

FILE

14

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of :  
Republic Steel for Approval of a Unique :  
Arrangement for Republic Steel's Lorain, : Case No. 13-1913-EL-AEC  
Ohio Facility :

---

APPLICATION AND REQUEST FOR EXPEDITED TREATMENT

---

RECEIVED-DOCKETING DIV

2013 SEP -9 PM 5:20

PUCO

Mark S. Yurick (0039176)(Counsel of Record)  
Email: [myurick@taftlaw.com](mailto:myurick@taftlaw.com)  
Direct: (614) 334-7197  
Taft, Stettinius & Hollister  
65 E. State Street, Suite 1000  
Columbus, OH 43215

Zachary D. Kravitz(0084238)  
Email: [zkravitz@taftlaw.com](mailto:zkravitz@taftlaw.com)  
Direct: (614) 334-6117  
Taft, Stettinius & Hollister  
65 E. State Street, Suite 1000  
Columbus, OH 43215

Elizabeth A. Evans (0082932)  
Vice President, General Counsel & Secretary  
Email: [eevans@republicsteel.com](mailto:eevans@republicsteel.com)  
Direct: (330) 438-5546  
REPUBLIC STEEL  
2633 Eighth Street NE  
Canton, Ohio 44704-231

*Attorneys for Republic Steel*

This is to certify that the images appearing are an  
accurate and complete reproduction of a case file  
document delivered in the regular course of business.  
Technician Sm Date Processed SEP 10 2013

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	:	
Republic Steel for Approval of a Unique	:	
Arrangement for Republic Steel's Lorain,	:	Case No. 13-1913-EL-AEC
Ohio Facility.	:	

---

**APPLICATION**

---

**A. Introduction.**

Pursuant to Sections 4905.31 and 4928.66 of the Ohio Revised Code ("RC") and Rules 4901:1-38-05 and 4901:1-39-05(G) of the Ohio Administrative Code ("OAC"), Republic Steel ("Republic") respectfully submits this application ("Application") to the Public Utilities Commission of Ohio ("PUCO" or "Commission") for approval of a unique arrangement ("Unique Arrangement") between Republic, a "mercantile customer" as defined by RC 4928.01 and Ohio Edison Company ("Ohio Edison" or "Company").

Republic is seeking approval of a Unique Arrangement in order to expand its production facility in Lorain, Ohio ("Lorain Facility") to meet customer demand. The Lorain Facility produces and supplies special bar quality steel to various manufacturers of machinery, automobiles, renewable energy equipment including, but not limited to, wind turbine machinery parts and other users of specialty steel products. The cost of electricity represents a significant portion of the cost of manufacturing specialty steel products in Ohio. Republic is therefore extremely vulnerable to energy price increases due to the energy intensive nature of Republic's existing and proposed manufacturing operation at the Lorain Facility. Rapid increases in energy prices can make goods

manufactured at the Lorain Facility non-competitive in both foreign and domestic markets. If prices for the specialty steel products produced at the Lorain Facility are not competitive internationally, there are substantial negative impacts on both the jobs of employees who work at the Lorain Facility and the jobs of those who supply goods and services to the Lorain Facility. Given the size of Republic's operation, energy consumption and capacity needs, even relatively small changes in the price of electricity can significantly impact Republic's competitive ability, its profitability, and its ability to provide jobs.

Republic is the largest producer of specialty bar steel in North America. Republic currently employs Four Hundred and Eighty Nine (489) people at the Lorain Facility and approximately One Thousand Four Hundred and Sixty Five (1,465) people statewide. Republic's current estimated economic impact on the state of Ohio and local economies is presented in the tables below.

	Direct Jobs	Multiplier	Indirect/Induced Jobs	Total Jobs
City of Lorain	489	3.041596	998	1,487
State of Ohio	1,465	4.683222	5,396	6,861

	Direct Comp.	Multiplier	Indirect/Induced Earnings	Total Earnings
City of Lorain	\$ 47,961,000	1.809559	\$ 24,753,000	\$ 86,788,000
State of Ohio	\$ 135,811,000	2.453442	\$ 197,394,000	\$ 333,205,000

Annual Economic Output	
City of Lorain	\$ 717,657,313
State of Ohio	\$ 2,919,619,000

Republic is within the certified service territory, and is a retail customer, of Ohio Edison Company ("Ohio Edison"), which is a public utility as defined by RC 4905.02 and an electric distribution utility as defined in RC 4928.01.

