

**BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

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**DIRECT TESTIMONY OF PEGGY R. CLAYTOR**

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1    **Q.1.    Please state your name, title and business address.**

2            My name is Peggy Claytor.    I am the Manager – State Government Affairs for  
3            TimkenSteel Corporation. My business address is 1835 Dueber Ave. SW, Canton, Ohio  
4            44706.

5    **Q.2.    Please describe your educational background.**

6            I received a bachelor's degree in industrial management and a Master's of Business  
7            Administration, both from Kent State University.

8    **Q.3.    What is your professional background?**

9            I joined the company in 1982 as a logistics associate in Canton, Ohio. Since that time, I  
10           have held positions of Buyer; Senior Buyer; Senior Purchasing Agent; Project Manager –  
11           Procurement – Bearings – North and South America; Manager – Procurement – Logistics  
12           – Bearings – North and South America; Purchases Manager – Energy; Senior  
13           Government Affairs Specialist. I became the Manager - State Government Affairs for the  
14           company in 2004 and have continued in that role for TimkenSteel since it was spun-off in  
15           June 2014.

16           I am a former Board member and Vice-Chairman of Carolina Utility Customers'  
17           Association (NC), a former member of the South Carolina Energy Users Committee and  
18           a current member of the Industrial Energy Consumers of America. I am a past chairman

1 of: the Industrial Energy Users-OH; the National Association of Manufacturers  
2 Electricity Task Force; the OMA Energy Resources Committee and the American Iron &  
3 Steel Institute's Energy Committee.

4 As Manager – State Government Affairs, I interact extensively and proactively  
5 with members of the Ohio General Assembly and select regulatory agencies on important  
6 matters affecting a fair and competitive market for TimkenSteel's products. The price  
7 and availability of energy is one of those priority matters. My experience with the  
8 company has provided a solid understanding of both the physical and financial energy  
9 markets. This proved quite helpful in assessing the critical importance of reliable and  
10 reasonably priced energy and the relationship between energy and economic development  
11 and job retention which is the core of the State's energy policy.

12 **Q.4. On whose behalf are you offering testimony?**

13 I am testifying on behalf of TimkenSteel Corporation in support of the Application filed  
14 in this proceeding.

15 **Q.5. What is the purpose of your testimony?**

16 The purpose of my testimony is to sponsor the Application for approval of the unique  
17 arrangement. Additionally, I will provide information regarding the terms of the unique  
18 arrangement requested in the Application, including: the structure and limits of the  
19 proposed rate discount, terms regarding generation, transmission and demand charges,  
20 and TimkenSteel's capital investment and employment commitments. I will also  
21 introduce the other witnesses who are offering testimony on behalf of TimkenSteel in  
22 support of the Application.

1    **Q.6.    Who are the other witnesses offering testimony in support of the Application?**

2            Other than me, five witnesses will be offering direct testimony in support of  
3            TimkenSteel's Application for the unique arrangement. They are:

4            ○ Chris Holding, TimkenSteel's Executive Vice President & Chief Financial Officer.

5            Mr. Holding will offer testimony regarding TimkenSteel's history, corporate culture,  
6            and financial overview and outlook.

7            ○ Tom Moline, Executive Vice President of Manufacturing for TimkenSteel. He'll be  
8            offering an overview of operations, capital investments, and TimkenSteel's  
9            commitment to continuous improvement.

10          ○ Shawn Seanor, TimkenSteel's Executive Vice President – Sales & Business  
11          Development. Mr. Seanor will testify regarding the competitive landscape and  
12          challenges that TimkenSteel is facing, both domestically and internationally.

13          ○ Dr. Paul Coomes, Emeritus Professor of Economics at the University of Louisville  
14          College of Business. Dr. Coomes was retained to conduct a study of the economic  
15          and fiscal impacts of TimkenSteel's operations in Stark County, Ohio. He will testify  
16          about those impacts.

17          ○ Susan Misconish – Commodity Manager – Strategic Sourcing for TimkenSteel.  
18          Ms. Misconish will testify about the terms of the unique arrangement proposed in the  
19          Application specific to the interruptible credit and the Basic Transmission Cost Rider.

20    **Q.7.    Are you familiar with the Application for the unique arrangement in this**  
21    **proceeding?**

22            Yes.

1    **Q.8. Please describe the framework of the proposed unique arrangement.**

2            The proposed unique arrangement will run for a 65-month term from January 1, 2016 to  
3            May 31, 2021 and includes both pricing components and commitments that will support  
4            TimkenSteel's continued investment in productivity, efficiency and job retention at  
5            TimkenSteel's Stark County Facilities.

