VORYS

Vorys, Sater, Seymour and Pease LLP
Legal Counsel

52 East Gay Street
P.O. Box 1008
Columbus, Ohio 43216-1008

614.464.6400 | www.vorys.com

Founded 1909

Michael J. Settineri
Direct Dial (614) 464-5462
Direct Fax (614) 719-5146
Email mjsettineri@vorys.com

November 13, 2015

Ms. Barcy F. McNeal, Secretary
Public Utilities Commission of Ohio
180 E. Broad St., 11th Floor
Columbus, OH 43215-3793

Re: Case No. 15-1857-EL-AEC
Additional Redaction - November 2, 2015 Public Version of Application

Dear Ms. McNeal:

On November 2, 2015, we filed on behalf of TimkenSteel Corporation a copy of the public version of the application in this proceeding. We recently discovered an inadvertent error made in the redaction of confidential information from the public version of the application and are providing you with a copy of the November 2, 2015 filing with the additional redaction. Please replace the public version of the application on the docket with the attached copy of the November 2, 2015 filing.

Thank you for your assistance on this matter. Please call with any questions.

Very truly yours,

Michael J. Settineri
Attorney for TimkenSteel Corporation

MJS/jaw
Enclosure

This foregoing document was electronically filed with the Public Utilities

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in

Case No(s). 15-1857-EL-AEC

Summary: Application for a Unique Arrangement electronically filed by Mr. Michael J. Settineri on behalf of TimkenSteel Corporation

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of TimkenSteel Corporation for Approval of a Unique Arrangement for the TimkenSteel Corporation's Stark County Facilities	)))))	**Case No. 15-1857-EL-AEC**

APPLICATION FOR A UNIQUE ARRANGEMENT

I. Introduction and Summary

Pursuant to Section 4905.31, Revised Code, and Rule 4901:1-38-05, Ohio Administrative Code, TimkenSteel Corporation ("TimkenSteel" or "Applicant") respectfully submits this application (the "Application") to the Public Utilities Commission of Ohio (the "Commission") for approval of a unique arrangement between a mercantile customer and an electric utility company that would replace the current unique arrangement that TimkenSteel has with Ohio Power Company ("Ohio Power"). Given the importance of this request and the pending expiration of the current unique arrangement on December 31, 2015, TimkenSteel asks for an expedited ruling on this application no later than December 18, 2015.

The steel operations of the company now known as TimkenSteel have been woven in the fabric of Ohio's economy since 1917. In just the last four years, more than $490 million has been invested in the company's steel operations for leading edge technologies that improve productivity and energy efficiency, support strong employment in Ohio and assist TimkenSteel to meet increased global competition in U.S. domestic markets. TimkenSteel also has a solid financial base, as of December 31, 2014 it had only $185 million in long-term debt with a debt to equity ratio of 24.8% and reported a 2014 adjusted EBITDA[1] of $211 million. TimkenSteel's products support companies operating in Ohio ([[redacted]]% of TimkenSteel's customer base is located in Ohio) as well as numerous critical industries--including the U.S. defense industry.

[1] Earnings before interest, tax, depreciation and amortization.

As Stark County's second-largest employer, TimkenSteel is a major economic leader in the Stark County area, directly employing (as of today) about [[redacted]] associates with a multiplier effect creating over [[redacted]] jobs throughout Ohio. In 2014, salaried associates earned an average of approximately $[[redacted]] with benefits, and an average hourly associate earned approximately $[[redacted]] with benefits. TimkenSteel purchases over $850 million in goods and services from Ohio businesses and pays nearly $[[redacted]] in property, sales, use and excise taxes. Over $60 million in additional tax revenues are created indirectly as a result of TimkenSteel's Stark County steel operations.

TimkenSteel, however, operates in an energy-intensive and trade-exposed industry[2] where increases in electricity pricing have a significant and negative impact. Indeed, TimkenSteel has faced significant increases in the cost of electricity, its third highest cost in the manufacturing process, with the cost rising over [[redacted]]% from 2007 through 2014. Although TimkenSteel has successfully made continuous improvements to significantly lower its energy intensity (kWh per ton of steel produced has decreased by over [[redacted]]% over the last two decades), it continues to face the challenges of operating and competing in an energy-intensive and trade-exposed industry in which the global playing field is increasingly tilted against it. Not only must it deal with increases in electricity pricing, but, as supported by U.S. Census Bureau import statistics, it now faces a flood of foreign subsidized steel imports into the U.S. steel markets.

With limited options available to it, TimkenSteel turns to this Commission for assistance. The General Assembly has provided this Commission with a mechanism to provide relief to

[2] An energy-intensive and trade-exposed industry can be defined as an industry in which (i) participating companies' total direct and indirect energy costs, as a percent of total operating costs, are relatively large compared to costs of companies in other industries and (ii) participating companies compete with foreign companies, often in an environment of unfair competition, resulting in an inability to effectively pass through increased energy costs to its customers.

companies like TimkenSteel – a unique arrangement between the customer and the electric utility company that provides for a rate discount.[3] The unique arrangement proposed in this Application will allow TimkenSteel to build upon and protect the nearly half-billion dollars in capital investments it has made in its Stark County facilities[4] for game-changing steelmaking technologies. Such investments accelerate innovation, expand value-added capabilities and opportunities for growth, help buffer against anticompetitive market behaviors, and will facilitate the State's effectiveness in the U.S. economy as well as in the global economy.

The unique arrangement proposed in this Application will apply to TimkenSteel's operations and facilities in Stark County and will:

(1) run for a sixty-five month term (January 1, 2016 to May 31, 2021) during which TimkenSteel will receive generation from a competitive retail electric service ("CRES") provider;

(2) allow TimkenSteel to receive a [[redacted]]% discount on Ohio Power's monthly tariff charges (excluding Basic Transmission Cost Rider charges) during the term of the unique arrangement;

(3) be subject to a fixed delta revenue cap of $[[redacted]] over the term of the unique arrangement and a fixed cap of $[[redacted]] in any 24 month period;

(4) allow TimkenSteel to begin paying for transmission service through the new Basic Transmission Cost Rider ("BTCR"), recently approved in AEP Ohio's ESP III

[3] *See* Section 4905.31, Revised Code.

[4] As used in this Application, TimkenSteel's "Stark County Facilities" refers to the company's three contiguous plants in Stark County: the Faircrest Plant in Perry Township; the Harrison Plant in Canton and the Gambrinus Plant in Canton Township.

proceeding, based on TimkenSteel's annual single EDU transmission coincident peak;[5] and,

(5) allow TimkenSteel to serve as an interruptible resource for Ohio Power during the term of the unique arrangement and receive the interruptible service credit regardless whether that credit or program is available through tariff.[6]

With these features in place, the proposed unique arrangement will benefit all of Ohio, allowing TimkenSteel to make $[[redacted]] in continued capital investments in its Stark County facilities and to maintain a minimum employment of [[redacted]] full-time equivalent associates during the term of the unique arrangement, with a goal of achieving a level of [[redacted]] associates by the end of 2020, while typically making approximately $850 million in purchases from other Ohio businesses and paying a significant amount in state and local withholding taxes annually. In addition, because TimkenSteel has a demonstrated ability to interrupt a significant number of megawatts on short notice, it can continue to provide much needed flexibility and grid reliability as well as price suppression benefits to Ohio Power and retail customers served by the PJM regional transmission grid.

Indeed, TimkenSteel has done these very things under its current unique arrangement, which was approved in 2011. Under that unique arrangement, more than $490 million was invested in capital improvements of the steel operations in TimkenSteel's Stark County Facilities, almost ten times the $50 million required under that unique arrangement. Of that,

[5] *See In re Ohio Power Company*, Case Nos. 13-2385-EL-SSO et al. (Opinion and Order dated February 25, 2015).

[6] Ohio Power's current tariff provides a credit of $8.21 per kW under Rider IRP (Interruptible Power). On February 25, 2015, the Commission issued an Opinion and Order in Case Nos. 13-2385-EL-SSO et al. (Opinion and Order) that modified and approved the Electric Security Plan proposed by Ohio Power. As part of that Opinion and Order, the Commission approved an extension of Rider IRP to both shopping and non-shopping customers. On May 28, 2015, the Commission issued an Entry on Rehearing limiting participation in the Rider IRP program and continuing the credit amount for only those customers currently participating (regardless whether shopping or on SSO).

$[redacted] was invested in electrical efficiency and energy intensity reduction projects – meaning TimkenSteel far exceeded its pledge and did so within the first three years of the unique arrangement.

Employment, too, was strongly supported after TimkenSteel was spun off from its former parent, The Timken Company. The spinoff was effective as of June 30, 2014. Prior to the spinoff, in January 2014, TimkenSteel's full time employees numbered [redacted]. That number grew to [redacted] in December 2014, a nearly [redacted] increase. Even accounting for recent manpower adjustments necessitated by the precipitous decline in the domestic energy exploration and production sector, TimkenSteel's employment remains roughly [redacted]% higher than its pre-split headcount. TimkenSteel remains Stark County's second largest employer and is vitally important to the local economy.

On a number of recent occasions, TimkenSteel's Stark County Facilities served as a shock absorber, responding on short notice to calls from Ohio Power to interrupt its heavy electricity demand for the good of the Ohio transmission system and Ohio Power and PJM retail customers. More specifically, TimkenSteel's ability to rapidly shed its large electricity load suppresses prices for PJM retail customers and has incalculable value in terms of sustaining or restoring grid reliability.

The current, successful unique arrangement will expire on December 31, 2015, leaving TimkenSteel subject to market rate spikes, including in utility rates for distribution. As noted above, steel manufacturing is an energy-intensive process. Since 2008, the steel operations at the Stark County Facilities have used an average of approximately 1 billion kilowatt-hours per year. The cost of that electricity has risen significantly. In 2014, TimkenSteel's cost of electricity under the current unique arrangement for its Stark County Facilities was over $60 million.

Absent a replacement unique arrangement, TimkenSteel will continue to suffer from the significant increase in its delivered all-in electricity price (excluding the kWh tax), which has increased more than [[redacted]]% since 2007. The unique arrangement helped to buffer this rate shock, but even with the unique arrangement TimkenSteel still experienced a [[redacted]]% increase in its average monthly cost for electricity from May 2011 to October 2014, the last month of the discount under the existing unique arrangement.

The negative effect of these increases is further compounded by the substantial reduction in TimkenSteel's bar and tubing business as a result of the significant drop in drilling activity in multiple shale plays, including the Utica and Marcellus shale plays. This drop in demand has been exacerbated by a historic surge in subsidized steel imports of bar and tubing into the United States by foreign competitors including China, South Korea and Turkey. These foreign competitors, and TimkenSteel's domestic competitors, too, benefit from various forms of state and rate assistance, intensifying the trade exposure that TimkenSteel faces in its industry.

Other than seeking a replacement unique arrangement, TimkenSteel has no meaningful alternatives at this time to reduce one of its most costly manufacturing inputs. TimkenSteel's operations are asset intensive and those assets cannot be relocated economically. Likewise, TimkenSteel cannot currently shift production given its capital investments made at the Stark County Facilities. Regardless, shifting production and relocating capital assets would not benefit Ohio. TimkenSteel also has limited options to adjust production operations. At full capacity, TimkenSteel operations typically run 24/7, so typically it is impossible for the company to schedule production only during off-peak pricing hours. TimkenSteel has also investigated the feasibility of on-site generation. Because TimkenSteel has a *de minimis* thermal load, the cost of on-site generation continues to outweigh any benefits of on-site generation.

TimkenSteel recognizes the ongoing need to investigate new solutions for rising electricity costs and remains committed to doing so, rather than relying solely on Commission-approved unique arrangements. TimkenSteel has a strong incentive to mitigate increases in the cost of electricity, including continuing its efforts to further reduce energy intensity. Continuous improvement, optimizing manufacturing processes, improving efficiency, and doing more with less is part of the TimkenSteel culture.

TimkenSteel has a proven track record of reducing energy intensity. In the past two decades alone, TimkenSteel's energy intensity has been reduced by approximately [[redacted]]% as a result of continued strategic capital investments and process improvements. This compares favorably to the [[redacted]]% reduction in energy intensity achieved by the domestic steel industry as a whole during this period. TimkenSteel is committed to building on these results.

To avoid the need for future unique arrangements, TimkenSteel commits to take the following steps during the term of the proposed unique arrangement as well as to provide regular updates to Staff on the progress of the steps:

1. Continue ongoing commitment to strategic capital investment in leading edge steelmaking technologies, including at least $[[redacted]] during the term of the proposed unique arrangement.
2. [[redacted]]
3. [[redacted]]
4. [[redacted]]

[redacted]

5. [redacted]

6. [redacted]

7. [redacted]

Accordingly, to protect TimkenSteel's more than $490 million in recent capital investments against electric rate increases and subsidized global competition, and to sustain TimkenSteel's ongoing investment in its employees and in the Stark County area, TimkenSteel is proposing the unique arrangement in the form set forth in this Application. When the Commission weighs the fact that TimkenSteel operates in an energy-intensive and trade-exposed industry, the key economic role the Stark County steel operations play throughout Ohio and TimkenSteel's ability and long-term plans to sustain operations, it should find that the benefits of the unique arrangement proposed in this Application far outweigh the cost of the discounts requested, and that the unique arrangement will facilitate the State's effectiveness in the U.S. and global economies.

II. Statements in Support of Application

In further support of this Application for the proposed unique arrangement, the Applicant makes the following statements:

A. Background of TimkenSteel and its Separation from The Timken Company

1. The steel-making operations now known as TimkenSteel trace their roots to 1901, when the The Timken Roller Bearing Axle Company moved its headquarters and bearing and axle plant from St. Louis, Missouri to Canton, Ohio. By 1913, the company launched its first formal research facility, centered on improving the quality of its raw material supply. As a result, in 1914, the company began a switch to electric-arc furnace steel, which demonstrated dramatic performance improvements for customers. By 1915, the company opened a tube piercing mill in Canton to create tubing from more readily available solid steel cylinders. Within two years, concerns over having a dependable supply of premium steel during the World War I era led to the decision to competitively produce steel in-house, capturing cost savings from recycling the scrap from bearing operations.

2. When the company's Canton, Ohio steel plant became operational in 1917, it included one of the largest electric-arc furnace facilities in the country. Since then, the steel operations that make up TimkenSteel have been expanded and modernized numerous times, and that history of consistent capital investment has unquestionably strengthened TimkenSteel's global competitive position. Within the last five years alone, TimkenSteel has invested close to $500 million for major capital improvements and upgrades in its Stark County steel operations. Its employees further enhance the performance of that equipment and the capital investments have bolstered TimkenSteel's capabilities, broadened its offerings and further improved its operational performance.

3. As indicated above, the operations now known as TimkenSteel are not new to Ohio and prior to 2014 were part of The Timken Company. In mid-2013, The Timken Company ("Timken") announced that its Board of Directors had formed a Strategy

Committee to evaluate a potential separation of the company's steel business from its other businesses and to review the company's corporate governance and its capital allocation strategy. The Strategy Committee was formed in response to a non-binding shareholder proposal in favor of the proposed separation, which proposal was approved by a majority vote at Timken's 2013 Annual Meeting of Shareholders.

4. After consulting with outside experts and consultants, Timken's Board of Directors agreed that Timken's steel operations (which historically consumed over 97% of Timken's total electricity load) should be separated from its bearings and power transmission business. Thus, an entity now known as TimkenSteel Corporation was incorporated in October 2013 to house The Timken Company's steel operations, and that entity was spun-off from The Timken Company effective as of June 30, 2014. The multi-national bearings and power transmission operations retain The Timken Company name.