As noted above, Republic is currently proceeding with a major facility investment in Lorain, Ohio to meet customer demand. The continuing viability of Republic's significant expansion to Republic's manufacturing operation at the Lorain Facility depends upon Republic's ability to produce its products at a price that will be internationally competitive. The expansion will include, but not be limited to the installation and operation of an Electric Arc Furnace ("EAF") which would require substantial infrastructure upgrades at and around the Lorain Facility in order to meet the expanded facility's power and energy requirements to operate successfully. Necessary infrastructure upgrades including a new substation and associated equipment and facilities to serve Republic's new EAF may cost as much as Twenty Eight Million Dollars (\$28,000,000). The planned expansion will also entail the investment of approximately Fifty-Seven Million Dollars (\$57,000,000) in capital to expand the Lorain Facility itself, including construction of the EAF. The implementation of this significant investment<sup>1</sup> will help to ensure Republic's continued successful operation in Northeastern Ohio and will allow for operational and performance improvements at the expanded Lorain Facility.

Importantly, successful expansion of the Lorain Facility will permit Republic to add Four Hundred and Forty Nine (449) new full time or full time equivalent manufacturing and supporting jobs within three years of full commercial production of the EAF and to retain 100 existing jobs<sup>2</sup> which will result in the generation of additional significant secondary jobs, earnings, and economic activity in the City of Lorain and

---

<sup>1</sup> Total Investment may reach as high as \$85 million dollars.

<sup>2</sup> If Republic is unable to negotiate terms for a Unique Arrangement to render plant expansion economically feasible, one hundred (100) high paying industrial jobs at the Lorain Facility will also need to be eliminated. Consequently, failure to agree on the terms of a Unique Arrangement may result in the loss of 549 direct job opportunities.

State of Ohio as estimated herein. Republic shall report annually to the Staff of the Commission, pursuant to and subject to conditions in paragraph B (11) of this Application under Seal, regarding the status of employment levels at Republic's Lorain Facility.

	Direct Jobs	Multiplier	Indirect/Induced Jobs	Total Jobs
City of Lorain	549	3.041596	1,121	1,670
State of Ohio	549	4.683222	2,022	2,571

	Direct Comp.	Multiplier	Indirect/Induced Earnings	Total Earnings
City of Lorain	\$ 47,961,000	1.809559	\$ 38,827,259	\$ 86,788,259
State of Ohio	\$ 47,961,000	2.453442	\$ 69,708,532	\$ 117,669,532

	Annual Economic Output
City of Lorain	\$ 805,713,000
State of Ohio	\$ 1,094,110,000

Republic is hopeful that the proposed Unique Arrangement will also place Republic in a position to focus its energies on planning for long-term investments in Lorain and other areas in Ohio that will ensure all of Republic's Ohio facilities remain competitive in the global marketplace.

RC 4905.31 permits the Commission to approve a Unique Arrangement between a mercantile customer and an electric distribution utility or a public utility electric light company upon application by the mercantile customer. RC 4905.31 also provides for non-tariff reasonable arrangements including arrangements to recover the costs incurred in connection with economic development and job retention programs. Ohio Edison is authorized to recover all costs incurred by it associated with such a Unique Arrangement, including the full and timely recovery of delta revenue, as "delta revenue" is defined in the Unique Arrangement and notwithstanding PUCO rules to the contrary.

Various companies have availed themselves of such Unique Arrangements to foster economic development and job retention and creation in recent years.<sup>3</sup> By this Application, Republic requests that the Commission approve a Unique Arrangement that will permit Republic to upgrade its Lorain Facility, retain good paying jobs and add a substantial number of additional manufacturing and supporting jobs in the Lorain, Ohio area. In this Application, Republic shall submit the basic structure and content of the Unique Arrangement, as required by OAC 4901:1-38-05.

