

FILE

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Date of Hearing: 5/6/15

Case No. 28419

PUCO Case Caption: Application of Approval of
Amendment between Ohio Power Company
Glenn Metallurgical, Inc.

List of exhibits being filed:

Glenn Ex-1

JOINT Ex-1

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Date Submitted: 5/7/15

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :
Application for Approval of : Case No.
an Amendment to a Contract : 15-327-EL-AEC
for Electric Service between :
Ohio Power Company and :
Globe Metallurgical, Inc. :
- - -

PROCEEDINGS

Before Bryce A. McKenney and Nicholas Walstra,
Attorney Examiners, held at the offices of the
Public Utilities Commission of Ohio, 180 East
Broad Street, Hearing Room 11-D, Columbus, Ohio,
on Wednesday, May 6, 2015, at 2:30 P.M.

- - -

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- - -

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application for Approval of an Amendment to a Contract for Electric Service between Ohio Power Company and Globe Metallurgical, Inc.)))))	Case No. 15-327-EL-AEC
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APPLICATION

Pursuant to Section 4905.31, Revised Code and Commission Rules 4901:1-38 et. seq. Globe Metallurgical, Inc. ("Globe" or "Customer") respectfully applies for approval of an amendment to the Unique Arrangement between it and the Ohio Power Company previously approved in Case No. 08-884-EL-AEC as amended in Case No. 13-1170-EL-AEC. For the reason's stated below, Globe believes the amendment is in the public interest, complies with the Commission's rules on unique arrangements and advances the State Energy Policy as codified in Section 4928.02, Revised Code.

1. Ohio Power Company is a public utility as defined by Section 4905.02, Revised Code and is subject to regulation by the Public Utilities Commission of Ohio ("the Commission").

2. Globe is a customer of Ohio Power with facilities at 1598 Sparling Road, Beverly, Ohio. It manufactures silicon metal, specialty alloys, and ferroalloys at its Beverly plant. It is a customer of OPCO taking service under the GS-4 rate schedule.

3. Globe is eligible for an economic development arrangement under Rule 4901:1-38-03 (a)(2) as it qualifies as a mercantile customer as that term is defined in Section 4928.01, Revised Code, has expanded its operation by more than 25 employees, it pays the expansion employees well over 150% of the federal minimum wage, and it is financially viable.

4. In Case No. 08-884-EL-AEC, the Commission approved a special contract pursuant to Revised Code Section 4905.31, Revised Code for a ten year term ending December 31, 2018

("Unique Arrangement"). The purpose of the Unique Arrangement was to permit Globe to compete in the world wide specialty metals market from its Beverly Ohio facility. The Unique Arrangement provided for Globe to receive a 10% percent discount from Ohio Power's current IRP-D standard service and GS-4 energy rate (Big G). The discount was in recognition of Globe's ability to rapidly interrupt service, its high load factor rate and conditioned on Globe maintaining an expanded employee level.

5. Based on several unforeseeable events that took place subsequent to 2008, Globe sought and received approval from this Commission in Case No. 13-1170-EL-AEC to several fundamental amendments to its Unique Arrangement. The amendments included changing the pricing paradigm of the Unique Arrangement from a percentage off the Standard Service Tariff rates to a fixed price of \$42.78 per megawatt hour and shortening the term.

6. Commencing with the June 2015 billing cycle the amended Unique Arrangement will expire. At this time the Electric Security Plan for post June 2015 has not been determined, including the status of interruptible rate customers of which Globe is one of the largest.

7. Globe's original Unique Arrangement term was to terminate with the December 2018 billing cycle. The current Unique Arrangement is to terminate with the June 2015 billing cycle. At this time, Globe requests that the termination date for the Unique Arrangement be extended until the end of the May 2016 billing cycle, less than the original term.

8. Globe in concert with Ohio Power has submitted annual reports every year of the Unique Arrangement and demonstrated compliance with the terms and conditions of the Unique Arrangement.

9. Globe competes nationally and internationally in the worldwide metal market. Section 4928.02(N), Revised Code establishes are part of the State Energy Policy, that the Commission must assist to facilitate Ohio manufactures effectiveness in the global economy.