5. The spinoff of TimkenSteel from The Timken Company was designed to result in two stronger, industry-leading, independent companies with more latitude to optimize growth in both the bearings and power transmission business, on the one hand, and the steel business, on the other. TimkenSteel Corporation remains a leading manufacturer of specialty bar quality steel and seamless mechanical tubing.

6. Both companies continue to be headquartered in Stark County, Ohio, but TimkenSteel and Timken are no longer affiliated, nor do they , share facilities or personnel. In sum, TimkenSteel and Timken have a common heritage but no other substantive corporate affiliation.

B. TimkenSteel is a Leading Manufacturer of Specialty Steel Products

7. TimkenSteel is the leading manufacturer of SBQ (special bar quality) steel large bars and seamless mechanical tubing in North America, melting approximately two million tons of steel a year (almost all of which comes from recycled material such as scrap automobiles and appliances) into new steel bars and tubes. TimkenSteel's focus is on alloy steel, although in total it manufactures more than 450 grades of high-performance carbon, micro-alloy and alloy steel sold as ingots, bars and tubes. These products are custom-made in a variety of chemistries, lengths and finishes (approximately 4,000,000 bar configurations) and 9,000 customer specifications. TimkenSteel serves its customers with 100 percent made-to-order products and provides these products to suppliers who in turn convert or use those products in their own products to support many industries critical to the U.S. and its economy, including the defense industry and many other core industries including automotive, aerospace and oil and gas exploration.

8. Based on its knowledge of the steel industry, TimkenSteel believes it is the only *focused* SBQ steel producer in North America and has the largest SBQ steel large bar (6 inch diameter and above) production capacity among North American steel producers. TimkenSteel manufactures alloy steel as well as carbon and micro-alloy steel. Its product portfolio includes SBQ bars, seamless mechanical tubing and precision steel components. In addition, it supplies value-added services including machining, honing, drilling and thermal treatment of steel. It also provides precision components and supply chain services.

9. TimkenSteel operates and reports financial results in two segments: (a) Industrial & Mobile and (b) Energy & Distribution.

(a) Industrial & Mobile - TimkenSteel's Industrial & Mobile segment is a leading provider of high quality air-melted alloy steel bars, tubes, precision components and value-added services. In the industrial market sector, TimkenSteel sells to agriculture, construction, machinery, military, mining, power generation and rail original equipment manufacturers. In the mobile market sector, TimkenSteel sells to automotive customers for engine, transmission, driveline applications and other types of equipment in light vehicles and medium and heavy trucks.

(b) Energy & Distribution - TimkenSteel's Energy & Distribution segment is a leading provider of high quality air-melted alloy steel bars, seamless tubes and value-added services such as thermal treatment and machining. The Energy & Distribution segment offers unique steel characteristics in various product configurations to improve customers' performance in demanding drilling, well completion and production activities. Application of TimkenSteel engineered material solutions can be found in both offshore and land-based drilling activities. Vertical and horizontal drilling and well completion applications include high strength drill string components and specialized completion tools that enable hydraulic fracturing for shale gas and oil in Ohio and other states. These products typically are sold to distributors, and TimkenSteel's collaboration with its authorized service centers enable the company to deliver differentiated solutions for end-users.

10. Based on its internal estimates, TimkenSteel believes it has historically supplied approximately [[redacted]]% of the seamless mechanical tube demand in North America. Moreover, TimkenSteel has nearly a century of experience in materials science and steelmaking and uses its technical know-how to improve the performance of its customers' products.

11. TimkenSteel's business model is built on a problem-solving culture, products and processes that help its customers meet their most demanding challenges, and the principles of innovation and growth. TimkenSteel focuses on creating tailored products and services for its customers' most demanding applications. To optimize its work with customers, TimkenSteel's sales team is comprised largely of engineers. In fact, engineers represent nearly a third of TimkenSteel's salaried employees overall. Its engineers are experts in both materials and applications, so TimkenSteel can work closely with each customer to deliver flexible solutions. TimkenSteel's manufacturing supervisors and its hourly workforce are made up of talented employees from local communities, trained to operate with safety and precision to deliver high-quality results. TimkenSteel believes its operating model gives it a competitive advantage in its industry, but that operating model cannot control the price TimkenSteel pays for electricity.

12. TimkenSteel's business model also is unique in the industry in that it has flexibility to produce customized SBQ steel for its customers in high or low volume, as the situation dictates, with a [[redacted]]-ton average order size, which is relatively small compared to industry averages. TimkenSteel also takes a two-pronged approach to research and development. The company spends on average about $[[redacted]] annually on product and/or process development. It also focuses on applied research and development—

starting in the field with the customer—to create the answers to the customer's toughest engineering challenges and leverage those answers into new product offerings. This ability to create new product solutions is another telling measure of the TimkenSteel difference—approximately [[redacted]] percent of the company's current sales did not exist five years ago.

13. TimkenSteel's leadership in customized alloy steel products and services recently earned two prestigious *American Metal Market Awards* for Steel Excellence, the first as "Steel Producer of the Year" and the second for "Best Innovation, Process" in recognition of the company's new jumbo bloom vertical caster, which is the biggest continuous bloom vertical caster in the world and the only one of its kind in North America. The $200 million caster produced its first heat in October 2014.

14. Although TimkenSteel's products reach all corners of the globe in TimkenSteel's customers' applications, roughly [[redacted]]% of TimkenSteel's sales are invoiced in the U.S. and [[redacted]]% of all product shipments go to Ohio locations. TimkenSteel sells a diverse mix of products and services to approximately [[redacted]] customers, [[redacted]]% of whom are in Ohio. No single customer represents more than [[redacted]]% of TimkenSteel's direct sales.

15. TimkenSteel's ability to create, design, optimize and understand how steel will perform in customers' applications sets TimkenSteel apart from its competitors, and it helps TimkenSteel to deliver the kind of sustainable value that both customers and shareholders demand. TimkenSteel also has differentiated itself from its competitors by maintaining a low debt to equity ratio of 24.8% in FY2014 compared to other competitors with debt to equity ratios averaging 67.4% in the same period.

16. Since being spun off as an independent, stand-alone corporation in 2014, TimkenSteel employees have continued the legacy of community involvement and

commitment to volunteerism. Many of its employees serve on charitable boards and many more give their time in volunteer activities. In 2014, TimkenSteel carried on The Timken Company's heritage of commitment to the local communities where its employees work and live by establishing the TimkenSteel Charitable Fund. This fund matches TimkenSteel's employees' charitable donations and supports programs that make a significant impact in local communities. One of TimkenSteel's key priorities is in the area of education, where each year it awards a number of scholarships ranging from $5,000 to $35,000 to a number of children of its employees. TimkenSteel and its employees, working together, make a positive impact in their local communities.

C. TimkenSteel Is a Job Generator and Economic Engine

17. TimkenSteel is an Ohio corporation with its worldwide headquarters in Canton, Ohio. It has seven manufacturing/operating facilities in Akron, Stark County (three) and Eaton, Ohio; Columbus, North Carolina and Houston, Texas. In addition to these facilities, TimkenSteel owns or leases warehouse and distribution facilities in the United States, Mexico and China. Additionally, the company maintains a technology and engineering facility in Shanghai, China and recently opened a new technology center in Canton, Ohio that is the only focused SBQ technology center in North America. It currently has sales offices in five countries: the United States, China, England, Mexico and Poland.

18. TimkenSteel's products are manufactured primarily at its three contiguous plants in Stark County: the Faircrest Plant in Perry Township; the Harrison Plant in Canton and the Gambrinus Plant in Canton Township (collectively with TimkenSteel's corporate headquarters, the "Stark County Facilities").

19. Thousands of Ohioans work full-time for TimkenSteel, providing a significant economic benefit to their families and surrounding communities. In 2014, TimkenSteel's hourly workers received an average of $[[redacted]] per year in wages including overtime. When benefits are included, hourly workers earned on average $[[redacted]]. Also in 2014, the average salaried employee earned a salary of $[[redacted]] per year and $[[redacted]] per year when benefits are included. Altogether, TimkenSteel's Stark County Facilities employed [[redacted]] people at the close of 2014 with a total annual payroll of more than $216 million, and with state and local tax withholding of more than $[[redacted]].

20. TimkenSteel's employment levels and payroll provide a significant positive economic impact on the surrounding region and on the State. As noted in the report by Dr. Paul Coomes (Emeritus Professor of Economics, College of Business, University of Louisville) titled "The Estimated Economic and Fiscal Impacts of TimkenSteel Corporation's Operations in Stark County, Ohio" and attached as Appendix A, TimkenSteel's 2014 monthly average of [[redacted]] direct jobs correlates to over 12,600 total jobs in Ohio, jobs that are estimated to annually pay Ohioans more than $866 million.[7] TimkenSteel also purchases goods and services from over 1,800 Ohio businesses totaling approximately $850 million a year. TimkenSteel's purchases from its Ohio-based supply chain are part of a tremendous multiplier effect for the state and local economies, having a job multiplier effect of 4.952 and a payroll multiplier of 3.069.[8] In addition, the

[7] *See* Appendix A at page 8 & Table 3. The estimated job multiplier for the steel production industry in Ohio is 4.952, meaning that for every job at the Stark County Facilities, 3.952 jobs are created elsewhere in Ohio. Similarly, the labor income multiplier for the industry is 3.069, meaning that for every dollar of payroll created at the Stark County Facilities, another $2.069 in payrolls are created in other Ohio industries. *Id.* at page 6-7 & Table 2.

[8] *Id.*

State and local governments received over $[redacted] in tax revenues in 2014 as a result of TimkenSteel's operations at its Stark County Facilities.[9]

21. In addition to playing a critical role in the economy of Northeast Ohio, TimkenSteel's size and energy flexibility play a role in maintaining system reliability and controlling rates for Ohio Power and PJM retail customers. The very size and scope of TimkenSteel's energy-intensive operations permits TimkenSteel to interrupt up to [redacted] MW on short notice. At normal operating levels, TimkenSteel uses almost 1 billion kilowatt-hours per year in its steel operations. For perspective, TimkenSteel's energy consumption is equivalent to approximately 83,300 homes using 1,000 kWh per month. This is approximately three and a half times the number of homes in Canton, Ohio based on 2014 estimates.[10]

22. Currently, Ohio Power can interrupt a significant portion of TimkenSteel's load for system reliability emergencies. For example, TimkenSteel was called upon (and responded) to interrupt service three times during the hot summer of 2013 and three additional times during the bitter cold of early 2014. This ability to rapidly shed demand can and has been called upon by Ohio Power to ensure reliable service for its firm service customers and results in more economical pricing for all retail customer classes within PJM who otherwise may incur higher prices as a result of the pass through of the cost of power purchased during a time period when market prices are relatively high.

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[9] *Id.* at page 9, Table 4.

[10] http://www.ohio-demographics.com/cities_by_population

D. The Soon-to-Expire Unique Arrangement, Approved in Case No. 10-3066-EL-AEC, has been Successful.

23. On December 20, 2010, Timken filed an application in Case No. 10-3066-EL-AEC (the "Initial Application") seeking approval of a unique arrangement with Ohio Power for its Canton, Ohio manufacturing complex and Technology Center.[11] The resulting 2011 unique arrangement consisted of multiple components. The first component was the establishment of a special rate necessary to facilitate capital investment in production assets and energy conservation. The second component was integrating Timken's conservation efforts into Ohio Power's peak demand reduction and energy efficiency programs. The third and fourth components were commitments to maintain an employment floor of [[redacted]] full time associates and to make a significant amount of capital investment in Timken's Canton, Ohio facilities. The Commission approved Timken's Initial Application for the 2011 unique arrangement in full on April 27, 2011.[12]

24. To implement the 2011 unique arrangement, Timken entered into a Contract for Unique Arrangement (the "Contract") with Ohio Power.[13] In both the Initial Application and the Contract, Timken agreed to a minimum level of capital investment in its Canton facilities and to maintain a certain level of full-time employment.[14] Timken pledged that it would invest no less than $50 million in its Canton facilities over a ten-year period, including its investments in energy efficiency and energy conservation projects.[15] Timken committed to front-load its investment, with $30 million to be expended in the first

[11] *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, Application filed December 20, 2010.

[12] *Id.*, Entry dated April 27, 2011.

[13] *Id.*, Contract for Unique Arrangement filed on June 8, 2011.

[14] *Id.*

[15] *In re Timken*, Case No. 10-3066-EL-AEC, Initial Application at ¶¶ 43, 46.

five years (January 1, 2010 - December 31, 2014) of the ten-year period.[16] In addition, Timken pledged to maintain a level of employment at the Canton facilities of [[redacted]] full-time employees during the term of the proposed unique arrangement, absent a *force majeure*.[17] Timken met and exceeded its pledges on capital investment and energy efficiency, and also achieved its employment commitment with the exception of 2014 when it achieved 98% of its employment commitment, despite the corporate separation and precipitous decline in the energy market sector that has impacted employment throughout the industry.

25. The 2011 unique arrangement has been amended three times since the Commission's April 27, 2011 initial approval. First, on February 21, 2014, Timken, Ohio Power and TimkenSteel filed a joint application to update the 2011 unique arrangement to reflect the corporate separation of the steel business into an independent, non-affiliated new business entity (TimkenSteel) and to assign the Contract to TimkenSteel.[18] As part of that joint application, the ongoing employment pledge under the 2011 unique arrangement by TimkenSteel was adjusted to [[redacted]] full-time employees which represented an increase to the pre-split direct employment pledge for the steel operations.[19] The Commission approved this amendment on March 26, 2014.[20]

26. Next, TimkenSteel and Ohio Power filed an application to amend the 2011 unique arrangement on September 18, 2014 to allow TimkenSteel to shop for electricity

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[16] *Id.*

[17] *In re Timken*, Case No. 10-3066-EL-AEC, Initial Application at ¶ 42.

[18] *In re Timken*, Case No. 10-3066-EL-AEC, Application dated Feb. 21, 2014.

[19] *Id.* at p. 6.

[20] *Id.*, Opinion & Order dated Mar. 26, 2014.

supply and continue to receive the interruptible service credit.[21] The third amendment application was filed on December 15, 2014[22] and sought to extend the time period for receipt of the interruptible service credit from June 1, 2015 through the earlier of December 31, 2015 or the date the Commission approves or denies an application for a new unique arrangement for TimkenSteel.[23]

27. Although ending soon, the 2011 unique arrangement has been successful. The investment pledge under the Initial Application was far exceeded. Specifically, qualifying investments in steel operations (now housed within TimkenSteel) totaled $490.4 million under the unique arrangement – almost ten times the $50 million that was pledged. These investments reinforce TimkenSteel's position of offering what it believes to be the broadest SBQ large bar and seamless mechanical tubing capabilities in North America. Major highlights of the multi-year investment program include:

(a) A $200 million investment to design, build and install a jumbo bloom vertical caster at the Faircrest Steel Plant. This custom, made-to-order caster is the largest continuous bloom vertical caster in the world and the only one of its kind in North America. The caster has the ability to cast difficult-to-produce alloy steel grades and expands TimkenSteel's capabilities as well as improving efficiency and flexibility, expanding product range and increasing capacity to serve demand for steel large bars

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[21] *In re Timken,* Case No. 10-3066-EL-AEC, Application dated Sept. 18, 2014 revised through revision to joint application filed October 22, 2014.

[22] *In re Timken,* Case No. 10-3066-EL-AEC, Application dated Dec. 15, 2014.