### **B. Summary of the Unique Arrangement**

The essence of this Unique Arrangement is to provide electric service at a cost that allows the Lorain Facility to be economically operated, after the EAF expansion is in full commercial production, while at the same time limiting delta revenue to be recovered from other customers. The difference between the discounted pricing for electric service provided for in the Unique Arrangement and the lowest applicable tariff rate will be treated as “delta revenue” and recovered in the Delta Revenue Recovery Rider (“Rider DRR”) or its successor rider from all customers receiving electric service under the Ohio Edison, The Cleveland Electric Illuminating Company or the Toledo Edison Company rate schedules or reasonable arrangements approved by the Public Utilities Commission of Ohio (“Commission”).

1. The Unique Arrangement proposed herein will provide Republic with a rate discount (hereinafter the “Rate Discount”) from Ohio Edison’s lowest then-applicable tariff rate including but not limited to applicable transmission, distribution and generation rates and any applicable Riders (hereinafter, the “Lowest Applicable Tariff

---

<sup>3</sup> See, *In re Ormet Primary Aluminum Corp.* Case No. 09-119-EL-AEC; *In re Eramet Marietta*, Case No. 09-518-EL-AEC; *In re Timken Co. and Ohio Power*, Case No. 10-3066-EL-AEC.

Rate”), over the six (6) year term of the Unique Arrangement on the charges incurred associated with the EAF load of the Lorain Facility, as measured by the EAF meter (the “Incremental Load”). Charges associated with existing load at the Lorain Facility shall not be modified or discounted by operation of this Unique Arrangement. The Rate Discount for the Incremental Load will be Twenty Five Percent (25%) off of the Lowest Applicable Tariff Rate, beginning with the first month that Republic notifies Ohio Edison in writing that the EAF is in full commercial production at the expanded Lorain Facility, within the time limit set forth in (B)(4) of this Application, on all metered usage on the EAF meter. The Rate Discount would then decrease One Percent (1%) per Term Year every Term Year for the remaining five (5) Term Years of the Unique Arrangement, ending in a Twenty Percent (20%) Rate Discount in the sixth Term Year. Unless terminated early pursuant to the terms set forth in this Unique Arrangement, this Unique Arrangement shall terminate after the completion of six (6) Term Years.

2. The maximum delta revenue per year of each one (1) year term of this Unique Arrangement, beginning with the first day of the first month after Republic notifies Ohio Edison of the start of full commercial production (each such year to be defined as a “Term Year”) shall be Ten Million Dollars (\$10,000,000) and the maximum delta revenues over the six (6) year term of the Unique Arrangement shall be limited to a total of not more than Forty Million Dollars (\$40,000,000). If during any month prior to the end of the term of the Unique Arrangement the maximum annual delta revenue cap is realized for a Term Year, then the Rate Discount will be suspended in that month and until the first month of the following Term Year and Republic will be billed at the Lowest Applicable Tariff Rate without the Rate Discount under the applicable then-existing rates

and applicable riders for the Incremental Load for the remainder of the Term Year. If during any month prior to the end of the six (6) year total term of the Unique Arrangement the maximum total delta revenue cap is realized, then this Unique Arrangement will terminate in that month and Republic will be billed without the Rate Discount under the Lowest Applicable Tariff Rate for the Incremental Load for the remainder of the six (6) year term or, Republic may shop for service with a CRES and this Unique Arrangement shall terminate. No modifications or extensions to this Unique Arrangement shall be effective without the Commission's prior approval.

3. During construction of the expanded Lorain Facility, electricity shall be provided to the Lorain Facility for all load by Ohio Edison at its standard tariff rate GT including any and all applicable riders. After full commercial production begins, which is expected in Fall 2013, Republic will notify Ohio Edison in writing that full commercial production has begun, within the time limits set forth in paragraph (B)(4), and charges for service for the Incremental Load for metered usage on the EAF meter will thereafter be provided pursuant to the terms set forth in this Unique Arrangement between Republic and Ohio Edison beginning in the month indicated by Republic on the written notice, and the Rate Discount shall be applied to the Lowest Applicable Tariff Rate for the Incremental Load reflected on the EAF meter for the six (6) year term of this Unique Arrangement, unless terminated early as set forth herein.