10. Energy is the second largest item in the cost of Globe's manufacture of specialty metal products and certainty of energy prices is essential to the competitiveness of its Ohio facilities and to maintain the promised full time employment levels.

11. Globe currently employs 237 full time employees with an Ohio payroll over of \$12 million. In addition, Globe paid over \$56 million to Ohio vendors for goods and services and state and local taxes of \$2.5 million.

12. Globe seeks in this application to extend the current Unique Arrangement one PJM year to allow for an orderly transition for interruptible service.

13. During the extension period Globe pledges to continue the employment level previously pledged and will continue to invest in its Ohio facilities.

14. During the extension period, Globe will continue to offer 85 MW for interruption by AEP Ohio for emergency purposes. Further, Globe will not enter the 85 MW generation in PJM or other interruptible or demand response programs.

15. Globe currently is receiving an economic development discount. The discount is the difference between the full Standard Service GS-4 bundled rate per megawatt hour ("MWh") and \$42.78 per MWh.

16. The full bundled rate per MWh is determined by summing the total cost for generation, ancillary service, transmission, and all applicable riders under the standard service offer, subtracting the interruptible generation credit, and dividing by the number of MWh consumed.

17. Globe proposes that the same paradigm of granting an economic development credit between the full bundled cost of electric service and the competitive price for power be maintained, but that Globe is willing to shop for the bundled competitive services (generation, and the transmission and ancillary services which are not directly billed by AEP Ohio), if such shopping can produce a lower cost and thus reduce the delta revenue. If Globe is able to find competitive

services for less than the cost of the bundled competitive services bundled as part of the Standard Service Offer, then Globe will contract for the competitive services in accordance with the time frame and conditions set in paragraph 20.

18. Globe today in accordance with the existing tariff receives a \$8.21 per kW interruptible generation demand credit for the 85 MW it has pledged to curtail on demand for Ohio Power. The interruptible generation demand credit is an offset to the cost of bundled electric service, which reduces the delta revenue component of the Unique Arrangement. Globe proposes that the same interruptible generation demand credit continue for the extension year, and the interruptible generation demand credit continue to apply to the calculation of the economic development discount in lieu of the IRP-D tariff credit which is scheduled to expire under the Company's pending proposal on May 31, 2015.

19. Globe proposes that during the extended year the competitive power price per MWh from which the economic discount price per MWh is calculated be increased from the current \$42.78 per MWh (which is subject to interruption) to \$45 per MWh (which is subject to interruption). The increase of the competitive power price of some \$2.22 per MWh or 5.2% for the extension year shall lower the delta revenue for the extension year, relative to the current Unique Arrangement.

20. Prior to the June 2015 billing cycle, Globe shall shop for generation, transmission and auxiliary power, and if Globe finds a lower cost for such competitive electric services contract for them commencing with the June 2015 billing cycle. Globe shall supply the Staff with a detailed analysis of the shopping for competitive services and if lower costs for the competitive services are obtained, details of the competitive service supply arrangement(s).

21. Globe proposes an overall cap for the extension year on the delta revenues from the Unique Arrangement of \$10 million, which is less than the delta revenue projected at this time.

22. Globe represents that the rates proposed in this application are critical to maintaining the competitiveness of its facilities so that it can continue to provide employment and other economic benefits in Ohio.

23. The Commission should find that a reasonable basis exists for approving the proposed amended contract.

WHEREFORE, Globe Metallurgical, Inc. respectfully requests that the Commission approve the amendments as set forth in Exhibit A to this Application.

Respectfully submitted,

GLOBE METALLURGICAL, INC.



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EXHIBIT A

**2015 ADDENDUM TO CONTRACT FOR ELECTRICAL SERVICE
SPECIAL TERMS AND CONDITIONS AGREEMENT
Made a Part of Contract for Electric Service Dated May 10, 2013**

This Addendum supplements and amends the Electric Service Contract as previously amended, dated July 11, 2008, the three Addendums dated July 11, 2008, the Addendum dated April 19, 2011 and the Addendum dated September 3, 2013 by and between Ohio Power Company, hereafter called the Company, and Globe Metallurgical, Inc., hereafter called the Customer.