[23] *Id.* The Commission approved the September 18, 2014 application, as amended, on October 29, 2014 and approved the December 15, 2014 application on February 3, 2015. *Id.*, Finding and Order dated Oct. 29, 2014 and Finding & Order dated February 3, 2015.

and seamless mechanical tubing. The caster met its scheduled October 2014 start-up and is progressing as planned on customer certifications.

(b) A $25 million investment to design, build and install a new ladle refiner at the Faircrest Steel Plant. The ladle refiner became operational in May 2013 and has nearly doubled the refining capacity of the Faircrest Steel Plant, adding annual melt capacity of approximately [[redacted]] tons.

(c) A $50 million steel tube intermediate finishing line (IFL) project, completed in February 2013. This investment was made to increase operational efficiency, quality and safety in TimkenSteel's steel tube manufacturing operations. The new IFL incorporates the latest technology and lean processes, which have improved employee safety through reduced product handling and material movements and have led to reduced in-process inventory. Customer service has been significantly improved through a [[redacted]]% reduction in steel tube finishing cycle time, while finishing labor productivity has increased by [[redacted]]%. The IFL also incorporates a more environmentally-friendly water jet de-scaling spray system that replaces the former pickling process.

(d) A $35 million in-line forge press, completed in December 2012. The 3,300 ton forge press offers TimkenSteel's customers sound-center engineered steel bars. The investment provides an opportunity for TimkenSteel to focus on new markets and adds additional capacity and operating efficiencies. Combined with TimkenSteel's recent investment in an ultrasonic test large-bar inspection line, the new forging capabilities reinforce its position as a premier provider of sound-center large bars of up to 16 inches in diameter.

28. Capital investments in energy efficiency projects also exceeded the prior commitment. As of the end of 2014, a total of $[[redacted]] million has been invested in electrical energy efficiency and energy intensity reduction projects at the Canton facilities under the 2011 unique arrangement, well beyond and much sooner than the planned $6 million investment in conservation projects referenced in the Initial Application.[24]

29. Prior to the precipitous decline in the domestic oil and gas exploration and production sector, TimkenSteel was on track to meet its pledge of [[redacted]] full-time employees at its Stark County Facilities during 2014. As noted above, TimkenSteel's employment level increased nearly [[redacted]]%, from [[redacted]] full-time employees in January 2014 to [[redacted]] full-time employees in December 2014. On a monthly basis during 2014, TimkenSteel averaged [[redacted]] full-time employees, which was more than 98% of its commitment.

30. TimkenSteel sustained this strong employment in 2014 despite the monumental retrenchment in the oil and natural gas industry that significantly reduced demand for steel, higher than expected employee attrition (e.g., planned retirements and voluntary quits), and a hiring freeze necessitated by the substantial decline in TimkenSteel's sales to the depressed exploration and production sector last year. Further, despite recent manpower adjustments necessitated by this precipitous decline in the domestic energy exploration and production sector, TimkenSteel's employment currently remains roughly [[redacted]]% higher than its pre-split headcount. [[redacted]

[24] *In re Timken*, Case No. 10-3066-EL-AEC, Initial Application at ¶38.

[redacted]

31. TimkenSteel also dedicated, under the current unique arrangement, the savings from its energy conservation efforts to Ohio Power. Since 2011, the Stark County facilities have achieved in excess of 14 million kWh in reduction and an additional 8.1 million kWh are pending approval for 2012 through 2014 projects with an additional [redacted] million kWh estimated for 2015. TimkenSteel's integration of its conservation efforts under the existing unique arrangement also has reduced the economic impact to other customers for achieving Ohio Power's energy efficiency and peak demand targets.

E. Despite the Success of the Current Unique Arrangement, TimkenSteel Faces Unprecedented Challenges from Unfair Foreign Competition

[redacted]

33. [redacted]

[redacted]] These investments include the over $200 million large bloom vertical caster, the $25 million ladle refiner for the Faircrest Steel plant, the $35 million forge press at the Faircrest Steel Plant, and the $50 million intermediate finishing line at the Gambrinus Steel Plant, all of which are now operational.

34. Second, many of TimkenSteel's competitors receive subsidies and rate assistance. TimkenSteel's competitors in Ohio and other states receive various forms of rate assistance. Worse, TimkenSteel's market share has been adversely impacted by a surge in imports from foreign steel competitors. Both Asia and Europe's over-build of steel mills for the last 10-15 years has contributed significantly to the global glut of steel capacity. For example, while the previous double-digit economic growth in China had been consuming the majority of its domestic steel output, China's economic growth has slowed considerably—to below 8% per year from approximately 10% in 2010.[25] But in order to maintain full employment, the Chinese government prefers to provide its steelmakers with numerous subsidies to maintain full production. In effect, China and several other "developing or non-market countries" are exporting what otherwise would be their unemployment to the U.S. This situation is exacerbated by the strong U.S. dollar

[25] See e.g. http://data.un.org/Data.aspx?d=WDI&f=Indicator_Code%3ANY.GDP.MKTP.KD.ZG *and see* http://data.worldbank.org/country/china.

which makes U.S. goods more expensive to purchase abroad, while making the price of imports (like steel) cheaper in the U.S. The compound effect of steel "dumping" and the strong U.S. dollar has proven a challenge for domestic producers, like TimkenSteel, whose operations are already very lean.

F. Rising Electric Rates Continue to Threaten TimkenSteel

35. TimkenSteel's operations are energy-intensive, leaving it highly sensitive and vulnerable to electricity price increases. Electricity is the third largest cost component of TimkenSteel's steel business, surpassed only by costs associated with scrap metal/alloy purchases and labor. Although TimkenSteel proactively manages its load, TimkenSteel cannot absorb rapid price increases for electric services because the cost of electricity represents a significant cost of manufacturing specialty alloy steels. For example, in 2014, TimkenSteel spent over $60 million for electricity.

36. Given the size of TimkenSteel's load, a mere tenth of a cent increase per kWh is equivalent to a $1 million annual increase in TimkenSteel's costs. This is significant because TimkenSteel is unable to pass through the increased cost to customers given the current competitive nature of the steel markets. Thus, even relatively small increases in electricity prices make goods manufactured at the Stark County steel operations less competitive in both foreign and domestic markets.

37. Absent the current unique arrangement, TimkenSteel would have experienced a [[redacted]]% rate increase in electric pricing ($/MWh) from the beginning of the unique arrangement, May 2011, to October 2014, the last full month discount under the unique arrangement period. This increase can be attributed primarily to the tariff and rider adjustments during the same period. The unique arrangement buffered this rate shock, but

even with the unique arrangement TimkenSteel experienced a [[redacted]]% increase in its average monthly cost for electricity.

38. When TimkenSteel's discount under the current unique arrangement ended in November 2014, it was able to partially mitigate the shock of going to full tariff rates by amending the unique arrangement to allow TimkenSteel to shop for its generation while continuing to receive the interruptible service credit. Despite this, TimkenSteel is still experiencing a [[redacted]]% increase in its average monthly cost for electricity compared to what it was paying prior to May 2011.

G. Steel Dumping by Foreign Suppliers Threatens the Domestic Steel Industry

39. TimkenSteel has not only experienced a significant increase in the price of electricity, but is still experiencing manipulative, unfair trade practices from global steel suppliers. As Thomas Gibson, President and CEO, American Iron and Steel Institute, recently stated, "The steel industry is currently facing an historic surge of steel imports into the U.S. market that is largely a result of foreign government trade-distorting policies and the weakened global economy." For example, finished steel imports in 2014 compared to 2013 increased by 68% from China, 44% from South Korea, and 83% from Turkey, with significant increases from many other countries as well.[26] All told, based on the latest U.S. Census Bureau data, cumulative steel product imports in 2014 were up 38% from 2013 and up a staggering 77% from 2010.[27]

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[26]Source https://www.census.gov/foreign-trade/Press-Release/2014pr/01/steel/index.html; https://www.census.gov/foreign-trade/Press-Release/2015pr/01/steel/index.html.

[27] Source https://www.census.gov/foreign-trade/Press-Release/steel_index.html ; https://www.census.gov/foreign-trade/Press-Release/2010pr/01/steel/index.html ; https://www.census.gov/foreign-trade/Press-Release/2015pr/01/steel/index.html ; https://www.census.gov/foreign-trade/Press-Release/2014pr/01/steel/index.html.

40. The import issue is of significant concern to the steel industry. For example, the American Iron and Steel Institute has noted that, "Chinese crude steel production soared from 128 million metric tons (MT) in 2000 to 779 million MT in 2013 – an increase of 651 million MT. To put this figure in context, consider that in 2013 the United States produced 87 million MT of crude steel. Over the last 13 years, therefore, China's steel production *increased* by a volume of roughly seven and a half times the *total* production of the U.S. industry. At the same time, China's official steel capacity levels reached 1,106 million MT last year, meaning it had excess capacity of 327 million MT. In other words, China has enough *excess* steel capacity to produce almost four times as much steel as the entire U.S. industry."[28]

41. The U.S. trade remedy laws are currently the only means by which domestic industry can mitigate the harm inflicted upon it by dumped and subsidized imports. Unfortunately, the effectiveness of those laws has been weakened over time as exporters have developed evasive trade distorting practices and schemes. This import glut and the shifting landscape in the oil and gas industry have increased pressure on the U.S. steel industry, as evidenced by announced layoffs and reduced production from companies including TimkenSteel, Worthington Industries, Republic Steel, Vallourec Star LP and U.S. Steel.[29]

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[28] See Docket No. USTR-2014-0015, September 17, 2014 comments by American Iron and Steel Institute at page 6, accessible at https://www.steel.org/~/media/Files/AISI/Public%20Policy/2014/AISI%20Comments%20Regarding%20Chinas%20WTO%20Compliance%20Final.pdf.

[29] The Canton Repository; February 27, 2015; "*TimkenSteel issues layoff notices*". *See* http://www.cantonrep.com/article/20150227/NEWS/150229307; The Toledo Blade, March 26, 2015, "*Republic Steel announces 200 temporary Ohio layoffs*". *See* tp://www.toledoblade.com/business/2015/03/26/Republic-Steel-announces-200-temporary-Ohio-layoffs.html; The Columbus Dispatch, March 25, 2015 noting nationwide layoffs of 555 employees. *See* http://www.dispatch.com/content/stories/business/2015/03/24/worthington-industries-plans-layoffs.html; The Cleveland Plain Dealer, January 06, 2015, "*U.S. Steel to temporarily lay off 614 workers from*

42. The flood of imports has resulted in TimkenSteel experiencing pricing pressure and lost sales in both alloy and carbon bars. Total imports for seamless mechanical tubing alone have surpassed 50% of apparent consumption in the U.S. market. In TimkenSteel's primary markets of seamless mechanical tubing and SBQ alloy and carbon steel products, there are several possible indicia of injury, including pricing pressure and decline in sales and market share. TimkenSteel's pricing analysis confirms that significant "price gaps" (the percentage less than TimkenSteel's price that the foreign competitor is selling its product into the U.S.) exist.

43. For seamless mechanical tubing, there is evidence of "underselling" by TimkenSteel's competitors in China, Romania, Russia, Germany and India. For seamless mechanical tubes, the price gap has ranged from [[redacted]]% for carbon tube produced in Romania selling into the Chicago market, to [[redacted]]% for alloy tube produced in Germany selling into the Houston market. For TimkenSteel's SBQ alloy and carbon products, significant dumping appears to have occurred on imports from China, Korea, Canada, the Czech Republic and Italy. The price gap for TimkenSteel's competitors in China range from [[redacted]]% for alloy bar to [[redacted]]% for carbon bar.

44. Other subsidies commonly received by China's steelmakers include, but are not limited to, the following: provision of land use rights for less than adequate remuneration; provision of electricity for less than adequate remuneration; export buyer's credit; various income tax reduction options; VAT reductions and exemptions; equity infusion; grants; provision of coking coal; and export credit insurance and guarantees. Additionally, the Chinese government imposes export restraints on many raw materials that

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Lorain plant, shut down facility". See http://www.cleveland.com/business/index.ssf/2015/01/us_steel_to_temporarily_lay_of.html.

are used in steelmaking such as pig iron, molybdenum, ferro-silicon, and ferro-vanadium and imposes export duties of 10% -40% on various key steel bar inputs, all of which raise raw material costs to U.S. producers. China also imposes export quotas and licensing requirements on some of these inputs. Such export restrictions artificially suppress prices for China's steelmakers but increase the price of critical raw materials for U.S. steelmakers, further eroding TimkenSteel's competitiveness.

45. TimkenSteel has few alternatives to fight this increased competition from global suppliers that have unfairly tilted the playing field to their favor with the help of their respective governments. Antidumping suits often are very costly to pursue (multi-millions per product, per country), time consuming and untimely in terms of resolution (minimum 12-18 months to obtain a ruling). However, TimkenSteel is reevaluating its options for potential prosecution of trade cases.

46. Other alternatives also are not viable. TimkenSteel's operations are asset intensive and those assets cannot economically be relocated. Likewise, TimkenSteel cannot currently shift production given its capital investments made at the Stark County Facilities. TimkenSteel also has limited options to adjust production operations. TimkenSteel operations usually run 24/7, so typically it is impossible for the company to schedule production only during off-peak pricing hours. TimkenSteel has also investigated the feasibility of on-site generation, but because TimkenSteel has a *de minimis* thermal load, the cost of on-site generation continues to outweigh its benefits.[30]

47. Meanwhile, TimkenSteel's cost structure must be globally competitive--especially when faced with a playing field that's unfairly tilted against it. Electricity is

[30] As the energy landscape continues to change, TimkenSteel will reevaluate this option as appropriate.

TimkenSteel's third highest manufacturing cost input and its price is vitally important to keeping TimkenSteel's cost structure competitive in an increasingly fierce global market. The price of electricity is integral to TimkenSteel's current and future success. Therefore, it is in the public interest for the Public Utilities Commission of Ohio to approve the discounted electricity prices requested in this Application.

48. Simply put, as noted in the Initial Application and testimony in that proceeding, "[t]he only way Timken can effectively compete both domestically and globally is to be competitive in the cost aspects of every part of (the) business including electricity."[31] TimkenSteel requires stable and affordable electricity pricing.

H. Summary of Proposed Unique Arrangement

49. The centerpiece of the 65-month unique arrangement consists of a [redacted]% discount on Ohio Power's monthly tariff charges (excluding the BTCR and also excluding generation charges given that TimkenSteel would receive CRES through the duration of the unique arrangement). The unique arrangement will include two other critical components: (a) it will allow TimkenSteel to begin paying for transmission service through the new Basic Transmission Cost Rider ("BTCR"), recently approved in AEP Ohio's ESP III proceeding, based on TimkenSteel's annual single EDU transmission coincident peak;[32] and, (b) it will allow TimkenSteel to serve as an interruptible resource for Ohio Power during the term of the unique arrangement and receive the $8.21/kW interruptible service credit regardless whether that credit or program is available through tariff.[33]

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[31] Joint Application (December 20, 2010) ("Joint Application"), Case No. 10-3066-EL-AEC at 12; Direct Testimony of James W. Griffith (March 21, 2011) ("Griffith Testimony") at 5:13-14.

[32] *See In re Ohio Power Company,* Case Nos. 13-2385-EL-SSO et al. (Opinion and Order dated February 25, 2015).

