

**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)** ) **Case No. 15-1857-EL-AEC**  
**Corporation’s Stark County Facilities** )

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**DIRECT TESTIMONY OF CHRISTOPHER J. HOLDING**

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

2 My name is Chris Holding. I am an Executive Vice President and the Chief Financial  
3 Officer for TimkenSteel Corporation. My business address is 1835 Dueber Ave. SW,  
4 Canton, Ohio 44706.

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

6 I earned a bachelor's degree in accounting and a master's degree in taxation, both from  
7 the University of Cincinnati.

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

9 In 2004, I joined The Timken Company, where I served as global business segment  
10 controller and global operations controller before serving as senior vice president of Tax  
11 and Treasury. Before joining The Timken Company, I held financial management  
12 positions with several privately held companies, including Arthur Andersen & Company.  
13 Since the spinoff of TimkenSteel from The Timken Company in 2014, I have been the  
14 executive vice president and chief financial officer for TimkenSteel, responsible for the  
15 company’s financial planning, management and reporting. I lead a team responsible for  
16 financial planning and analysis, controllership, investor relations, tax planning, treasury,  
17 and risk management activities. I’m also the treasurer of the TimkenSteel Charitable

1 Fund and serve on the CFO council of the Manufacturers Alliance/MAPI and the board  
2 of the Akron Canton Airport in Ohio.

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

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

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

7 The purpose of my testimony is to support the Application by providing an overview of  
8 TimkenSteel's history and corporate culture. I will also provide TimkenSteel's financial  
9 overview and outlook.

10 **Q.6. What should the Commission know about TimkenSteel's history and culture in**  
11 **regards to the Application?**

12 As we like to say, TimkenSteel is "a 100-year-old startup company," so there is a lot to  
13 cover. Since 1917, Stark County, Ohio has been home to the steel-making operations  
14 that make up TimkenSteel. Those operations were originally developed to produce steel  
15 for the bearing business of The Timken Company. The operations were expanded and  
16 modernized numerous times over the last century and became an industry leading  
17 operation in their own right. In 2013, TimkenSteel was incorporated to hold those steel-  
18 making assets, and then TimkenSteel was spun-off from The Timken Company in June  
19 2014.

20 TimkenSteel relies on a strategy that consists of leveraging TimkenSteel's unique  
21 business model to generate both customer and shareholder value. That business model  
22 consists of a problem solving culture that results in tailored solutions for demanding  
23 customer applications; achieving operational excellence through flexible, efficient and

1 quality processes; continuous innovation in customer applications and supply chain  
2 improvements and a specialty bar quality focus using an integrated supply chain solution  
3 approach.

4 TimkenSteel also continues to be guided by four core values that carried it  
5 through a century of growth. The first value is Ethics & Integrity. Business  
6 commitments require ethics, honesty and respect. TimkenSteel takes very seriously its  
7 commitments in the Application, especially its continued investment in its Stark County  
8 facilities and in Ohio. Quality and Innovation are also core values at TimkenSteel.  
9 Innovation can lead to new capital investments, which TimkenSteel can leverage to  
10 increase energy efficiency, lower costs, and unique capabilities that drive high-value  
11 solutions for our customers. For example, in just the last five years, TimkenSteel  
12 invested close to \$500 million for major capital improvements and upgrades in its Stark  
13 County steel operations. The fourth value is Independence, which we believe is vital to  
14 creativity and growth. These four values guide TimkenSteel in its mission is to help  
15 customers push the bounds of what's possible by creating steel products and services to  
16 overcome their toughest challenges.

17 It is also important to note that TimkenSteel has committed itself to the Stark  
18 County community by establishing the TimkenSteel Charitable Fund, which matches  
19 employees' charitable donations and supports impact programs in the local communities.  
20 TimkenSteel also actively supports and is involved in the United Way, Habitat for  
21 Humanity, the American Cancer Society's Relay for Life, Recycle for Our Community  
22 and Junior Achievement.

1 **Q.7. Will you please provide an overview of TimkenSteel’s financials?**

2 Our 100-year history of growth and innovation is also one of strong financial  
3 performance. We are working with a solid financial base, as the year-end 2014 figures  
4 demonstrate. 2015 has been challenging and financial results have been driven primarily  
5 by weak demand from North American oil and gas markets coupled with other  
6 commodity driven impacts on our industrial business. The results vary by segment. We  
7 continue to see strength in the mobile side of our business, as the North American light  
8 vehicle production rate remains high. Industrial end markets are more challenging as  
9 they continue to be negatively impacted by weak global commodity markets. We have  
10 seen a decline in sales and shipment in the Energy & Distribution segment, which has  
11 been significantly impacted by the dramatic decline in U.S. rig count since last year.  
12 With that said, TimkenSteel has a history of strong financial performance, and its current  
13 long-term debt is \$205 million and the company’s debt to equity ratio is 19.5%. This  
14 structure positions TimkenSteel to provide and obtain capital for growth and investments  
15 at its Stark County facilities.

16 **Q.8. How does TimkenSteel’s current financial overview compare to the forecast?**

17 We expect current conditions, both good and bad, to continue through 2015 and into  
18 2016.

19 **Q.9. What is TimkenSteel doing to drive growth and control costs?**

20 TimkenSteel remains committed to finding and creating niche market spaces providing  
21 high-performance, high-service solutions to meet our customers’ toughest challenges.  
22 Our sales team is actively leveraging our investment in new capabilities to service  
23 customers and we remain committed to organic growth. For example, in our mobile

1 markets we are not just maintaining business; we're winning new platforms based on our  
2 value added model. But while our sales force is doing an excellent job, it is just as  
3 important to aggressively manage our costs on all fronts. To react to market changes,  
4 TimkenSteel has made cost reductions including aligning work schedules to orders,  
5 making organizational changes and other reductions, which have already had a positive  
6 impact on TimkenSteel's operating results. As a 100-year old startup, we have been  
7 through the cycles before and we know what to do. With disciplined execution at all  
8 levels, and a commitment to our culture and values, we will emerge from the current  
9 period stronger than ever and in the best position to capture customer demand and be  
10 effective in both the U.S. and global economies.

11 **Q.10. If TimkenSteel's financials are sound and it is taking successful steps to address**  
12 **market challenges, why is it asking for approval of the unique arrangement proposed in**  
13 **the Application?**

14 TimkenSteel operates in a globally competitive market against overseas competitors that  
15 TimkenSteel believes are subsidized. And because TimkenSteel operates in an energy-  
16 intensive and trade-exposed industry, it is no surprise that electricity is TimkenSteel's  
17 third highest cost in the manufacturing process. That cost has increased significantly  
18 since 2007, going up over [■] % from 2007 through 2014. TimkenSteel has successfully  
19 made continuous improvements to significantly lower its energy intensity but that is not  
20 enough to face the challenges of operating and competing in an energy-intensive and  
21 trade-exposed industry and on a global playing field that is increasingly tilted against  
22 domestic steel companies like TimkenSteel. These challenges are magnified when  
23 coupled with the current downturn in the steel markets. The unique arrangement that

1 TimkenSteel proposes in the Application will not address all of these challenges, but it  
2 will help incentivize and enable TimkenSteel to make continued capital investments in its  
3 Stark County steel operations which in turn will position TimkenSteel to compete with its  
4 competitors (both domestic and global). The unique arrangement application is not a  
5 stop-gap measure, but rather a strategy to help facilitate TimkenSteel's and Ohio's  
6 effectiveness in the U.S. economy and the global economy.

7 **Q.11. Does this conclude your direct testimony?**

8 Yes it does.

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