WHEREAS, the Public Utilities Commission of Ohio approved a unique arrangement in Case No. 08-884-EL-AEC, the purpose of which was to permit Customer to effectively compete in the worldwide specialty metals market from its Beverly, Ohio facility;

WHEREAS, the unique arrangement is now being extended for an additional PJM year. During the extended year, the strike price from which economic development discounts are measured shall be raised by five percent (5%), and the interruptible credit shall be maintained even if the Rider IRP-D is not continued.

NOW, THEREFORE, Customer and the Company propose the following amendments to the current unique arrangement.

1. On page 1, paragraph 3 of the July 11, 2008 contract, as amended on September 3, 2013, the first sentence of that paragraph shall be amended to read as follows:

The Company is to furnish and the Customer is to take electric energy under the terms of this Contract for a period of up to seven years from the time such service is commenced and ending with the close of the May, 2016 billing cycle.

2. The second bullet point contained on the April 19, 2011 addendum, as modified by the September 3, 2013 addendum, shall be modified to read as follows:

- The price of the unique arrangement is to be changed from a percentage off of the tariff rates (a combination of Schedules IRP-D and GS-4) to a fixed price of \$42.78 per megawatt hour for the period through May 31, 2015. The proposed fixed price is designed to achieve the same level of savings that the Customer was anticipating had the contract gone its full term at the original discount. Foregone revenue (also referred to as Delta revenue) associated with the unique arrangement shall be fully recovered by the Company. Delta revenue is the difference between the fixed price and all revenue which would be recoverable from the Customer under the Company tariff rates, including all riders, but for the unique arrangement contract.

During the extended year (June 2015-May 2016), the competitive power price per MWh from which the economic discount price per MWh is calculated will be increased from the current \$42.78 per MWh (which is subject to interruption) to \$45 per MWh (which is subject to the interruption). The increase of the competitive power price of some \$2.22 per MWh or 5.2% for the extension year shall lower the Delta revenue for the extension year, relative to the current Unique Arrangement.

3. The provision in paragraph 3 which was added as part of the September 3, 2013 addendum, is now rescinded and replaced with the following:

Prior to the start of the extended period, Globe shall shop for the competitive services which are bundled as part of the standard service offer (i.e., generation, and certain transmission and auxiliary services) for delivery during the extended period. If Globe finds a lower cost for such competitive electric services, it shall contract for such services commencing with the June 2015 billing cycle. Globe shall supply the PUCO staff with a detailed analysis of the shopping for competitive services and if lower costs for the competitive services are obtained, the details of the competitive service supply arrangements.

4. A new provision to the agreement shall be added and will read as follows:

There will be an overall cap for the extension year on the Delta revenues from the unique arrangement of \$10,000,000.

IN WITNESS WHERE, the parties have caused this 2015 Addendum to Contract for Electric Service Special Terms and Conditions Agreement Made a Part of Contract for Electric Service Dated February __, 2015 to be executed by their authorized officers as of the date first above written.

GLOBE METALLURGICAL, INC.

OHIO POWER COMPANY

By: _____

By: _____

Date: _____

Date: _____

This foregoing document was electronically filed with the Public Utilities

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Case No(s). 15-0327-EL-AEC

Summary: Application Application electronically filed by M HOWARD PETRICOFF on behalf of Globe Metallurgical, Inc.

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application)	
for Approval of an Amendment to a)	
Contract for Electric Service between)	Case No. 15-327-EL-AEC
Ohio Power Company and Globe)	
Metallurgical, Inc.)	

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code ("O.A.C."), provides that two or more parties to a proceeding may enter into a written stipulation to resolve some or all of the issues presented in such proceeding. The purpose of this document is to set forth the understanding and agreement of Ohio Power Company ("AEP Ohio"), Globe Metallurgical, Inc. ("Globe") and the Staff of the Public Utilities Commission of Ohio ("Staff").¹ AEP Ohio, Globe, and the Staff, collectively the "Signatory Parties", recommend that the Public Utilities Commission of Ohio ("Commission") approve and adopt this Stipulation as part of its Opinion and Order resolving all of the issues in the above-captioned proceeding.