[33] Ohio Power's current tariff provides a credit of $8.21 per kW under Rider IRP (Interruptible Power). On February 25, 2015, the Commission issued an Opinion and Order in Case Nos. 13-2385-EL-SSO et al. (Opinion and Order) that modified and approved the Electric Security Plan proposed by Ohio Power. As part of that Opinion and

50. In addition, TimkenSteel will make commitments on continued capital investment ($[redacted]) and a minimum employment level at its Stark County Facilities of [redacted] associates during the term of the unique arrangement with a goal of achieving a level of [redacted] associates by the end of 2020.

51. Taken together, the pricing components and commitments will support continued investment in productivity, efficiency and job retention at TimkenSteel's Stark County Facilities. The unique arrangement also will provide TimkenSteel with electricity pricing that will help to keep its cost structure globally competitive, will benefit TimkenSteel's employees (both active and retired), shareholders, multiple local economies, entities within TimkenSteel's supply chain, and the broader economy of the State of Ohio.

1. The tariff charge discount is necessary to achieve the pricing TimkenSteel requires to remain competitive

52. The tariff charge discount is necessary for the requested unique arrangement to achieve the pricing TimkenSteel requires to compete in the un-level playing field that exists today in the domestic and global steel markets and to justify continued capital investment in its Stark County Facilities.

53. Distribution and non-bypassable rider charges have risen significantly and often in recent years and now make up approximately $[redacted] of TimkenSteel's monthly energy cost. The ability to limit those rising costs is important to TimkenSteel's more complete proposal and will support TimkenSteel's investments needed for future energy efficiency and employment, directly and indirectly, of more than 11,000 Ohioans.

Order, the Commission approved an extension of Rider IRP to both shopping and non-shopping customers. On May 28, 2015, the Commission issued an Entry on Rehearing limiting participation in the Rider IRP program and continuing the credit amount for only those customers currently participating (regardless whether shopping or on SSO).

54. TimkenSteel believes that the tariff charge discount will help provide affordable electricity pricing to allow TimkenSteel to better compete in the domestic and global steel market. The reduced charges also will justify and promote continued capital investment in the Stark County Facilities and support job retention of high paying manufacturing jobs, which in turn will lead to a tremendous multiplier effect that benefits numerous local economies and the State's broader economy, and facilitate the State's competiveness in the U.S. and global economies.

2. The proposed unique arrangement relies on two additional components.

55. The unique arrangement relies on two additional components that will help facilitate the Stark County Facilities' effectiveness in both the U.S. and global economies. The first component is to allow the company to begin paying for transmission service through the new Basic Transmission Cost Rider ("BTCR") recently approved in AEP Ohio's ESP III proceeding, based on TimkenSteel's annual single transmission coincident peak. Timken Steel will be its own class in the BTCR in order to implement the coincident peak demand allocation. Timken Steel will be allocated its share of the transmission demand related costs based on its annual single EDU transmission coincident peak. Using a transmission charge that is based on TimkenSteel's single annual transmission coincident peak is necessary to allow TimkenSteel to most effectively manage its coincident peak demand to reduce transmission charges thereby allowing it to benefit directly from its own active load management. A reduction in TimkenSteel's coincident peak should also mitigate transmission charges for other customers within the Ohio Power transmission territory.

56. The second component will be to continue to allow TimkenSteel to act as an interruptible resource for Ohio Power for the duration of the proposed unique arrangement regardless whether it receives generation service from a CRES provider.

57. As noted above, the very size and scope of TimkenSteel's capital and energy-intensive operations permits TimkenSteel to interrupt up to [[redacted]] MW on short notice for system reliability emergencies. In order to harness the value of TimkenSteel's interruptible load over the term of the unique arrangement, AEP Ohio would be permitted to interrupt TimkenSteel on an unlimited basis in the event of emergencies or pre-emergencies with no limit on the amount or duration of emergency or pre-emergency interruptions.

58. In exchange for this ability to interrupt, TimkenSteel would receive a monthly demand credit of $8.21/kw, which is the same amount as currently provided under the IRP (Interruptible Power) rider. If the IRP Rider expires during the term of the unique arrangement, TimkenSteel may elect to continue participating in PJM's emergency energy and capacity demand response programs in exchange for the $8.21/kw credit and based on the same terms and conditions for the remainder of the term of the unique arrangement. Further, if TimkenSteel continues to participate after the IRP Rider expires, AEP Ohio will continue to recover the cost of the $8.21/kw credit. TimkenSteel will retain all monies paid by PJM via its curtailment service provider to TimkenSteel for participation in PJM's economic or ancillary services programs.

59. This second component of the proposed unique arrangement will continue for the duration of the unique arrangement, but TimkenSteel reserves the right to forego this second component in the event of changed circumstances including, but not limited to,

the ability to participate in any future active load management program. The remaining terms and conditions of TimkenSteel's receipt of the monthly demand credit will be subject to the terms and conditions of the IRP as may be approved and interpreted in Case Nos. 13-2385-EL-SSO *et al.* (including any terms related to participation in PJM's emergency energy and capacity demand response programs).

3. The discounted tariff charges will be considered delta revenue and be recovered by Ohio Power

60. The discount received by TimkenSteel under the proposed unique arrangement consists of the [[redacted]]% discount on Ohio Power's monthly tariff charges (excluding the BTCR Rider charge) over the term of the unique arrangement. Each month, Ohio Power would calculate TimkenSteel's tariff charges excluding the BTCR Rider charge, and reduce the charges by the amount of the discount. The delta revenue will be equal to the difference between the total tariff charges (excluding the BTCR) less the monthly charges paid under the unique arrangement's [[redacted]]% discount.

61. The amount of delta revenue created by the unique arrangement as a result of the discount will be capped at no more than $[[redacted]] in any twenty-four month period during the term of the unique arrangement and will not exceed $[[redacted]] over the term of the unique arrangement. Delta revenue amounts associated with the discount will be recovered by Ohio Power through the Economic Development rider (the "EDR rider"). Any adjustments to the BTCR as a result of the unique arrangement along with amounts recovered by Ohio Power as a result of the IRP credit are not considered delta revenue for purposes of this paragraph.

4. **TimkenSteel will commit to capital investment as well as an employment pledge for the Stark County Facilities during the term of the Unique Arrangement**

62. If the unique arrangement is approved, TimkenSteel pledges that it shall invest not less than $[[redacted]] in the Stark County Facilities during the first five (5) years, absent a *force majeure*. This capital investment will include $[[redacted]] for energy efficiency improvement and/or energy intensity reduction.

63. In addition, TimkenSteel commits to maintain a minimum employment level of [[redacted]] full time associates with a phased-in employment goal of [[redacted]] full time associates at the Stark County Facilities by the end of 2021, absent a *force majeure*. The employment ramp-up schedule is provided in the attached confidential Appendix B. TimkenSteel plays an economic multiplier role, where each job at TimkenSteel supports nearly four other jobs in Ohio, and each dollar of TimkenSteel payroll supports another two dollars in payroll elsewhere in the State.[34]

64. TimkenSteel shall file an annual report, under seal, to the Commission providing the status of its compliance for both the capital investment and employment pledges. If TimkenSteel in its annual report to the Commission establishes that for the preceding calendar year the average monthly full-time employment level at the Stark County Facilities was below the applicable employment pledge for that year, then the distribution discount may be subject to adjustment in accordance with the development shortfall as calculated in paragraph 66. The adjustment in the distribution discount associated with any employment shortfall shall be rescinded effective for bills rendered in

[34] *See* Dr. Paul Coomes' report at Appendix A, page 8.

the next billing cycle following TimkenSteel's notification to the Commission that it has attained the applicable employment level.

65. If the capital investment in production and energy efficiency and/or energy intensity assets at the Stark County Facilities commencing January 1, 2016 as described in paragraph 62 above fails to equal $[[redacted]] five years after the effective date of the unique arrangement as reported by TimkenSteel, then a shortfall in the capital investment obligation shall be declared. The adjustment in the distribution discount associated with the development shortfall shall be calculated as described in paragraph 66. The adjustment in the distribution discount associated with the development shortfall shall be rescinded effective for bills rendered in the next billing cycle following TimkenSteel's notification to the Commission that it has attained the applicable capital investment level.

66. The *pro-rata* adjustment to the distribution discount shall be determined by summing the ratios of non-compliance of both the applicable employment pledge and the investment goal and dividing that sum by two. The sum treated as a percentage will then be used to adjust the distribution discount.[35]

67. If a *force majeure* circumstance prevents TimkenSteel from fulfilling the pledges detailed in paragraphs 62 or 63 in accordance with the pledges (after making a good faith effort to do so), then TimkenSteel may file a request with the Commission to

[35] Thus, for example, in year one if the employment pledge was 100 full time employees and on average TimkenSteel only employed 80 employees then the ratio of 2/10 would be added to the ratio of 0 for the investment as none is required and decrease of 10% [(.2+0) /2 = .1 or 10]% would be applied to the distribution discount in year two [redacted] until the employment pledge was achieved.

make suitable arrangements for amending the pledges.[36]

68. Under no circumstance shall TimkenSteel be subject to clawback. All shortfall adjustments shall apply to future period(s).

5. The unique arrangement would be for a 65-month term and contain general terms similar to TimkenSteel's current unique arrangement[37]

69. To control electric costs sufficient to support continued capital investments, the term of the unique arrangement shall be for a period of 65 billing months commencing with the first billing period following Commission approval of this unique arrangement.

70. Commencing with the billing month following approval of this Application by the Commission, Ohio Power shall adjust TimkenSteel's charges as called for in this Application to be reflected in that month's invoice for TimkenSteel's Stark County Facilities.

71. Ohio Power will recover the delta revenue resulting from the tariff charge discount through the EDR rider.

72. In the event that Ohio Power is not permitted to put in place or maintain the EDR or a similar rider to recover the discounted amount, the full cost of supply will

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[36] For purposes of paragraphs 62, 63 and 67, "force majeure" shall mean (1) 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 and (2) a significant change in global market conditions adversely impacting the domestic steel industry.

[37] Under a prior agreement, energy efficiency and peak demand reduction projects at the Stark County Facilities were pledged to Ohio Power and provided great value – reducing use and demand by more than 20 million kWh for projects through 2014. Ohio Power and TimkenSteel have reached a separate agreement (outside of this unique arrangement) whereby TimkenSteel will continue to commit prospective demand reduction and energy efficiency projects for integration with Ohio Power's demand reduction and energy efficiency portfolio plan programs in exchange for incentive payments available under those programs

become the responsibility of TimkenSteel (reduced for applicable demand response or conservation projects).

73. In no event, however, shall the aggregate amount of the discount herein be authorized for collection through the EDR rider in excess of $[[redacted]]. This restriction on the ultimate amount which is eligible for collection through economic development riders shall not include any amounts attributable to new economic development programs or plans which are authorized by the Commission after the filing of this Application.

74. TimkenSteel wants to preserve the opportunity (but not the obligation) as a shopping customer to purchase a slice of Ohio Power's system (if economically advantageous) in the event such opportunity becomes available through Commission approval in Case Nos. 14-1693-EL-RDR et al. TimkenSteel, therefore, requests that any limitation on participation in any such future program to Standard Service Offer customers be waived during the term of the unique arrangement to provide TimkenSteel the flexibility to participate in such program(s) if it so chooses even if it is a shopping customer.

75. At any time TimkenSteel may, upon thirty days' notice, terminate the requested unique arrangement without minimum monthly billing demand charges or other penalties.

I. Miscellaneous Statements

76. TimkenSteel is a mercantile customer pursuant to Section 4928.01(A)(19), Revised Code, and Rule 4901:1-38-01(F) of the Ohio Administrative Code.

77. Ohio Power is a public utility as defined in Section 4905.02, Revised Code and pursuant to the boundaries established by the Commission under Section 4933.82,

Revised Code, is the electric distribution utility serving TimkenSteel's Stark County Facilities.

78. The proposed unique arrangement does not violate the provisions of Sections 4905.33 and 4905.35, Revised Code.

79. Attached as Appendix C is an affidavit from a TimkenSteel official attesting to the veracity of the information provided in this Application.

80. Attached as Appendix D are copies of letters that TimkenSteel has received from state and local elected officials, community leaders and the United Steelworkers (USW) supporting a new unique arrangement for TimkenSteel.[38]

81. TimkenSteel reserves the right to terminate the unique arrangement if the Commission substantially modifies the unique arrangement as presented in this Application.

82. When the Commission weighs the fact that TimkenSteel operates in an energy-intensive, trade-exposed industry, the key economic role the Stark County Facilities play throughout Ohio, and TimkenSteel's ability and long-term plans to sustain operations, it should find that the benefits of the unique arrangement proposed in the Application far outweigh the cost of the discount requested, and that the requested unique arrangement facilitates the State's effectiveness in the U.S. and global economies.

[38] The letters of support were obtained during the application preparation process. Subsequent to letters being obtained, TimkenSteel adjusted its 2014 payroll information based on updated information (approximately $216 million in annual payroll adjusted up from $186 million in annual payroll) and the economic impact study was adjusted, in part, to account for the revised payroll numbers. The payroll adjustment to the economic impact study resulted in adjustments to the net annual multiplier impacts (12,700 jobs and $805 million in employee compensation) referenced the letters. The adjusted net annual multiplier impacts (over 12,600 jobs and over $866 million in employee compensation) are stated in the application.

III. Conclusion

Therefore, TimkenSteel Corporation seeks approval of the unique arrangement as set forth above in this Application.

Respectfully submitted,

By: ______________________

Michael J. Settineri, Trial Attorney (0073369)
William A. Sieck (0071813)
VORYS, SATER, SEYMOUR AND PEASE LLP
52 East Gay Street
P.O. Box 1008
Columbus, Ohio 43216-1008
Telephone: (614) 464-5462
Fax: (614) 791-5146
Email: mjsettineri@vorys.com
wasieck@vorys.com
Counsel for TimkenSteel Corporation

APPENDIX A

CONFIDENTIAL

Dr. Paul Coomes, "The Estimated Economic and Fiscal Impacts of TimkenSteel Corporation's Operations in Stark County, Ohio"

The Estimated Economic and Fiscal Impacts of TimkenSteel Corporation's Operations in Stark County, Ohio

by
Paul A. Coomes, Ph.D.
Consulting Economist

August 19, 2015

EXECUTIVE SUMMARY

TimkenSteel Corporation's "Stark County Facilities" – its worldwide headquarters and three manufacturing plants in Stark County, Ohio – have a large economic and fiscal impact in Ohio. I estimate that at the Stark County Facilities, every job created results in another 3.952 jobs elsewhere in Ohio and every dollar of payroll supports another $2.069 in payrolls in other Ohio industries. Based on these economic multipliers, the Stark County Facilities' have a total net annual economic impact in Ohio of approximately 12,600 jobs and $866 million in employee compensation. TimkenSteel's sales also bring new dollars into Ohio from TimkenSteel's non-Ohio customers and for every dollar in sales from the Stark County Facilities, other companies in Ohio see an additional $0.65 in sales. More than $70 million in tax revenues in Ohio are linked to the Stark County Facilities – including more than $56 million in taxes paid to the State of Ohio and more than $13 million paid to local governments in the six-county region where most of the employees at the Stark County Facilities live and work. TimkenSteel directly supports more than $500,000 in annual charitable, civic and community initiatives and has a large economic impact on the manufacturing economy in Stark County.

INTRODUCTION

TimkenSteel Corporation has its worldwide corporate headquarters and three manufacturing plants in Stark County, Ohio (the "Stark County Facilities"). It is a major producer of specialty alloy steel in the United States. TimkenSteel is interested in learning about and documenting the regional economic importance of its Stark County Facilities. The purpose of this report is to document and communicate the regional economic and fiscal importance of its Stark County Facilities to Ohio.