4. If Republic has not notified Ohio Edison in writing of the commencement of full commercial production within one (1) year of the approval of this Unique Arrangement, then either Republic or Ohio Edison shall have the option to petition the Commission to terminate this Unique Arrangement upon ninety (90) days written notice



to the other Party. If Republic has not notified Ohio Edison of the commencement of full commercial production within two (2) years of the approval of this Unique Arrangement, then either Party shall have the option to terminate this Unique Arrangement upon ninety (90) days written notice to the other Party.

5. Ohio Edison will apply the Rate Discount as described in paragraph (B)(1) above to the Lowest Applicable Tariff Rate to be assessed by Ohio Edison for the Incremental Load as measured by the EAF meter. New riders implemented by Ohio Edison will be included in the determination of the Lowest Applicable Tariff Rate, and the Rate Discount identified in paragraph (B)(1) shall apply to the Lowest Applicable Tariff Rate including any additional riders subject to the provisions of paragraph (B)(2). Each month Republic shall be billed and shall pay the applicable charges as calculated herein for all Incremental Load as reflected on the on the EAF meter. Republic shall also be billed monthly and shall pay applicable charges for existing operations at the Lorain Facility as measured by the existing meter. Ohio Edison shall issue one (1) combined or totalized monthly bill to Republic for all service, but that single monthly bill shall set forth the applicable charges for the existing meter and the EAF meter separately.

6. Each month following the commencement of discounted pricing under the Unique Arrangement set forth herein, Ohio Edison will calculate, for the Incremental Load only, as reflected on the EAF meter, the difference between the Lowest Applicable Tariff Rate and the Lowest Applicable Tariff Rate less the Rate Discount stated in paragraph (B)(1), subject to the Term Year and total rate caps set forth in paragraph (B)(2) for Republic's Incremental Load under this Unique Arrangement as reflected on

the EAF meter. The difference subject to the caps set forth in paragraph (B)(2) ("delta revenue") will be fully and timely recovered from all retail customers of all three (3) FirstEnergy Ohio electric utilities (Ohio Edison, The Cleveland Electric Illuminating Company and the Toledo Edison Company), as approved in Case No. 10-388-EL-SSO, through their Delta Revenue Recovery ("DRR") Riders, or any successor delta revenue recovery mechanisms as approved by the PUCO. The FirstEnergy Ohio electric utilities will be permitted to fully and timely recover all delta revenues, as defined herein, for the duration of the Unique Arrangement with Republic. If the FirstEnergy Ohio electric utilities are not permitted to fully recover delta revenues, then the Unique Arrangement will terminate without further notice or action by the Commission.

7. If during the period of this Unique Arrangement, Republic elects to shop for generation service from a Certified Retail Electric Supplier ("CRES"), Republic may do so upon no less than thirty (30) days written notice to Ohio Edison of intent to acquire generation service from a CRES, subject to and so long as permitted by the terms and conditions of the rates and applicable riders for its existing operations (e.g. Rider ELR requirements) and/or Incremental Load. Upon the effective date of Republic taking generation service from a CRES, this Unique Arrangement shall terminate without further notice or action by the Commission provided however, First Energy Ohio electric utilities will be permitted, notwithstanding any such termination, to recover any delta revenues that had been realized but not collected prior to such termination.

8. If the maximum total delta revenue cap described in paragraph (B)(2) of this Application is not realized at the end of the six (6) year term of this Unique Arrangement, then Republic, Ohio Edison and Staff may enter into negotiations or

discussions regarding the remaining balance. Any extension of the Unique Arrangement or use of the remaining balance would be subject to the PUCO's approval.