This Stipulation and Recommendation ("Stipulation") is supported by adequate data and information and represents a just and reasonable resolution of all issues in this proceeding. The Stipulation violates no regulatory principle or precedent and is in the public interest. The Stipulation was the product of serious bargaining among knowledgeable and capable parties. The Signature Parties include all parties of record. Further, there were no adverse comments filed by non-parties or members of the public.

¹ For purposes of entering into a Stipulation, the Staff is considered a party by virtue of Rule 4901-1-10(C), O.A.C.

4. Pursuant to Section 4905.31, Revised Code, and Rule 4901:1-38-05(B), O.A.C., a mercantile customer of an electric utility may apply to the Commission for a unique arrangement with the electric utility.

5. In Case No. 08-884-EL-AEC, the Commission approved a unique arrangement between AEP Ohio and Globe pursuant to Section 4905.31, Revised Code, for a ten-year term ending December 31, 2018. The purpose of the unique arrangement was to permit Globe to compete in the worldwide specialty metals market from its Beverly, Ohio facility. That unique arrangement contained a discount in recognition of Globe's high load factor rate and the discount was conditioned on Globe maintaining an expanded employee level. That unique arrangement was modified, which modification was approved by the Commission in Case No. 13-1170-EL-AEC.

6. Globe buys some 2.5 megawatts ("MW") of firm power under Schedule GS-4 and some 85 MW of interruptible power. Thus, Globe is one of the few and largest interruptible power customers on AEP Ohio system.

7. The term of Globe's original Unique Arrangement in Case No. 08-884-EL-AEC was to terminate with the December 2018 billing cycle. As a result of the modification in Case No. 13-1170-EL-AEC, the current Unique Arrangement will terminate with the June 2015 billing cycle. The Parties now agree that the termination date for the Unique Arrangement should be extended until the end of the May 2016 billing cycle.

8. Globe competes nationally and internationally in the worldwide metal market. Section 4928.02(N), Revised Code, establishes as part of the State Energy Policy, that the Commission must assist to facilitate Ohio's effectiveness in the global economy.

riders at the discounted rate of eight dollars and fifty cents (\$8.50) per megawatt hour ("MWh") for all such services. Globe shall purchase its energy and other competitive services from a certificated competitive retail electric service provider.

15. The difference between eight dollars and fifty cents (\$8.50) per MWh and the actual tariff charges per MWh for the applicable distribution, non-bypassable transmission, non-bypassable ancillary services and non bypassable riders as calculated under the then-current tariff shall be deemed the economic development discount or delta revenues. AEP Ohio shall be reimbursed the amount of the economic development discount via a charge to the Economic Development Rider.

16. The Parties agree that there shall be an limit ("cap") for the entire extension period as to the total amount of delta revenues which can be passed through the Economic Development Rider. The cap shall be four million dollars (\$4,000,000) for the extension year. Should the cap figure be reached during any month of the extension year, the economic development discount for that month in which the cap is reached shall be limited to the lesser of the monthly economic development delta revenue or the remainder of the capped funds. There will be no further economic development discounts in any month after the cap is reached, but the Rider IRP credits shall continue for so long as Globe stays in compliance with the terms of the interruptible service called for in the AEP Ohio tariff.

17. The Parties believe that the rates proposed in this Stipulation are critical to maintaining the competitiveness of the Globe Beverly Ohio facility so that Globe can continue to provide employment and other economic benefits in Ohio.

18. A reasonable basis exists for approving the proposed amended unique arrangement.

The undersigned hereby stipulate and agree that each presents that it is authorized to enter into this Stipulation on this 6th day of May 2015. This Stipulation may be signed in counterparts.

OHIO POWER COMPANY
d/b/a AEP Ohio

By: Steven T. Nourse by MHP
Steven T. Nourse
Counsel for Ohio Power Company

GLOBE METALLURGICAL, INC.

By: MHP
M. Howard Petricoff
Attorney for Globe Metallurgical, Inc.

STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO

By: [Signature]
Thomas W. McNamee
Assistant Attorney General