The Stark County Facilities employed [redacted] people on average per month in 2014. The annual payroll is about $216 million, plus $[redacted] in fringe benefits paid by the company for the employees. Ninety-five percent of its employees reside in six Ohio counties – Stark, Tuscarawas, Carroll, Summit, Wayne, and Columbiana. TimkenSteel reports industrial vendors across the state of Ohio. Based on this and other regional economic data, and using a customized industry input-output model to estimate the economic impacts of the Stark County Facilities, it is my opinion to a reasonable degree of economic certainty that the Stark County Facilities' total net annual economic impact in Ohio is approximately 12,600 jobs and $866 million in employee compensation. Further, it is my opinion to a reasonable degree of economic certainty that state and local governments in Ohio received at least $70 million in tax revenues in 2014 related to operations at the Stark County Facilities.

The above estimates are for the economic and fiscal categories most easily quantified. Although difficult to quantify, there are other, positive economic impacts related to the operation of the Stark County Facilities. For example, the Canton area real estate market is linked to the payrolls at the Stark County Facilities, but it is very difficult to sort out all the factors that contribute to housing values and commercial properties. Real estate markets are impacted over decades by complex interactions among many factors, including retirements, migration, mortgages, second incomes, second careers, children, as well as any industrial changes in the marketplace. Social indicators, like unemployment and crime, also are likely related to the TimkenSteel Stark County Facilities' employment levels, as are public costs for unemployment benefits, retraining, and social services. And the finances of local school districts are linked to TimkenSteel's operations. TimkenSteel directly pays about $[redacted] in property taxes annually, and employees also pay property taxes on their homes.

Since acquiring the steel operations and headquarters in 2014, TimkenSteel and its employees have also supported the local community in ways not easily captured by economic models. The company reports the following charitable initiatives:

- It has a matching gift program, to leverage employee donations to about seventy nonprofit organizations.
- The TimkenSteel Charitable Fund has awarded about $140,000 in grants to community charities.
- The company-wide United Way campaign resulted in about $400,000 in contributions in 2014 from employees and company grants.
- Employees contributed $57,000 to the 2015 ArtsinStark campaign.
- Company sponsorships of local events total $47,000 so far.

In the remainder of the report, I describe the methods used in this study, provide the detailed economic and fiscal estimates, and also highlight the relative importance of manufacturing industries to the Stark County region.

METHODOLOGY

Because the steel and related manufacturing operations of the Stark County Facilities serve primarily national and international markets, they bring new dollars into the regional economy – as opposed to simply absorbing local dollars, as is the case for most retail and service operations. In this sense, the opening or closing of the Stark County Facilities would have large and predictable economic and fiscal impacts in Ohio. I now turn to a discussion of the methods used to measure the regional economic and fiscal impacts. First, I explain how I defined the regional economic footprint for purposes of this impact study. Then, I discuss in some detail the input-output model used to measure the statewide impacts.

Location and Economic Footprint

The Stark County Facilities include three plants and TimkenSteel's corporate headquarters, and are all located in zip code 44706 in Stark County, about 60 miles south of Cleveland. The corporate headquarters and the Harrison Plant on Dueber Avenue are in the City of Canton. The Faircrest Plant is in Perry Township. The Gambrinus Plant is a tube rolling facility on Gambrinus Avenue in Canton Township. The approximate locations are identified on the google map in Figure 1.

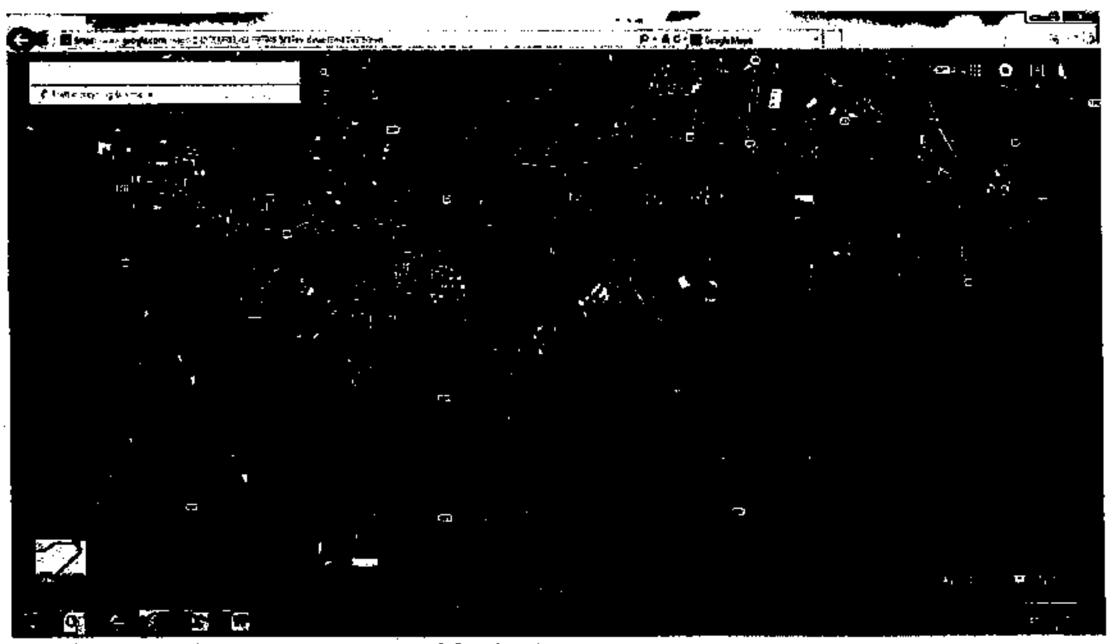

Figure 1. Map showing locations of facilities

The high paying jobs at the Stark County Facilities attract workers from a large area. In 2014, for example, company records showed that TimkenSteel employees lived in about two dozen different Ohio counties. The distribution is illustrated by green shading on the map in Figure 2. At the same time, ninety-five percent of the employees reside in six counties: Stark, Tuscarawas, Carroll, Summit, Wayne, and Columbiana. That concentration is shown in the darker green shading in the upper right of Figure 2. TimkenSteel reports that it has suppliers all over the state of Ohio. Therefore, the economic impacts are statewide, though the primary employee spending and tax impacts are in the region around the facilities.

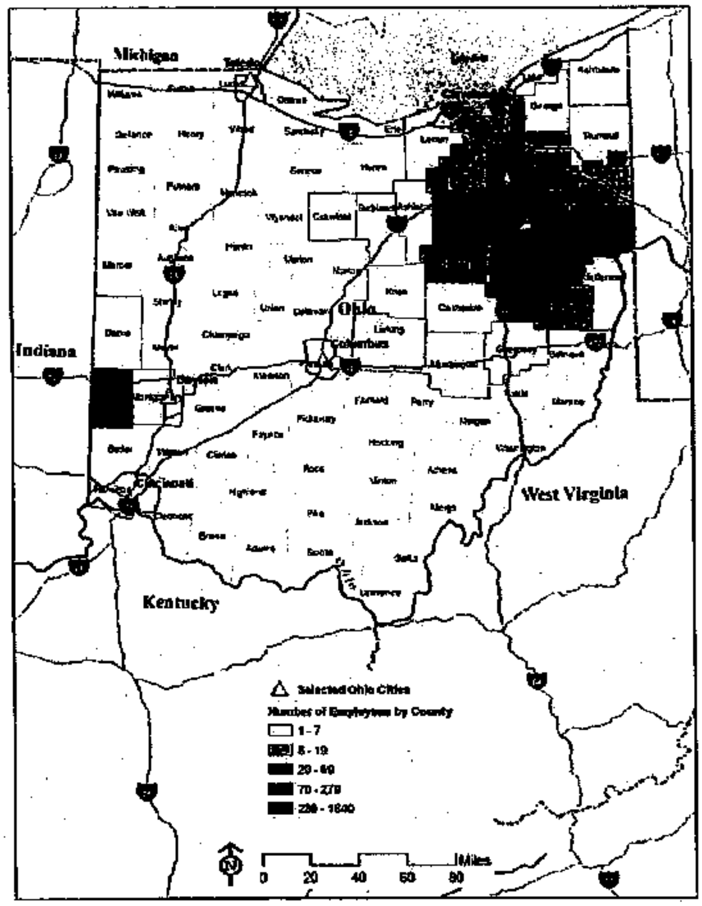

Figure 2. Where TimkenSteel employees live in Ohio

Input-output model of Ohio

To evaluate the economic and fiscal impacts of the Stark County Facilities, I use standard regional economic impact methods. I obtained detailed economic data for the State of Ohio, and used them to build an IMPLAN input-output model of the region.[1] The model is able to simulate the effects of changes in economic activity for any of 500 regional industries. It also can predict detailed inter-industry purchases and household spending related to industrial changes. Such region-specific models have the advantage that they take into account those industrial supplies and retail items likely available in the region, and thus provide more precise economic impact estimates than one that assumes everything is available in the region. The more that local industries can support the plant operation and the employees' household demands, the greater the regional economic multipliers, and hence the greater the predicted regional economic impact.

[1] IMPLAN is a well-researched and popular regional input-output modeling system, and has been used for thousands of impact studies. It was originally developed by economists at the University of Minnesota, and is sold by IMPLAN Group, LLC. See www.implan.com for documentation.

The IMPLAN sector of interest used for this study is number 217, Iron and Steel Mills and Ferroalloy Manufacturing. This industry is defined according to the North American Industrial Classification System (NAICS) code 331111. The official definition is as follows:

This U.S. industry comprises establishments primarily engaged in one or more of the following: (1) direct reduction of iron ore; (2) manufacturing pig iron in molten or solid form; (3) converting pig iron into steel; (4) making steel; (5) making steel and manufacturing shapes (e.g., bar, plate, rod, sheet, strip, wire); and (6) making steel and forming tube and pipe.

www.census.gov/naics/2007/def/ND331111.HTM

At the heart of regional input-output models are the estimates of how much of the supply needs of an industry can be provided by other regional industries. The models use federal data on the presence of industries in the local economy to predict how much of an industry's inputs can be supplied locally versus that which must be imported from other regional economies.

Table 1. Top Commidities Purchased per $1 million of Steel Production in Ohio

	from everywhere	from Ohio suppliers
Iron and steel and ferroalloy products	$142,791	$40,894
Scrap	$103,558	$34,045
Wholesale trade distribution services	$98,654	$76,941
Coal	$93,825	$4,138
Rail transportation services	$51,051	$27,599
Iron ore	$37,536	$2
Nonferrous metal (exc aluminum) smelting and refining	$28,762	$928
Truck transportation services	$26,997	$26,367
Electricity transmission and distribution	$18,641	$14,615
Natural gas distribution	$13,325	$11,140
Maintained and repaired nonresidential structures	$8,444	$8,144
Petroleum lubricating oil and grease	$7,962	$5,036
Management of companies and enterprises	$7,759	$7,497
Steel wire	$7,345	$1,093
Bricks, tiles, and other structural clay products	$6,965	$4,603
Industrial gases	$6,894	$5,545
Refined petroleum products	$6,245	$3,197
Architectural, engineering, and related services	$6,108	$4,980
Ground or treated mineral and earth products	$5,926	$1,430
Securities and commodity contracts intermediation and brokerage	$5,829	$3,754
Water transportation services	$4,878	$1,384
Artificial and synthetic fibers and filaments	$4,288	$110
Noncomparable imports	$4,230	$0
Paperboard containers	$4,207	$1,492
Copper ore	$4,205	$0
Aluminum products	$4,171	$615
Carbon and graphite products	$3,817	$1,061
Marketing research, all other misc. prof., scientific, and tech. svc	$3,689	$2,296
Secondary processing of other nonferrous metals	$3,317	$404
All other petroleum and coal products	$3,257	$941
Lime	$3,168	$2,450
Services to buildings	$2,952	$2,605
Monetary authorities and depository credit intermediation	$2,929	$2,583
Machined products	$2,607	$1,106
Commercial and industrial machinery and equip. repair	$2,607	$2,325
Semiconductors and related devices	$2,528	$171
Relay and industrial controls	$2,466	$128
Other motor vehicle parts	$2,362	$500
Air transportation services	$2,266	$1,091
Plastics packaging materials and unlaminated films and sheets	$2,170	$558
Printed circuit assemblies (electronic assemblies)	$2,025	$168
Waste management and remediation services	$1,984	$1,955
Coated and engraved products	$1,940	$875
Ferrous metals	$1,817	$515
Gypsum products	$1,680	$800
Leasing of nonfinancial intangible assets	$1,628	$830
Business support services	$1,426	$1,400
Automotive repair and maintenance, except car washes	$1,361	$1,321
Landscape and horticultural services	$1,313	$1,305
Data processing, hosting, and related services	$1,309	$919
Electroplated, anodized, and colored metal	$1,285	$727
Valve and fittings, other than plumbing	$1,268	$228
Specialized design services	$1,228	$1,175
Other basic inorganic chemicals	$1,165	$249
other commodities not shown	$28,471	$16,318
Total, all commodities	$800,631	$332,553

Source: IMPLAN version 3 input-output model of State of Ohio, using 2013 economic data.

In Table 1, I show the top 50 commodities supplied to make steel, as predicted by the IMPLAN model. I show both the predicted supply from everywhere, as well as the predicted supply from Ohio companies, stated per million dollars of steel production. One can see, for example, the model anticipates that some commodities like coal and iron ore are primarily supplied from outside Ohio. Other important commodities, like wholesale distribution, rail and truck transportation, electricity, and natural gas, are modeled as being supplied by Ohio companies. The economic richness and industrial detail of the IMPLAN modeling system, as well as the sound, peer-reviewed, methodology gives us confidence in the ultimate predictions of regional economic impact based on the custom model.

Based on that method, the IMPLAN model uses annual economic data to provide reasonable estimates of statewide effects on sales, jobs, and payrolls for export-based expansions or contractions of any of 500 industries in Ohio. In Table 2, I summarize the multiplier effects for a hypothetical change of 100 jobs at an Ohio steel mill. A discussion of the relevant economic terms follows the table.

Table 2. Estimated Statewide Impact of 100 Steel Mill Jobs, Sector 217

Impact Type	Employment	Labor Income	Value Added	Output
Direct Effect	100.0	$10,634,458	$22,080,400	$110,931,470
Indirect Effect	223.3	$14,599,374	$23,847,689	$49,554,265
Induced Effect	171.9	$7,406,323	$12,915,516	$22,514,286
Total Effect	495.2	$32,640,155	$58,843,606	$183,000,021
Implied Multiplier	*4.952*	*3.069*	*2.665*	*1.650*

Source: IMPLAN version 3 model of State of Ohio, using 2013 economic data.

For each of several impact types (Employment, Labor Income, Value Added and Output), the IMPLAN model begins with a direct effect – here, a change of 100 jobs. Given a Direct Effect, the IMPLAN model calculates an Indirect Effect, Induced Effect, Total Effect, and an economic Multiplier.

The Indirect Effect in Table 2 refers to the linkages between the exporting industry (steel) and its industrial vendors (raw materials, transportation, electricity, tools, computers, insurance). When the exporting industry expands or contracts, it raises or lowers its purchases from its vendors, thus changing their employment and payrolls. Of course, the vendors also purchase goods and services from each other, so that the total indirect effect includes all the inter-industry linkages.