6            Under the proposed unique arrangement, TimkenSteel will commit to making  
7            \$[REDACTED] in capital investments, including \$[REDACTED] in energy efficiency projects.  
8            TimkenSteel will also commit to employ at least [REDACTED] employees with a ramp up  
9            schedule ending at [REDACTED] employees. In addition:

- 10            ○ TimkenSteel will serve as an interruptible resource for Ohio Power and receive the  
11            interruptible service credit regardless whether that credit or program is available  
12            through tariff;
- 13            ○ TimkenSteel will receive generation from a competitive retail electric service  
14            ("CRES") provider;
- 15            ○ TimkenSteel will pay for transmission service through Ohio Power's Basic  
16            Transmission Cost Rider ("BTCR") based on TimkenSteel's annual single EDU  
17            transmission coincident peak; and,
- 18            ○ TimkenSteel will receive a [REDACTED]% discount on Ohio Power's monthly tariff charges  
19            (excluding BTCR charges) during the term of the unique arrangement.

20    **Q.9. Please describe the rate discount proposed in the Application?**

21            Ohio Power would calculate TimkenSteel's tariff charges each month, excluding the  
22            BTCR charge, and reduce the charges by the [REDACTED]% discount.

1   **Q.10. How will Ohio Power recover the delta revenue generated by the discount?**

2           The delta revenue will be equal to the difference between the total tariff charges  
3           (excluding the BTCR) less the monthly charges paid under the unique arrangement after  
4           the discount. Delta revenue created by the unique arrangement will be capped at  
5           \$[REDACTED] for any 24-month period and will not exceed \$[REDACTED] over the entire  
6           term of the unique arrangement. The aggregate cap provides a ceiling on the amount of  
7           delta revenue while the 24-month cap protects against a significant spike in delta revenue  
8           during the term of the unique arrangement. Ohio Power will recover delta revenue  
9           amounts associated with the discount through the Economic Development Rider  
10          (“EDR”).

11   **Q.11. Will the IRP credit received by TimkenSteel be considered delta revenue under the**  
12   **unique arrangement?**

13          No. The delta revenue caps in the application do not account for, and delta revenue  
14          will not include, any amounts recovered by Ohio Power as a result of the IRP credit. The  
15          IRP credit reduces demand and encourages efficiency and is currently recovered by Ohio  
16          Power under the EE/PDR rider. If circumstances change and the IRP tariff is not  
17          continued in a future ESP proceeding, Ohio Power should be allowed to continue  
18          recovery of the IRP credit through either the EE/PDR rider or an appropriate replacement  
19          rider. This recovery is warranted given the significant benefit that TimkenSteel provides  
20          Ohio Power and its customers as an interruptible resource.

1 Q.12. Will the proposed unique arrangement affect TimkenSteel's charges for generation  
2 service?

3 TimkenSteel will continue to receive generation service from a competitive retail electric  
4 service ("CRES") provider and will receive no discount on these generation purchases.

5 Q.13. How will TimkenSteel control its transmission charges under the unique  
6 arrangement proposed in the Application?

7 As described in more detail by Susan Misconish, under the proposed unique  
8 arrangement, TimkenSteel would be in its own class under the BTCR and pay for  
9 transmission service through the BTCR based on a transmission allocation that is derived  
10 using TimkenSteel's annual single transmission coincident peak. Using a transmission  
11 charge based on TimkenSteel's annual single transmission coincident peak will align  
12 TimkenSteel's effort to effectively manage its coincident peak demand to reduce  
13 transmission charges which in turn may lead to reduced BTCR charges for other  
14 customers within the Ohio Power transmission territory.

15 Q.14. Please describe the monthly demand credit that TimkenSteel would receive under  
16 the unique arrangement requested in the Application?

17 Just as it has done in the past, TimkenSteel would continue to allow Ohio Power to  
18 interrupt TimkenSteel's demand up to [REDACTED] MW for emergencies and pre-emergencies.  
19 Those interruptions help Ohio Power and its customers by providing system stability and  
20 demand response in emergency events. For that flexibility, TimkenSteel would receive a  
21 monthly demand credit of \$8.21/kw, which is the same amount as currently provided  
22 under the IRP (Interruptible Power) rider. If the IRP Rider expires during the term of the  
23 unique arrangement, TimkenSteel would still receive the \$8.21/kw credit and Ohio Power

1 would retain the right to interrupt TimkenSteel as if the IRP Rider were still in place.  
2 This preserves the benefit that TimkenSteel's ability to interrupt demand provides to  
3 Ohio Power and its customers.

