federal Bankruptcy Code or any state insolvency law by or against the Customer are acquiesced in or are not dismissed within thirty (30) days or result in an adjudication in bankruptcy or insolvency.

9. **Liability for Payment.** Except with regard to the Customer's obligation to make payment(s) then due or becoming due to the Company, the Customer shall not be liable to the Company for any expenses, losses or damage resulting from any event or act referenced in the applicable tariff schedule currently in effect that results in the Customer being unable to receive electric energy in the full amount contemplated by the Customer's regular service arrangements for a period in excess of fifteen (15) full days.
10. **Reporting.** Subject to such confidentiality requirements as may be appropriate, the Customer shall, in accordance with the terms of the Unique Arrangement and as required by the Order, during the term of this Contract, provide the Company and Commission Staff no later than January 31 of each year with an annual report that demonstrates the Customer's compliance with the employment retention and investment commitments set forth in the Application. Any lack of compliance by the Customer as to the employment retention and investment commitments shall be resolved as set forth in paragraphs 45 through 48 of the Application. If a Force Majeure event prevents the Customer from fulfilling the employment retention and investment commitment goals set forth in the Application in a timely manner, then the Customer may file a request with the Commission to make suitable arrangements for amending the employment retention and investment commitment goals and the Company agrees to support such filing provided the request is reasonable. For purposes of this Section 10 only, "Force Majeure" shall mean acts of God, riots, strikes, labor disputes, labor or material shortages, act(s) by any government, governmental body or instrumentality, or regulatory agency (including, but not limited to, delay or failure to act in the issuance of approvals, permits or licenses), fires, explosions, floods, breakdown of or damage to plants, equipment or facilities, or other causes of similar nature which are beyond the reasonable control of the Customer and which wholly or partially prevent the receipt or utilization of electricity by the Customer.
11. **Dispute Resolution.** If a dispute arises out of this Contract the parties agree first to try in good faith to settle the dispute. If settlement is not possible and the dispute relates to a subject matter which is within the Commission's exclusive or primary jurisdiction, the matter shall be taken to the Commission. If the dispute concerns a question outside of the Commission's jurisdiction, and the parties are unable to resolve such dispute through negotiations then either party may initiate litigation in the appropriate court or forum.
12. **Mutual Cooperation.** The Customer and the Company agree to provide mutual and timely support for purposes of effectively administering this Contract. Such support shall include, without limitation, reasonable and timely access to

documents and personnel of the other party.

- 13. Confidentiality.** The Customer and the Company agree that the terms and conditions of the Joint Defense and Confidentiality Agreement effective as of March 1, 2010 between the Customer and the Company, as amended (the "Confidentiality Agreement") shall extend and be in effect for the duration of this Contract. This Section 13 of this Contract shall be deemed a valid amendment of the Confidentiality Agreement as permitted by Section 17 of the Confidentiality Agreement.
- 14. Governing Law and Continuing Jurisdiction.** The validity, construction and performance of this Contract shall be determined in accordance with the laws of the State of Ohio not taking into account any conflict of law provisions.
- 15. Interpretation.** The Contract, all addendums and any documents incorporated by reference hereto, and the Company's standard tariff (including the terms and conditions of service), as applicable and as amended from time to time by the Commission, sets forth the entire agreement between the parties. In the event of any conflict between the Company's standard tariff and this Contract, the Contract shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed by their duly authorized officers or representatives as of the day and year first above written.

OHIO POWER COMPANY

William L. Oles
By WILLIAM L. OLES

Title CUSTOMER SERVICES & MARKETING
MANAGER

June 7, 2011

THE TIMKEN COMPANY

Susan Misconish
By SUSAN MISCONISH

Title COMMODITY MANAGER - ENERGY

June 3, 2011