The Induced Effect refers to the impact of the new sales in the exporting industry (steel) on the local economy through the rounds of re-spending of the additional household income caused by the expansion. Regional sales of cars, groceries, building supplies, banking services, and so on are all sensitive to growth in disposable income, as are donations to nonprofit groups, churches, and charities. The Total Effect is the sum of the Direct, Indirect and Induced Effects.[2]

The IMPLAN Multipliers allow a reasonable prediction of the total statewide economic impact of a change such as the Direct Effect. For example, looking at the last entry in the Employment column of Table 2, the estimated job multiplier for the steel production industry in Ohio is 4.952, meaning that for every job at a steel plant, another 3.952 jobs are created elsewhere in Ohio. Similarly, the multiplier for Labor Income in Table 2 is 3.069, meaning that for every dollar of payroll created at a steel plant another $2.069 in payrolls are created in other Ohio industries. These employment and labor income multipliers are used in the next section to estimate the statewide economic impacts of the Stark County Facilities.

The Output Multiplier, 1.65 as shown in Table 2, measures the total statewide revenues of companies divided by the direct steel mill revenues of $111 million. The Output Multiplier of 1.65 means that companies in Ohio see an additional $0.65 in sales when steel mill sales rise by one dollar. Finally, the Value Added Multiplier estimates the sales dollars that 'stick' to Ohio. Value added refers to the portion of total sales that is accounted for by regional companies and which stimulate the regional economy.[3] In Table 2, note that 100 direct jobs leads to $111 million in steel mill Output and $22 million in Value Added. The distinction is important in regional economic studies since much of what goes into the total value of a product is purchased from vendors outside the region, and thus the sales dollars end up flowing to many regions.

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[2] The distinction between Indirect and Induced Effects is evident in the simulation summarized in Table 2. For each Impact Type, the largest contributor to the Total Effect is the Indirect Effect, or Inter-industry spending. The Induced Effect is significant, but is much lower than the Indirect Effect. This model is reflecting the fairly dense network of suppliers to the steel industry located in Ohio.

[3] For an insightful example of value added, consider the purchase of a new car at a Canton area dealership. If a resident spent $25,000 on a new Ford Taurus, most of dollars would flow immediately to the manufacturer of the car, built in Chicago with top management in Detroit. Only a few thousand dollars in dealer prep work and commissions would be captured in the Canton economy. So, in economic parlance, the value of output (sales) would be $25,000, and value added might be only $3,000.

ECONOMIC AND FISCAL IMPACTS

In this section, I provide estimates of the total regional economic and fiscal impacts. The estimated economic impacts flow directly from the IMPLAN modeling system just discussed. The estimated fiscal impacts are based on company records and an analysis of state and local tax rates, and thus require a more extensive discussion.

Economic Impacts

I used the custom input-output model to simulate the impact of [redacted] jobs at the steel plants and headquarters (the average monthly employment for the Stark County Facilities in 2014) on the state of Ohio. Using the multipliers in Table 2, I estimate the total statewide employment impact is 12,623 jobs, including the direct steel company jobs. And I estimate that the $[redacted] in direct employee compensation at the Stark County Facilities results in total statewide employee compensation of $866 million. These estimates are set forth here in Table 3.

Table 3. Estimated Regional Economic Impact of TimkenSteel's Canton Facilities

Direct Impacts	
Employment, average in 2014	[redacted]
Wages and salaries paid in 2014	$216,222,973
Fringe benefits paid in 2014*	$[redacted]
Total employee compensation	$[redacted]
Total Economic Impacts **	
Jobs	12,623
Employee compensation	$866,451,838

* Includes company payments for federal payroll taxes (Social Security, Medicare), retirement plans, health and other insurance. Following methods used by the US Bureau of Economic Analysis, employee compensation also includes company payments for unemployment insurance and workers' compensation.

** Total economic impacts estimated using IMPLAN version 3 input-output model of State of Ohio, constructed using economic data for 2013.

Taxes and fiscal impacts

To reasonably estimate the fiscal impacts of an industrial expansion or contraction in a region, analysts must rely on company records and local sources of data. I turn now to a discussion of the types of taxes and how I link fiscal impacts to economic impacts. My estimates are summarized in Table 4. The company provided me with information showing direct payments of about $[redacted] to local and state governments for property taxes, sales taxes, commercial activity taxes, and energy taxes, as shown in the first two lines of the table. However, the revenue impacts on governments are much greater than these direct payments, since employees end up paying an array of state and local income and sales taxes. These estimated tax revenues are related both to the direct TimkenSteel employee compensation and to the indirect and induced employee compensation statewide, as predicted by our IMPLAN model. I estimate that the total annual fiscal impact in Ohio is $69.8 million, as summarized in Table 4 and discussed below.

Table 4. Estimated Fiscal Impacts of TimkenSteel's Canton Facilities

Line	Total Fiscal Impacts	
1	Local property taxes paid directly by company	[redacted]
2	State of Ohio sales and use taxes, incl. kwh tax, paid directly by company	[redacted]
3	State of Ohio individual income taxes linked to payrolls	$25,547,129
4	State of Ohio sales taxes linked to payrolls	$24,180,588
5	City and Village income taxes attributable to TimkenSteel, Six Counties	$7,902,582
6	Local sales taxes linked to payrolls	$4,244,544
	Total State and Local Taxes	$69,820,983

I estimate the sales and income tax revenues linked to TimkenSteel's Stark County Facilities at both the state and local levels. Most of the employees who work at the Stark County Facilities also live and spend their paychecks in the six-county region including Stark, Tuscarawas, Carroll, Summit, Wayne, and Columbiana counties. Employees pay state and local sales taxes when they spend their wages in the local economy, and are also liable for state and local income taxes in Ohio. There is a wide range of local taxing jurisdictions and tax rates in the region, and I provide details below.

<u>Ohio State Sales and Income Tax</u>

Based on US Bureau of Economic Analysis data from 2009 to 2013, all workers in the six-county region earn on average about $22 billion annually in wages and salaries, and including fringe benefits, about $28 billion in total employee compensation. We also know that, over the same time in the six-county region, average annual state income tax liabilities were about $825 million, and average annual state sales tax receipts were about $782 million. By comparing the ratio of tax receipts and liabilities to regional employee compensation, I calculate 'effective' tax rates and use those to estimate the amount of Ohio income and sales taxes linked to TimkenSteel's payroll. I average the rates over five years to smooth over any annual fluctuations. For example residents of the six core Ohio counties had about $799 million in Ohio state income liabilities in

Table 5. Effective Tax Rates, Stark and Five Nearby Counties, Ohio

	2009	2010	2011	2012	2013	average, last five years
			Economic and Tax Receipt Data			
Compensation of employees, by place of work	$26,348,251,000	$26,815,454,000	$27,975,631,000	$28,989,793,000	$29,950,760,000	$28,015,977,800
Ohio state individual income tax liability	$763,728,480	$820,313,379	$834,696,465	$908,797,856	$798,528,723	$825,212,981
Ohio state sales tax receipts	$784,836,036	$749,725,260	$652,744,290	$796,860,459	$927,635,872	$782,360,383
Local sales tax receipts	$130,115,028	$130,203,441	$124,939,022	$142,661,676	$159,125,780	$137,408,989
			Effective Tax Rates, using employee compensation			
Ohio state income tax	2.90%	3.06%	2.98%	3.13%	2.67%	2.95%
Ohio state sales tax	2.98%	2.80%	2.33%	2.75%	3.10%	2.79%
Local sales taxes *	0.49%	0.49%	0.45%	0.49%	0.53%	0.49%

Sources: compensation data from US Bureau of Economic Analysis; tax data from Ohio Department of Revenue. Counties include Carroll, Columbiana, Stark, Summit, Tuscarawas, Wayne.
* Local sales tax includes the tax levied in the six counties, plus the tax for the transit systems of Stark and Summit counties.

2013. This is 2.67 percent of the employee compensation earned by workers in the six counties that year. One can see from the calculations in Table 5 that the ratios are fairly stable over the time period analyzed. Averaging over five years of data yields an effective state income tax rate of 2.95 percent of total employee compensation. Similarly, the effective state sales tax rate is 2.79 percent of employee compensation. The average effective tax rates in the bottom right of the table are multiplied by the total regional employee compensation estimated above to predict actual state government revenues ($25.5 million in income taxes, and $24.2 million in sales taxes) as shown on lines 3 and 4 of Table 4.

Local Income and Sales Taxes

Note that employees of the Stark County Facilities not only pay state income and sales taxes, they also pay local income and sales taxes. The annual impact of these payments can be reasonably estimated, too, and are significant.

Seventy-five municipalities in Stark and surrounding counties levy a local income tax, with total tax revenues of $425.7 million in 2013. An appendix provides a table of jurisdictions, rates, and annual revenues. This tax applies to the wages, salaries and most other income of city and village residents. I do not know the residential distribution of TimkenSteel employees among the municipalities, nor how much of their incomes are subject to the income taxes. I have made an estimate of local income taxes attributable to TimkenSteel operations by first estimating the company's total wage and salary impact on the region ($439.9 million).[4] This impact represents 1.9 percent of total

[4] To estimate the total wage and salary impact in the six-county region, I apply the labor income multiplier discussed above times the company's annual wages and salaries. However, since the multiplier is based on the whole state of Ohio, I discount it by half, conservatively assuming that only one-half of

annual wages and salaries in the six-county region ($23.7 billion for 2013). Then I multiply that share by the total income tax receipts. Thus, I estimate that TimkenSteel employees and those of other impacted companies in the region are responsible for about $7.9 million of the total $425.7 million in local income tax receipts in the region. This is the source of the entry in line 5 of Table 4.

Beyond the state government receipts from the 5.5 percent state sales tax, local governments in Ohio collected $159 million in sales taxes in 2013. In the six-county region, I identified eight local jurisdictions collecting sales taxes, including two county-wide transit authorities. Table 6 provides the tax rates and collections for that year. Here again I can determine an effective tax rate by comparing the ratio of that average local sales tax collections for 2008-2013 to the average annual compensation of employees working in the six counties during the same time period. As a result, the effective tax rate for sales tax in the six counties is 0.49%, as illustrated in bottom right entry of Table 5. Multiplying the effective sales tax rate of 0.49% times the statewide income attributable to the Stark County Facilities, I estimate that $4.2 million in local sales taxes are generated as a result of TimkenSteel's Stark County Facilities. This is the source of the entry in line 6 of Table 4.

Table 6. Local Sales Taxes in Six Ohio Counties

	Tax Rate	Collections 2013
Carroll County	1.00%	$3,381,433
Columbiana County	1.50%	$15,660,509
Stark County	0.50%	$25,690,061
Stark Area Regional Transit	0.25%	$13,216,571
Summit County	0.50%	$39,627,439
Metro Regional Transit Authority, Summit County	0.50%	$40,528,840
Tuscarawas County	1.00%	$11,470,820
Wayne County	0.75%	$9,550,108
Total		$159,125,780

Source: Ohio State Department of Taxation
www.tax.ohio.gov/tax_analysis/tax_data_series/sales_and_use/publications_tds_sales/S1M1214.aspx

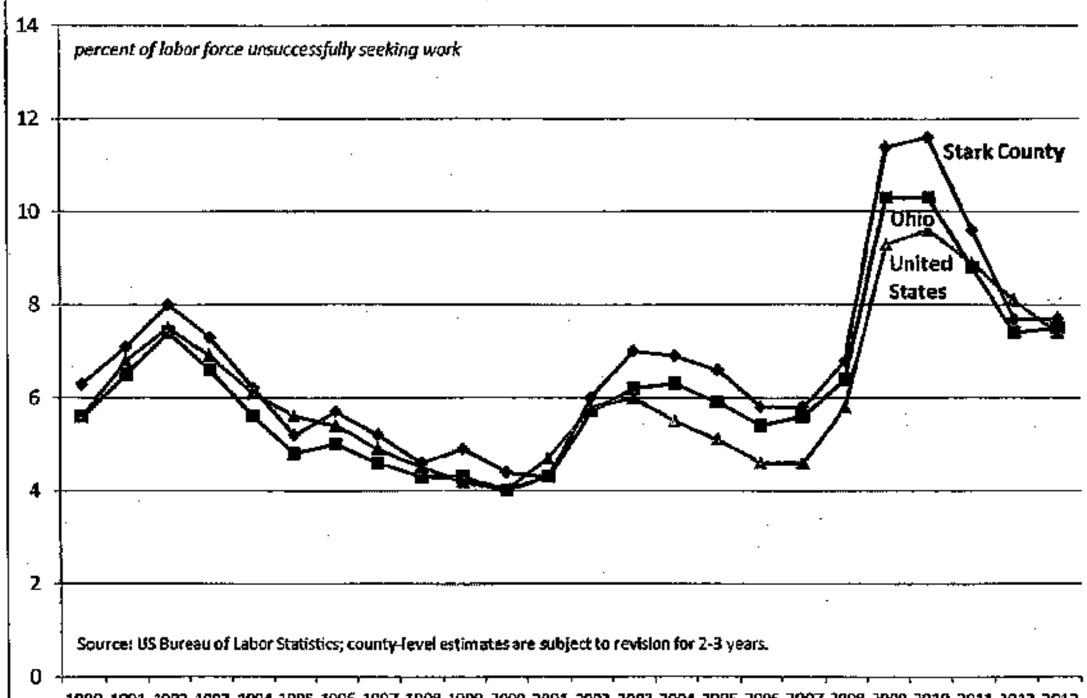
the indirect and induced effects of the steel operations are captured in the six counties. While the amount of this discount is somewhat arbitrary, in my experience, the multiplier effects in the core region, where 95 percent of TimkenSteel employees live and spend their incomes, are likely to be well above one-half of the total statewide effects.

Although harder to measure, additional tax impacts are also likely. For example, corporations around the region are liable for state commercial activity taxes, and there are many such businesses linked to TimkenSteel operations. Unemployment insurance taxes, insurance premiums taxes, building permit fees, motor vehicle sales taxes, and many other business tax categories would see some decline in receipts if the steel plants were to shut down. Employees would also pay less in the way of gasoline taxes and property taxes, and there would be a dampening effect on the regional real estate market.

NOTE ON MANUFACTURING'S IMPORTANCE IN CANTON AREA

While not the primary focus of this report, it is useful to highlight the relative concentration of manufacturing in the Canton area economy. Due to its concentration in heavy industry, Stark County sees higher spikes in unemployment rates during recessions than the rest of Ohio or the United States. As shown by Figure 3, the US Bureau of Labor Statistics estimates that at the bottom of the last recession, the Stark County unemployment rate (11.6%) was a percentage point higher than that for Ohio (10.3%), and two percentage points higher than the United States (9.6%). Steel is one of the most cyclical industries, with production relying on the strength of demand from durable goods like automobiles, aircraft, and building materials – products that typically see the largest sales declines during recessions.

Figure 3. Unemployment Rates
Stark County, State of Ohio, United States



Source: US Bureau of Labor Statistics; county-level estimates are subject to revision for 2-3 years.

Stark County supported 27,000 manufacturing jobs in 2013, accounting for 13 percent of all jobs in all industries in the County, and 22 percent of total labor compensation (due to the high average annual pay of manufacturing jobs) in the County. These concentrations are much higher than that for the state of Ohio, or the United States as a whole. I organized data on jobs and compensation by industry over the past eight years, and summarize it in Table 6. Note that Stark County is about twice as dependent on manufacturing as the US. The 2007-09 recession reduced manufacturing activity in all three geographies, and made the respective economies less dependent on manufacturing. However, note that in Stark County manufacturing continues to be a large contributor to the local economy, accounting for over one in five dollars in labor compensation.

