

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       ) Case No. 10-3066-EL-AEC  
Unique Arrangement for the Timken       )  
Company's Canton, Ohio, Facilities.       )

OPINION AND ORDER

The Commission, having considered the record in this matter, and being otherwise fully advised, hereby issues its opinion and order.

APPEARANCES:

Steven T. Nourse, American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215, on behalf of Ohio Power Company.

Vorys, Sater, Seymour & Pease, LLP, by M. Howard Petricoff, 52 East Gay Street, Columbus, Ohio 43216, on behalf of the Timken Company and TimkenSteel Corporation.

Mike DeWine, Ohio Attorney General, by Thomas W. McNamee, Assistant Attorney General, 180 East Broad Street, Columbus, Ohio 43215, on behalf of the Staff of the Public Utilities Commission of Ohio.

OPINION:

I. Background

The Commission has the authority to approve a unique arrangement between an electric utility and a customer or group of customers upon application by the customer or the utility, pursuant to R.C. 4905.31 and Ohio Adm.Code 4901:1-38-05(A). Ohio Power Company (Ohio Power) is an electric light company, as defined by R.C. 4905.03(A)(3) and a public utility, as defined under R.C. 4905.02 and, as such, is subject to the jurisdiction of this Commission.

On December 20, 2010, Ohio Power and the Timken Company (Timken) filed a joint application with the Commission requesting approval of a unique arrangement for Timken's Canton, Ohio facilities that manufacture specialty steel products. By entry issued February 24, 2011, Industrial Energy Users-Ohio (IEU-Ohio), Ohio Energy Group (OEG), and the Ohio Consumers' Counsel (OCC) were granted intervention in this

proceeding. An evidentiary hearing was held on March 29, 2011, in order to consider the joint application. On April 12, 2011, the Commission issued an opinion and order approving Ohio Power and Timken's application for a unique arrangement, and ordered Ohio Power to take all necessary steps to carry out the terms of the order.

On February 21, 2014, Timken and Ohio Power filed an application to amend the unique arrangement by assigning Timken's interest to a new independent, unaffiliated entity, *TimkenSteel Corporation (TimkenSteel)*, to reflect the corporate separation of Timken's steel operations from its bearings and power transmission operations.

Correspondence was filed by IEU-Ohio, OEG, and OCC, on February 24, 27, and March 7, 2014, respectively, indicating that none of the parties oppose the proposed amendment.

An evidentiary hearing considering the amendment was held on March 18, 2014, at which time, Peggy Claytor, Manager of State Government Affairs for Timken and TimkenSteel, testified in support of the amendment. During the hearing, the applicant's motions to place portions of Ms. Claytor's testimony under seal were granted by order of the attorney examiner pursuant to Ohio Adm.Code 4901-1-24.

## II. Summary of the Proceeding

In their application to amend the current unique arrangement, Timken and Ohio Power assert that the only substantive change will be the substitution of TimkenSteel for Timken to reflect the spin-off of Timken's steel operations. The current arrangement involves a ten-year declining discount off the applicable tariff rates to facilitate Timken's investments in production and energy conservation that, in turn, preserve employment levels and increase efficiency. Under the arrangement, Timken has also agreed to integrate its conservation efforts at the Canton facility into Ohio Power's peak demand reduction and energy efficiency programs to meet the reduction requirements of R.C. 4928.66. Ms. Claytor testified that after the divestiture has been completed and all operations divided between Timken and the new entity, all of the discounted power consumed under the arrangement will be solely by TimkenSteel (Tr. 14-15). The witness explained that electricity is the third highest cost input, after labor and scrap metal, and stated that Timken's investments totaling \$225 million under the arrangement are on schedule and within budget (Tr. 7-8). The application also notes that the capital investment commitment was made and met exclusively by Timken's steel operations, and that TimkenSteel will be solely responsible for meeting the revised employment commitment, which is significantly higher than the steel operation's historical levels.