9. To the extent that Republic is otherwise eligible to participate in emergency curtailment programs offered by Ohio Edison, nothing in this Unique Arrangement shall prevent Republic from participating in such programs, with the understanding that Incremental Load as reflected on the EAF meter is not eligible for Rider ELR. Discounts or credits associated with such participation will be included in determining the Lowest Applicable Tariff Rate for Incremental Load. The amount of any discounts or credits associated with Republic's participation in emergency curtailment programs shall not be counted against annual or total delta revenue caps as described in paragraph (B)(2) herein, and shall not constitute delta revenue for purposes of this Unique Arrangement. To the extent that Republic is not prevented from participating in any available PJM (or other RTO) demand response program by the terms and conditions of the rates and applicable riders used to calculate the Lowest Applicable Tariff Rate, then nothing in this Unique Arrangement shall prevent Republic from participating in such demand response programs. All credits or discounts provided to Republic under Ohio Edison emergency curtailment programs shall be recovered from other customers according to the terms of the applicable tariff provision established for such programs.

10. During the term of the Unique Arrangement, Republic intends to investigate the feasibility of power cogeneration solutions (e.g., to employ exhaust heat from Republic's manufacturing operations) and energy efficiency and peak demand initiatives to determine how and to what extent (a) a waste energy recovery system

and/or customer-sited energy efficiency and demand response capabilities might be employed by Republic and (b) whether such system or capabilities could be committed to Ohio Edison for integration into Ohio Edison's portfolio requirements, such energy efficiency and peak demand reduction capabilities shall be committed for integration into Ohio Edison's portfolio at no additional cost to Ohio Edison and without an exemption from the Demand Side Management and Energy Efficiency Rider ("Rider DSE") and ownership of all energy efficiency and peak demand response attributes employed under this paragraph (B)(10) shall be transferred to Ohio Edison.

11. If Republic, in its annual report to the Staff of the Commission or if the Commission Staff on its own establishes that for a Term Year the average full time or full time equivalent employment level at the Lorain Facility fell below the established commitment of four hundred forty nine (449) new full time or full time equivalent manufacturing and supporting jobs, then, at the election of the PUCO, the monthly Rate Discount described in paragraph (B)(1) may be reduced proportionately with the percentage level of employment shortfall to the employment commitment made by Republic. Such reduction in the monthly Rate Discount shall go into effect following advance written notice from Commission Staff to Ohio Edison and Republic directing that the Rate Discount be reduced and advising of the amount and duration of the reduction. Further, Republic may be required to return, proportionally to the amount of any shortfall only, any Rate Discount received or accrued in the applicable immediately preceding twelve (12) month Term Year that resulted in delta revenue; provided, however, that; (i) the number of new manufacturing and supporting jobs filled with respect to the foregoing goal will be counted only as of and after the third anniversary of

Republic notifying Ohio Edison of the start of full commercial production and annually thereafter of the start of operation of this Unique Arrangement and will include hires made in anticipation of the Lorain Facility expansion, including persons hired during the construction phase of the Lorain Facility expansion, as documented by Republic, (ii) for purposes of this paragraph (B)(11), if a return of any Rate Discount is elected by the Commission, the Commission staff will assess compliance with the established goal of Four Hundred and Forty Nine (449) new full time or full time equivalent jobs based on annual reports filed after the third anniversary of the start of the operation of the this Unique Arrangement and annually thereafter, and (iii) the application of the foregoing provision will be tolled to take into account the occurrence of a Force Majeure Event (as defined below) during the applicable reporting period.

12. "Force Majeure Event" means any act, event or condition, whether or not foreseeable, that causes delay in or a cessation, in whole or in part, of the Lorain Facility expansion project, to the extent such act, event or condition is beyond the reasonable control of Republic. Force Majeure Events shall include, but not be limited to, (a) lightning, storm, flood, or other unusually severe weather conditions, (b) earthquake, landslide, explosion or fire, (c) strikes and/or other work stoppage, lockout imposed by Republic, or other industrial or labor shortage, or labor disputes or disturbance affecting the performance of Republic, and (d) acts of war (whether declared or undeclared), threat of war, mobilization or other unexpected call-up of armed forces, actions of terrorists, blockade, riot, insurrection, civil commotion, public demonstrations, revolution, coup d'état, sabotage, vandalism, or acts of public enemies.