Table 6. Manufacturing's Economic Importance in Canton Area

	2006	2007	2008	2009	2010	2011	2012	2013
Manufacturing's Share of All Jobs								
Stark County, OH	14.3%	14.2%	14.0%	12.6%	12.3%	12.6%	12.9%	13.1%
State of Ohio	12.1%	11.7%	11.3%	10.2%	10.1%	10.2%	10.4%	10.4%
United States	8.3%	8.0%	7.8%	7.2%	7.0%	7.0%	7.0%	7.0%
Manufacturing's Share of Total Labor Compensation								
Stark County, OH	24.5%	24.3%	24.0%	21.2%	20.8%	22.1%	22.3%	21.9%
State of Ohio	18.8%	18.3%	17.5%	15.6%	15.6%	15.9%	15.8%	15.6%
United States	12.3%	12.0%	11.6%	10.8%	10.7%	10.7%	10.7%	10.6%

Source: US Bureau of Economic Analysis

Appendix

Local Income Taxes, Six Ohio Counties

County	Municipality		Tax Rate (%)	Gross Revenue	County	Municipality		Tax Rate (%)	Gross Revenue
Carroll	Village	Carrollton	1.00	$944,323	Summit	City	Norton	2.00	$4,848,364
Carroll	Village	Malvern	1.00	$172,048	Summit	Village	Peninsula	1.00	$297,834
Carroll	Village	Sherrodsville	1.00	$20,077	Summit	Village	Reminderville	1.50	$1,434,723
Columbiana	Village	Columbiana	1.00	$2,011,928	Summit	Village	Richfield	2.00	$7,859,820
Columbiana	City	East Liverpool	1.50	$2,874,790	Summit	Village	Silver Lake	2.00	$485,662
Columbiana	City	East Palestine	1.00	$959,338	Summit	City	Stow	2.00	$13,564,116
Columbiana	Village	Leetonia	1.50	$530,473	Summit	City	Tallmadge	2.00	$8,299,566
Columbiana	Village	Lisbon	1.50	$1,087,469	Summit	City	Twinsburg	2.25	$23,537,424
Columbiana	Village	New Waterford	1.00	$131,004	Tuscarawas	Village	Baltic	1.00	$123,855
Columbiana	City	Salem	1.00	$4,321,303	Tuscarawas	Village	Bolivar	1.00	$141,859
Columbiana	Village	Salineville	1.00	$116,733	Tuscarawas	Village	Dennison	2.00	$610,744
Columbiana	Village	Wellsville	1.00	$381,941	Tuscarawas	City	Dover	1.50	$6,837,154
Stark	City	Alliance	2.00	$10,274,712	Tuscarawas	Village	Gnadenhutten	1.50	$281,926
Stark	Village	Beach City	1.00	$72,603	Tuscarawas	Village	Midvale	1.00	$170,430
Stark	Village	Brewster	1.00	$698,527	Tuscarawas	Village	Mineral City	1.00	$49,426
Stark	Village	Canal Fulton	1.50	$2,215,042	Tuscarawas	City	New Philadelphia	1.50	$6,407,930
Stark	City	Canton	2.00	$45,506,906	Tuscarawas	Village	Newcomerstown	2.00	$1,510,558
Stark	Village	East Canton	1.50	$301,253	Tuscarawas	Village	Port Washington	1.00	$72,340
Stark	Village	Hartville	1.00	$911,269	Tuscarawas	Village	Roswell	1.00	$18,263
Stark	City	Louisville	2.00	$3,673,573	Tuscarawas	Village	Stone Creek	1.00	$15,161
Stark	City	Massillon	1.80	$14,370,720	Tuscarawas	Village	Strasburg	1.00	$444,923
Stark	Village	Minerva	1.50	$2,324,082	Tuscarawas	Village	Sugarcreek	1.50	$1,028,385
Stark	Village	Navarre	1.50	$893,203	Tuscarawas	Village	Tuscarawas	1.00	$70,355
Stark	City	North Canton	1.50	$6,175,252	Tuscarawas	City	Uhrichsville	1.75	$1,293,436
Stark	Village	Wilmot	1.50	$97,669	Wayne	Village	Apple Creek	1.00	$203,203
Summit	City	Akron	2.25	$132,439,409	Wayne	Village	Creston	1.00	$258,207
Summit	City	Barberton	2.00	$10,165,492	Wayne	Village	Dalton	1.00	$434,046
Summit	Village	Boston Heights	2.00	$1,074,623	Wayne	Village	Doylestown	2.00	$804,356
Summit	Village	Clinton	1.00	$188,163	Wayne	Village	Fredericksburg	1.00	$65,213
Summit	City	Cuyahoga Falls	2.00	$19,252,832	Wayne	Village	Marshallville	1.00	$57,422
Summit	City	Fairlawn	2.00	$10,973,720	Wayne	Village	Mount Eaton	1.00	$75,053
Summit	City	Green	2.00	$19,074,594	Wayne	City	Orrville	1.00	$5,441,469
Summit	City	Hudson	2.00	$17,600,926	Wayne	City	Rittman	1.50	$959,516
Summit	Village	Lakemore	2.00	$740,478	Wayne	Village	Shreve	1.00	$243,240
Summit	City	Macedonia	2.25	$8,242,815	Wayne	Village	Smithville	1.50	$516,612
Summit	Village	Mogadore	2.25	$2,663,725	Wayne	Village	West Salem	1.00	$227,572
Summit	City	Munroe Falls	2.00	$1,095,136	Wayne	City	Wooster	1.00	$10,470,377
Summit	City	New Franklin	1.00	$1,041,026			Total		$425,728,915
Summit	Village	Northfield	2.00	$1,029,198					

Source: Ohio Department of Taxation

www.tax.ohio.gov/tax_analysis/tax_data_series/individual_income/publications_tds_municipal/LG11CY12.aspx

APPENDIX B

CONFIDENTIAL

[redacted]

APPENDIX C

Affidavit of Company Official

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of TimkenSteel Corporation for Approval of a Unique Arrangement for the TimkenSteel Corporation's Stark County Facilities	)))))	**Case No. 15-1857-EL-AEC**

State of Ohio)
) SS:
County of Stark)

AFFIDAVIT OF WARD J. TIMKEN, JR.

I, Ward J. Timken, Jr., being first duly sworn, declare that I am Chairman, Chief Executive Officer and President of **TimkenSteel Corporation**, and that the information provided in the foregoing application and appendices is true and accurate to the best of my knowledge and belief.

Ward J Timken Jr

Ward J. Timken, Jr.
Chairman, Chief Executive Officer and President

The foregoing instrument was acknowledged before me this 30th day of October, 2015 by Ward J. Timken, Jr., Chairman, Chief Executive Officer and President of TimkenSteel Corporation, an Ohio corporation, on behalf of the corporation.

Frank A. DiPiero

Notary Public, State of Ohio

My commission expires ____________

FRANK A. DIPIERO, Attorney
NOTARY PUBLIC – STATE OF OH.
My commission has no expiration date
Section 147.03 R. C.

APPENDIX D

<u>Letters in support of Application</u>

Mr. Dennis Brommer, United Steel Workers (USW)

The Honorable William J. Healy II, Mayor, City of Canton

Mr. Dennis P. Saunier, President & CEO, Canton Regional Chamber of Commerce

Mr. Stephen L. Paquette, President & CEO, Stark Development Board

The Honorable Kirk Schuring, Ohio House of Representatives, 48th District

The Honorable Stephen D. Slesnick, Ohio House of Representatives, 49th District

The Honorable Al Landis, Ohio House of Representatives, 98th District

The Honorable Christina M. Hagan, Ohio House of Representatives, 50th District

The Honorable Frank LaRose, Ohio Senate, 27th District

The Honorable Scott Oelslager, Ohio Senate, 29th District

The Honorable Bob Gibbs, U.S. House of Representatives, 7th Congressional District

The Honorable James B. Renacci, U.S. House of Representatives, 16th Congressional District

UNITED STEELWORKERS

USW

UNITY AND STRENGTH FOR WORKERS

District 1, Sub-District 2

David McCall
District Director

Dennis Brommer
Sub-District Director

July 1, 2015

Mr. Andre Porter, Chairman
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215

RE: TimkenSteel Corporation, Canton, Ohio, "Unique Arrangement"

Dear Chairman Porter,

On behalf of the United Steelworkers, I'm writing to express support for TimkenSteel Corporation's application for a unique arrangement which requests discounted electricity rates for its Stark County, Ohio operations.

Domestic steelmakers are faced with unprecedented competitiveness challenges as the surge of imported steel continues unabated. I commend TimkenSteel for its willingness to meet these challenges head on by continuing to invest in its people, innovation, continuous improvement and the advanced steelmaking technologies that are essential to making its cost structure globally competitive.

TimkenSteel has demonstrated that commitment by investing over $500 million in its Stark County facilities within the last five years alone. The company further proposes to make significant *additional* capital investments in these facilities, provided it has reasonable certainty that its electricity rates will allow it to profitably compete on a global basis.

As Stark County's second largest employer, TimkenSteel is vitally important to the local economy as well as to Ohio's broader economy. And while "TimkenSteel" may be its new identity, its heritage and legacy of outstanding corporate citizenship are over a century old.

Although the headwinds of unfair trade practices continue to test the resolve and resiliency of one of our nation's strategic core industries, TimkenSteel has consistently demonstrated it has what it takes to win: ethics and integrity, commitment to innovation, capital investment, its employees, and to making a difference in the surrounding communities in which its employees and our members work and live.

The preservation of good-paying jobs for TimkenSteel's highly skilled workforce is of paramount importance not only to Stark County, but to Ohio. Strengthening TimkenSteel's ability to be globally competitive is in the public interest and facilitates the State's effectiveness in the global economy. Please join me in supporting one of this nation's foremost industrial leaders by approving TimkenSteel's unique arrangement application.

Thank you for your time and consideration.

Sincerely,

Dennis Brommer, Sub-district Director
USW District 1, Sub-district 2

cc: Commissioner Asim Z. Haque, Vice Chairman
Commissioner Lynn Slaby
Commissioner M. Beth Trombold
Commissioner Thomas W. Johnson

THE CITY OF
CANTON
WILLIAM J. HEALY II, MAYOR

July 30, 2015

Andre T. Porter, Chairman
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215

RE: TimkenSteel, Canton, Ohio, "Unique Arrangement"

Dear Chairman Porter and PUCO Commissioners:

I am writing to you today to voice my strong support for the application for a unique arrangement that is being filed by TimkenSteel.

The first of TimkenSteel's Stark County plants began in 1917, and the steel operation has been modernized and expanded several times, providing the company with nearly a century of experience in material science and steelmaking. TimkenSteel is the second largest employer in Stark County, with approximately 2,500 salaried and hourly workers, with an annual payroll of $186 million. Over the past five years, TimkenSteel has spent nearly $500 million for major capital investments in its Stark County steel operations, and the company annually purchases in excess of $850 million from Ohio-based suppliers for goods and services needed to operate its Stark County facilities.

TimkenSteel is an energy-intensive, trade-exposed manufacturer, consuming more than 1 billion kWh per year for its Stark County facilities, which amounted to over $60 million in electricity in 2014. The company is sensitive to electricity price fluctuations; for example, an increase of one-tenth of one percent per KwH equates to a change of over $1 million per year. It is necessary for TimkenSteel to access affordable, reliable, and predictable energy in order to remain competitive against heavily subsidized imports from foreign nations such as China and Turkey.

TimkenSteel is applying for a new unique arrangement to protect the above-mentioned $500 million in capital investments and to support continued capital investment and job retention in a challenging global market. The public interest is well-served in assuring that TimkenSteel has long-term access to affordable and reliable electricity, and the benefits of the unique arrangement proposed far outweigh the cost of electricity discounts requested and will facilitate the state's effectiveness in the global economy.

On behalf of the City of Canton, I respectfully urge your approval of this application as soon as possible.

Sincerely,

Wm. J. Healy II

William J. Healy II, Mayor
City of Canton

cc: Asim Haque, Commissioner
Thomas W. Johnson, Commissioner
Lynn Slaby, Commissioner
M. Beth Trombold, Commissioner

CANTON *REGIONAL*
CHAMBER OF COMMERCE

222 Market Avenue North, Canton, Ohio 44702 • Main Line (330) 456-7253 • (800) 533-4302
General Fax: (330) 452-7786 • Finance, Sales, Marketing & Events Fax: (330) 489-6005 • www.CantonChamber.org

July 20, 2015

Andre T. Porter, Chairman
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215

RE: TimkenSteel Corporation, Canton, Ohio, "Unique Arrangement"

Dear Chairman Porter:

The Canton Regional Chamber of Commerce supports TimkenSteel Corporation's application to the Public Utilities Commission of Ohio (PUCO) for a special rate arrangement for electric service.

As an active and important member of the Chamber, TimkenSteel is an integral part of the regional economy and the local community. Headquartered in Canton, Ohio, TimkenSteel has been a vital component of the region for nearly a century. As the second largest employer in Stark County, the company employs approximately 2,500 hourly and salaried workers. Annually, the company purchases more than $850 million goods and services from over 1,800 Ohio businesses.

The competitiveness of Canton is directly impacted by the global competitiveness of TimkenSteel. The company has maintained its competitive edge by continuing to invest in growth-based capital and its workers. Recently, TimkenSteel commissioned the world's largest jumbo bloom vertical caster ($200 million) – just the latest of more than $500 million invested in Stark County over the past five years.

While the company is focused on building and expanding its operations, the cost of electricity directly impacts its ability to compete in an increasingly-challenging global environment. Energy costs represent the third-largest cost for TimkenSteel, exceeding $60 million annually and growing. To facilitate TimkenSteel's opportunity to continue developing innovative processes and facilities and retain a highly skilled workforce, it is essential that the company have access to affordable and reliable electric service.

For the benefit of TimkenSteel and the Canton business community, the Chamber urges your approval of the application.

Sincerely,

Dennis P. Saunier
President and CEO

Cc: Asim Haque, Commissioner
Thomas W. Johnson, Commissioner
Lynn Slaby, Commissioner
M. Beth Trombold, Commissioner

Stark Development Board, Inc.

June 26, 2015

Andre T. Porter, Chairman
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215

RE: TimkenSteel Corporation, Canton, Ohio, "Unique Arrangement"

Dear Chairman Porter,

This letter is to urge support for TimkenSteel Corporation's application to the Public Utilities Commission of Ohio (PUCO) for a "unique arrangement" to provide for a special electric power contract. If approved, this arrangement will substantially improve TimkenSteel's ability to remain competitive in the fiercely competitive global markets that the company serves.

TimkenSteel is critically important to the Stark County region, where the company is headquartered and employs approximately 2,500 workers. Moreover, the company provides tremendous economic development benefits to the entire state, spending upwards of $850 million annually from suppliers in Ohio. According to a recent economic impact analysis, TimkenSteel provides a tremendous multiplier effect, accounting for approximately 12,700 jobs and $805 million in employee compensation in Ohio.

Due to TimkenSteel's tremendous economic footprint, the company's competiveness affects the competitiveness of thousands of other businesses and workers across the state. To enhance TimkenSteel's ability to compete both globally and domestically, providing access to affordable, predictable energy is essential. Electricity represents the third-largest cost for TimkenSteel, following the cost of scrap/alloys and labor.

TimkenSteel has a proven history of innovation, capital investment, and job retention. In just the past five years, the company has invested $500 million in capital investment projects in its Stark County facilities. Stable electricity prices will help ensure that those investments are protected and that future development can be made. The benefits of the unique arrangement proposed by TimkenSteel far outweigh the costs of the electricity discounts requested and will facilitate the state's effectiveness in the global economy.