### III. Conclusion

Ohio Adm.Code 4901:1-38-05 authorizes an electric utility, with one or more of its customers, to file an application for approval to enter into a unique arrangement pursuant to R.C. 4905.31. The applicant bears the burden of proof to show that the proposed arrangement is reasonable, does not directly or indirectly provide rebates, special rates, and free service in violation of R.C. 4905.33 and does not provide an unreasonable advantage or prejudice towards any party under R.C. 4905.33.

Upon our review of the proposed amendment and the requirements for an electric utility to enter into a unique arrangement with one of its customers, the Commission finds the requirements are clearly met, and the amendment should be approved. The joint application is reasonable in that it is cost-effective, and promotes State policy consistent with R.C. 4928.02 by facilitating the creation and retention of jobs and economic investment in the State of Ohio. The amendment of the unique arrangement, approved by this Commission on April 27, 2011, is necessary to assign Timken's interest to TimkenSteel to reflect the corporate separation of Timken's steel operations. Accordingly, we find that amendment of the unique arrangement is reasonable and should be approved.

#### FINDINGS OF FACT AND CONCLUSIONS OF LAW:

- (1) On December 20, 2010, Timken, a mercantile customer as defined by R.C. 4928.01, and Ohio Power, an electric utility as defined by R.C. 4928.01, filed a joint application seeking approval of an unique electric service arrangement, pursuant to R.C. 4905.31 and Ohio Adm.Code 4901:1-38-05, for Timken's Canton steel products facilities.
- (2) By opinion and order issued April 12, 2011, the Commission approved the unique arrangement.
- (3) On February 21, 2014, Timken and Ohio Power filed a joint application to modify their unique arrangement.
- (4) An evidentiary hearing was held on March 18, 2014.
- (5) Based on the application and the evidence presented at the hearing, the Commission finds that the amendment to assign Timken's interest under the existing unique arrangement to TimkenSteel is reasonable and should be approved.

It is, therefore,

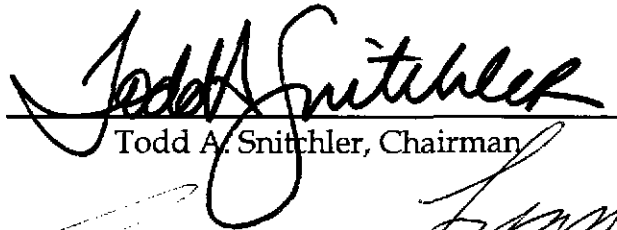
ORDERED, That the joint application to amend the unique arrangement between Timken and Ohio Power be approved, and Ohio Power is directed to take all necessary steps to carry out the terms of this Order. It is, further,

ORDERED, That the portions of the transcript from the March 18, 2014 hearing that were filed under seal on March 19, 2014, remain under seal in the Docketing Division for an 18-month period. It is, further,

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

ORDERED, That a copy of this Opinion and Order be served upon each party of record.

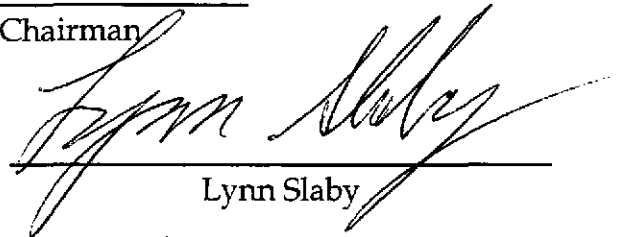
THE PUBLIC UTILITIES COMMISSION OF OHIO



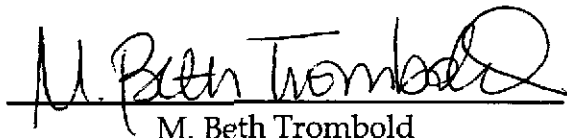
Todd A. Snitchler, Chairman



Steven D. Lesser



Lynn Slaby



M. Beth Trombold

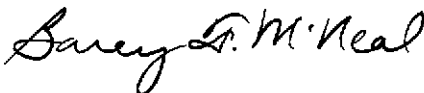


Asim Z. Haque

RMB/vrm

Entered in the Journal

**MAR 26 2014**



Barcy F. McNeal  
Secretary