13. Republic expects its EAF to be in full commercial production in the fall of 2013. In order to begin producing steel at the plant and to fulfill Republic's commitment to employ Ohio workers at the expanded Republic Facility at the earliest possible date, Republic hereby requests that this Application for a Reasonable Arrangement be granted expedited treatment pursuant to section 4901-1-12 of the Ohio Administrative Code. To the best of Republic's knowledge, there are no adverse parties to this Application.

### **C. Request for Approval.**

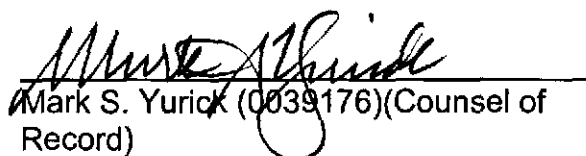
1. This Unique Arrangement benefits the State of Ohio, Ohio Edison, the Cleveland Electric Illuminating Company, The Toledo Edison Company and Republic. It benefits the State of Ohio and local governments by creating 449 new full time or full time equivalent manufacturing and supporting jobs, and retaining 100 high paying industrial jobs at the expanded Lorain Facility. It is also estimated that the new and retained jobs will result in the creation of additional significant secondary jobs, earnings and economic activity in the City of Lorain and State of Ohio, as shown above. Approval of this Unique Arrangement will likely increase state, local and school tax revenues. All of these benefits are consistent with Ohio's state policy related to electric service by facilitating Ohio's effectiveness and competitiveness in the global economy. See, RC 4928.02(N).

2. Rule 4901:1-38-05, O.A.C., requires a demonstration that a proposed Unique Arrangement does not violate RC 4905.33 and 4905.35. Republic represents that the proposed Unique Arrangement is not anticompetitive or discriminatory and does not disadvantage any CRES provider. Republic proposes this Unique Arrangement

solely for purposes of allowing Republic to continue with the upgrade to the Lorain Facility and adding and retaining a high number of new manufacturing and supporting jobs. But for the discount and other provisions set forth herein, Republic's expanded manufacturing needs would have likely been met by expansion of an affiliate's existing production facility in Matamoros, Mexico. This Unique Arrangement therefore does not disadvantage any CRES because, but for this Unique Arrangement, there would simply be no load to serve. The Lorain Facility is unique and different from other customers because of the Eighty Five Million Dollar (\$85,000,000) investment that Republic is making in the Lorain Facility, the creation of 449 new manufacturing and supporting jobs in the Lorain, Ohio area, and the 100 retained industrial jobs also in Lorain, Ohio, all of which will result from the expansion of the Lorain Facility.

3. WHEREFORE, for the foregoing reasons, Republic urges the Commission to find that the Unique Arrangement described herein is just and reasonable and to promptly act to enable a Unique Arrangement between Ohio Edison and Republic on the terms and conditions generally described herein.

Respectfully submitted,

  
Mark S. Yurick (0039176)(Counsel of  
Record)  
Email: [myurick@taftlaw.com](mailto:myurick@taftlaw.com)  
Direct: (614) 334-7197  
Taft, Stettinius & Hollister  
65 E. State Street, Suite 1000  
Columbus, OH 43215



Zachary D. Kravitz(0084238)

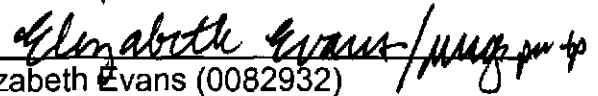
Email: [zkravitz@taftlaw.com](mailto:zkravitz@taftlaw.com)

Direct: (614) 334-6117

Taft, Stettinius & Hollister

65 E. State Street, Suite 1000

Columbus, OH 43215



Elizabeth Evans (0082932)

Vice President, General Counsel &  
Secretary

Email: [eevans@republicsteel.com](mailto:eevans@republicsteel.com)

Direct: (330) 438-5546

REPUBLIC STEEL

***Attorney for Republic Steel***