4 **Q.15. What is TimkenSteel's capital investment pledge in the Application?**

5 If the unique arrangement is approved, TimkenSteel will invest at least \$[REDACTED] in  
6 the Stark County Facilities during the first five (5) years, including \$[REDACTED] for  
7 energy efficiency improvement and/or energy intensity reduction.

8 **Q.16. Can you please describe TimkenSteel's employment pledge in the Application?**

9 In addition to its capital investment commitment, TimkenSteel also commits to maintain  
10 a minimum employment level of [REDACTED] full time associates with a phased-in  
11 employment goal of [REDACTED] full time associates at the Stark County Facilities by the end  
12 of the term of the unique arrangement.

13 **Q.17. What will happen if TimkenSteel is unable to meet its employment or capital**  
14 **investment commitments under the unique arrangement in the Application?**

15 Absent a *force majeure*, TimkenSteel's pricing discount under the proposed unique  
16 arrangement would be reduced in proportion to applicable shortfall ratios in regards to its  
17 employment commitment or its capital investment commitment.

18 **Q.18. Why is TimkenSteel asking for approval of the proposed unique arrangement?**

19 TimkenSteel has and will continue to face cost competition both domestically and  
20 globally. Capital investments and cost controls are critical to TimkenSteel's overall  
21 business strategy to remain a viable, cost competitive industry leader and major Ohio  
22 employer.

1           The General Assembly has provided the unique arrangement mechanism to  
2           mercantile customers, like TimkenSteel. The unique arrangement proposed in this  
3           Application will help the Stark County facilities remain cost competitive and facilitate  
4           continued investment in those facilities. It also provides TimkenSteel with a reliable and  
5           affordable price for electricity—its third highest manufacturing cost input. TimkenSteel  
6           is fortunate that the General Assembly has provided the unique arrangement mechanism  
7           to mercantile customers, and the Commission, as it has done in the past, should evaluate  
8           every request for a unique arrangement on its merits. And as outlined in the application,  
9           TimkenSteel is actively taking steps to avoid the need for a further unique arrangement  
10          beyond what is requested in this Proceeding. When the market rebounds and the  
11          competitive landscape becomes more level, TimkenSteel will be in a better position to  
12          compete both here and abroad.

13   **Q.19. Is the proposed unique arrangement for the purpose of obtaining an advantage over**  
14   **competitors?**

15          No. The proposed unique arrangement is intended to provide the electricity rates  
16          necessary for TimkenSteel to make critical capital investment and keep strong  
17          employment at the Stark County facilities so that TimkenSteel can be in a position to  
18          compete. Arrangements like that requested by TimkenSteel are not unique to companies  
19          operating in energy intense and trade exposed industries, and exist not only in Ohio but in  
20          other states.



1 Q.20. Does the proposed unique arrangement give TimkenSteel any undue or  
2 unreasonable preference or advantage?

3 No. The rate discount that TimkenSteel will receive is in exchange for capital investment  
4 and employment retention pledges.

5 Q.21. Did TimkenSteel provide the Commission with verifiable information detailing the  
6 rationale for the proposed unique arrangement?

7 Yes. Both the testimony and the Application filed in this proceeding provide verifiable  
8 information detailing the rationale for the proposed unique arrangement.

9 Q.22. Did TimkenSteel describe its general status in the community?

10 Yes. The Application and the testimony in this proceeding provide detail on the Stark  
11 County facilities' impact on the surrounding community.

12 Q.23. Does the proposed unique arrangement further the policy of the State of Ohio as  
13 stated in Section 4928.02 of the Revised Code?

14 Yes. For example, the proposed unique arrangement will facilitate the State's  
15 effectiveness in the global economy. The continued success of the Stark County facilities  
16 and its ability to sell products in the global market enhances not only TimkenSteel's  
17 effectiveness in the global economy, but also that of TimkenSteel's Ohio suppliers who  
18 employ thousands of people providing millions of dollars of goods and services to  
19 TimkenSteel.

20 Q.24. Does this conclude your direct testimony?

21 Yes it does.

## **CERTIFICATE OF SERVICE**

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s/ Michael J. Settineri

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