The Stark Development Board supports the proposed application and requests PUCO to approve this important arrangement.

Sincerely,

Stephen L. Paquette
President & CEO

Cc: Asim Haque, Commissioner
Thomas W. Johnson, Commissioner
Lynn Slaby, Commissioner
M. Beth Trombold, Commissioner

Stark Development Board
116 Cleveland Avenue, N.W., Suite 600 Canton, Ohio 44702-1730
(330) 453-5900 FAX (330) 453-1793
www.starkcoohio.com

State Representative Kirk Schuring
District 48

August 12, 2015

Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

Dear Members of the Public Utilities Commission of Ohio,

I am writing to express my strong support for the approval of the "unique arrangement" request made by TimkenSteel pursuant to ORC sections (4905.31 and 4928.66).

Since 1917, TimkenSteel has been a vital part of our state and local economy. They are the second largest employer in Stark County, with approximately 2,500 salaried and hourly employees. Additionally, TimkenSteel has spent nearly $500 million for major capital investments in Stark County over the last five years.

Electrical energy is a critical component of TimkenSteel's cost of doing business. To that end, it is their third largest operating cost at over 60 million dollars a year. This high usage makes TimkenSteel extremely sensitive to electricity price fluctuations where a slight change of just one tenth of one percent per kwh equates to an additional cost of over $1 million per year. The approval of the "unique arrangement" will help mitigate the enormous cost of electricity to TimkenSteel and enhance their competitiveness in the world market.

I respectfully request that you give your utmost consideration to TimkenSteel's "unique arrangement" application.

Sincerely,

Kirk Schuring

Kirk Schuring
State Representative
48th House District

Committees:

Vice Chair– Finance

Health & Aging

77 S. High Street, Columbus, Ohio 43215-6111

District Office:

330-478-2900

Columbus Office:

614-752-2438 (P)
614-719-6951 (F)
Email: Rep48@ohiohouse.gov

Stephen D. Slesnick
State Representative

Proudly Serving Ohio's
49th House District

July 8, 2015

Chairman Andre Porter
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

Dear Chairman Porter,

I am writing to convey my support for the application being filed by TimkenSteel for a unique arrangement.

With nearly a hundred years of operation The Timken Company has tremendous economic impact in my district, serving as the second largest employer in Stark County. TimkenSteel currently employs approximately 2,500 of Ohio's workers, most of which are located in Canton with an annual payroll of $186 million. Its Stark County facilities provide a total net annual economic impact of 12,700 jobs and $805 million in employee compensation.

Additionally, TimkenSteel shows strong commitment to corporate citizenship in the community. In the past five years alone, TimkenSteel has spent nearly $500 million for major capital investments in its Stark County operations. A unique arrangement will continue Timken's ability to remain competitive in the global industry by allowing the company to control a critical component of its manufacturing cost.

The benefits of the unique arrangement proposed by TimkenSteel far outweigh the cost of the electricity discounts requested and will facilitate a more effective state role in the global economy. The interests of both the City of Canton and the state of Ohio are best served by ensuring lasting success for the company and its workers.

Therefore, I respectfully urge your approval of the application for a unique arrangement for TimkenSteel.

Sincerely,

Stephen D. Slesnick

Stephen D. Slesnick
State Representative
49th House District

(614) 466-8030 Rep49@OhioHouse.gov

Columbus Office
Vern Riffe Center
77 S. High Street
11th Floor
Columbus, Ohio 43215-6111
(614) 466-8035
(800) 282-0253
(614) 719-6996 (Fax)
Rep98@ohiohouse.gov
www.ohiohouse.gov

98th House District
Tuscarawas and portions of Holmes counties

Committees
Energy & Natural Resources– Chair
Armed Service, Veterans Affairs & Public Safety
Commerce & Labor

Al Landis
State Representative

8/25/14

Andre T. Porter, Chairman
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215

RE: TimkenSteel Corporation, Canton, Ohio, "Unique Arrangement"

Dear Chairman Porter,

I would like to express my support for TimkenSteel Corporation's application to the Public Utilities Commission of Ohio (PUCO) for a unique arrangement, providing a special contract for electric service.

TimkenSteel is a critical part of Ohio's manufacturing sector. As a leader in innovation, the company has continued to invest in its business operations and its people to improve competiveness, increase efficiency, and attract and retain a talented workforce. Most recently, TimkenSteel completed its $200 million capital investment in the world's largest jumbo bloom vertical caster – something that Ohio should take pride in.

As a producer of specialty steel, TimkenSteel's products are highly-engineered and consistently put to work in some of the toughest applications, including energy exploration in the Utica and Marcellus shale formations. It is important that TimkenSteel be able to maintain its global competitiveness as heavily-subsidized foreign competitors are attempting to take advantage of Ohio's new oil and gas opportunities.

As an energy-intensive, trade-exposed business, TimkenSteel is heavily reliant on access to affordable, predictable, and reliable electricity. With annual electricity costs exceeding $60 million, electricity represents the third-largest cost for TimkenSteel, following the cost of scrap/alloys and labor. A unique arrangement would help facilitate TimkenSteel's ability to remain competitive by allowing the company to continue investing in Ohio and employing approximately 2,500 local workers.

Thank you for your full consideration of TimkenSteel's application and I urge your approval for the benefit of the state and local economy.

Best Regards,

Al Landis

Al Landis
State Representative
98th Ohio House District

Cc: Asim Haque, Commissioner
Thomas W. Johnson, Commissioner
Lynn Slaby, Commissioner
M. Beth Trombold, Commissioner

Contact Information
Phone: 614.466.9078
Email: Rep50@OhioHouse.gov

Vice Chair of Energy and Natural Resources
Community and Family Advancement
Agriculture & Natural Development
Public Utilities

State Representative Christina M. Hagan

Ohio House District 50

Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215
Re: TimkenSteel Unique Arrangement Support
Dear Chairman Porter:

I write in support of TimkenSteel's application to the Public Utilities Commission of Ohio for a "unique arrangement".

My district, House District 50, which covers the eastern portion of Stark County, is a benefactor from TimkenSteel's growth as the second largest employer in Stark County. With approximately 2,500 salaried and hourly workers, their annual payroll is over $185 million. In addition to the positive impact on their employees, TimkenSteel is an economic engine with a tremendous multiplier effect for the state and local economy. According to a June 2015 economic impact analysis, TimkenSteel's Stark County facilities provide a total net annual economic impact of 12,700 jobs and $805 million in employee compensation.

In addition to their economic impact that is Stark County centric, I have been pleased with the dedication to keeping jobs in Ohio that TimkenSteel has. Annually, TimkenSteel purchases in excess of $850 million from Ohio-based supplies for goods and services needed to operate its Stark County facilities. TimkenSteel's massive operations within Stark County and Ohio are also a reminder of the importance of affordable energy for this company. TimkenSteel is an energy-intensive, trade-exposed manufacturer, consuming more than 1 billion kWh per year for its Stark County facilities. In 2014, this amounted to an electricity spend in excess of $60 million to operate these plants. Due to this, TimkenSteel is sensitive to electricity price fluctuations – for example, a price change of only one-tenth of one percent per kWh equates to a change of over $1 million per year.

Access to affordable, reliable, and predictable energy assists TimkenSteel's ability to remain competitive against heavily subsidized imports from foreign nations such as China and Turkey, as well as their ability to grow in Ohio.

I welcome the economic growth and job benefits that will undoubtedly continue to develop in Stark County because of TimkenSteel, and I encourage you to favorably look upon this application for approval.

Cordially,

Christina M. Hagan

Senator Frank LaRose
27th Ohio Senate District
Serving Wayne and portions of Summit & Stark Counties

Committees:
State and Local Government, *Chair*
Finance
Financial Institutions
Government Oversight and Reform
Insurance
Transportation, Commerce and Labor
Joint Committee on Agency Rule Review

Andre T. Porter, Chairman
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215

July 13, 2015

RE: TimkenSteel Corporation, Canton, Ohio, Mercantile Arrangement Pursuant to ORC §4905.31 and §4928.66

Dear Chairman Porter,

As a member of the Ohio Senate representing residents of the Stark County region, I urge your support for the application for a unique arrangement submitted by TimkenSteel Corporation.

As the second largest employer in Stark County, TimkenSteel is critically important to the success of the local economy, as well as Ohio. TimkenSteel has heavily invested in its Stark County facilities, totaling more than $500 million in capital investment over the past five years alone. Additionally, the company provides tremendous benefit to other businesses in the state, purchasing more than $850 million in goods and services annually from over 1,800 Ohio companies.

Steelmaking is an energy intensive process. With electricity representing the third-largest cost for TimkenSteel at more than $60 million per year, the company is constantly focused on improving its energy efficiency to boost its competitiveness. Maintaining competitive advantage is particular important today, as heavily-subsidized imports from foreign competitors are on the rise.

TimkenSteel is proposing a mercantile arrangement pursuant to ORC §4905.31 and §4928.66 for electricity service to assist in additional and significant capital investment. Having access to affordable, reliable, and predictable electricity rates will provide TimkenSteel the opportunity to boost its competitiveness and facilitate Ohio's effectiveness in the global economy.

I urge your approval of TimkenSteel's application for the benefits of the residents of my district, and the entire state of Ohio.

Sincerely,

Frank LaRose
Ohio State Senator
27th Senate District

cc: Asim Haque, Commissioner
Thomas W. Johnson, Commissioner
Lynn Slaby, Commissioner
M. Beth Trombold, Commissioner

Ohio Senate • 1 Capitol Square • Columbus, Ohio 43215
E-Mail: www.OhioSenate.gov/LaRose/Contact • Phone: 614-466-4823 • Fax: 614-466-8261

THE OHIO SENATE

Scott Oelslager
State Senator, 29th District

Senate Building
1 Capitol Square
Columbus, Ohio 43215
Phone: 614.466.0626
Oelslager@ohiosenate.gov

Committee Assignments
Finance – *Chair*
Civil Justice – *Vice Chair*
Health & Human Services
Rules and Reference

June 30, 2015

Mr. Andre T. Porter, Chairman
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215

RE: The Timken Company, Canton, Ohio, "Unique Arrangement"

Dear Chairman Porter:

I respectfully offer my support for the Timken Company's application to the Public Utilities Commission of Ohio for a "unique arrangement". TimkenSteel is applying for a new unique arrangement to protect capital investments and nearly a century of experience in steelmaking.

Timken Company steel plants became operational in 1917 and today TimkenSteel is the leading manufacturer of special bar quality (SBQ) large bars and seamless mechanical tubing in North America, melting approximately two million tons of steel a year into new steel bars and tubes. As an economic engine for Stark County and Ohio, TimkenSteel's Stark County facilities provide a total net annual economic impact of 12,700 jobs and $805 million in employee compensation.

This energy-intensive and trade-exposed manufacturer consumes more than 1 billion kWh per year for its Stark County facilities. TimkenSteel spent an excess of $60 million to operate plants in 2014. The ability to remain competitive against heavily subsidized imports from foreign nations is in part due to the access of affordable, reliable, and predictable energy.

Once again, I support this application from the Timken Company and I believe the state of Ohio will benefit greatly.

Sincerely,

Scott Oelslager
State Senator
29th District

SO/gew

CC: Commissioners Asim Haque, Thomas W. Johnson, Lynn Slaby, M. Beth Trombold

BOB GIBBS
7TH DISTRICT, OHIO

329 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6265

110 COTTAGE STREET
ASHLAND, OH 44805
(419) 207-0650

110 CENTRAL PLAZA SOUTH
CANTON, OH 44702
(330) 737-1631

Congress of the United States
House of Representatives
Washington, DC 20515–3507

TRANSPORTATION AND
INFRASTRUCTURE COMMITTEE
SUBCOMMITTEES
CHAIRMAN
WATER RESOURCES AND ENVIRONMENT
HIGHWAYS AND TRANSIT
COAST GUARD AND
MARITIME TRANSPORTATION

AGRICULTURE COMMITTEE
SUBCOMMITTEES
NUTRITION
GENERAL FARM COMMODITIES AND
RISK MANAGEMENT

June 26, 2015

Andre T. Porter, Chairman
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215

RE: TimkenSteel Corporation, Canton, Ohio, "Unique Arrangement"

Dear Chairman Porter,

I am writing to convey my support for TimkenSteel Corporation's application for a "unique arrangement" with the Public Utilities Commission of Ohio (PUCO).

TimkenSteel is a proven leader in the steel industry and a company dedicated to its customers, its employees, and the surrounding community. Headquartered in my district, TimkenSteel is the second-largest employer in Stark County and an important asset for Ohio's economy.

I constantly speak to members of the business community about the need for certainty when making decisions to grow their business and create and retain jobs. TimkenSteel is no different. As one of the largest electricity users in the state, TimkenSteel's global economic competitiveness is greatly improved when provided with predictable, reliable, and affordable energy.

Over the past five years, TimkenSteel has invested more than $500 million in its Stark County facilities to advance its steel processes and improve its market position. To protect those investments – along with approximately 2,500 jobs – the company has proposed a new "unique arrangement" to provide for new capital investment, job retention, and competitive electric pricing.

For the benefit of the residents of my district and the entire State of Ohio, I strongly urge your support of TimkenSteel's application.

Sincerely,

Bob Gibbs

Bob Gibbs
Member of Congress

Cc: Asim Haque, Commissioner
Thomas W. Johnson, Commissioner
Lynn Slaby, Commissioner
M. Beth Trombold, Commissioner

JAMES B. RENACCI
16th District, Ohio

COMMITTEE ON WAYS AND MEANS
Subcommittee on Social Security
Subcommittee on
Select Revenue Measures

Congress of the United States
House of Representatives
Washington, DC 20515–3516

328 Cannon House Office Building
Washington, DC 20515
(202) 225-3876

1 Park Center Drive, Suite 302
Wadsworth, OH 44281
(330) 334-0040

7335 Ridge Road, Suite 2
Parma, OH 44129
(440) 882-6779

June 30, 2015

Mr. Andre Porter, Chairman
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215

RE: TimkenSteel Corporation, Canton, Ohio, "Unique Arrangement"

Dear Chairman Porter,

I respectfully offer my support for TimkenSteel Corporation's application to the Public Utilities Commission of Ohio for a "unique arrangement."

The Stark County steel operations of TimkenSteel have been an integral part of the state and local economy since 1917. Headquartered in Canton, Ohio, TimkenSteel is the second largest employer in Stark County, employing approximately 2,500 local salaried and hourly workers with an annual payroll of $186 million.

TimkenSteel has remained a leader in the steel industry for nearly 100 years by continuing to invest in its operations and its people. The company has demonstrated its consistency in innovation by making nearly $500 million in capital investments in its Stark County facilities over the past five years, including the recent completion of the world's largest jumbo bloom vertical caster ($200 million). Future capital investments will be necessary for TimkenSteel to remain competitive in an increasingly challenging global steel market.

Manufacturing steel is a very energy intensive process. TimkenSteel consumes more than 1 Billion kWh per year in Ohio. As a result, TimkenSteel continuously strives to improve its energy intensity. However, the industry remains highly sensitive to changes in energy prices. For example, a mere change of $0.001/kWh equates to a change of over $1 million per year.

To protect its recent investments, continue to innovate, maintain healthy employment levels, and remain globally competitive, TimkenSteel has proposed a new "unique arrangement" to provide reliable, predictable and affordable energy.

Once again, I urge your approval of this application from TimkenSteel for the benefit of not only Stark County and its residents, but also for the State of Ohio.

Sincerely,

Jim Renacci
Member of Congress