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Via E-file

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Public Utilities Commission of Ohio
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Columbus, Ohio 43215

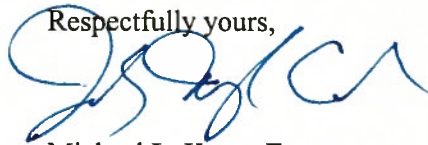
In re: Case No. 18-0450-EL-AEC

Dear Sir/Madam:

Please find attached AK STEEL CORPORATION's APPLICATION FOR EXPEDITED APPROVAL OF A REASONABLE ARRANGEMENT e-filed today in the above-referenced docket.

Please place this document of file.

Respectfully yours,



Michael L. Kurtz, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
Cc:

Amy B. Spiller, Vice President
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Duke Energy Ohio
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Via Email: Amy.Spiller@duke-energy.com

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**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application for Approval of an Economic Development
Arrangement between AK Steel Corporation and Duke Energy Ohio, Inc.

:
:

Case No. 18-0450-EL-AEC

**APPLICATION FOR
EXPEDITED APPROVAL OF A REASONABLE ARRANGEMENT**

1. This Application for Approval of a Reasonable Arrangement (“Arrangement”) is submitted by AK Steel Corporation (“AK Steel” or “Customer”) to the Public Utilities Commission of Ohio (“Commission”) pursuant to R.C. 4905.31 and Ohio Adm. Code 4901:1-38-05. AK Steel is a mercantile customer as defined by R.C. 4928.01.
2. Headquartered in West Chester, Ohio, AK Steel is the leading producer of flat-rolled carbon, stainless and electrical steel products, and carbon and stainless tubular products, primarily for automotive, infrastructure and manufacturing, electrical power generation and distribution markets. The company employs approximately 9,400 men and women at manufacturing operations across seven states (Alabama, Indiana, Kentucky, Michigan, Ohio, Pennsylvania, and West Virginia, as well as Canada and Mexico). Since 1899, when AK Steel’s predecessor, Armco, was incorporated in Middletown, Ohio, the company has been a leader in innovation in the steel industry, provided jobs to hundreds of thousands of people, given back to its communities, and provided pensions and benefits to generations of retirees.
3. AK Steel operates a facility located at 1801 Crawford Street, Middletown, OH 45044 in Butler County, which is within the certified service area of Duke Energy Ohio, Inc. (“Duke” or “Company”).
4. AK Steel’s Middletown facility is the nation’s most productive integrated steel operation. Its carbon steel melting, casting, hot and cold rolling, and finishing operations produce hot and cold rolled, enameling, electrogalvanized, hot tip galvanized, aluminized, and stainless steels used in a wide variety of products. The Middletown facility sells nearly \$2 billion worth of steel annually.
5. AK Steel’s Middletown facility is a critical component of Ohio’s economy. The facility employs approximately 2,160 people, with an annual payroll of about \$144 million, plus \$67 million in fringe benefits. The facility spends approximately \$590 million annually in purchases from Ohio vendors. In 2017, the total net annual economic of the facility in Ohio was estimated to be approximately 8,075 jobs and \$529 million in labor income. Of that, about 5,840 jobs and \$403 million in labor income was in Butler County. State and local governments in Ohio also received at least \$43.6 million in tax revenues annually in 2016 and 2017 related to operations at the Middletown facility, of which about \$5.8 million was in the form of local income and sales tax receipts in Butler County.
6. One major factor impacting the Middletown facility’s ability to continue providing such robust economic benefits to the State is its electric service rate. Steelmaking is extremely energy-intensive, rendering the facility highly sensitive to changes in electric pricing. Thus, it is important that the rates and service terms for electric service reflect the economies of scale to supply Duke’s largest single customer and the fact that much of the demand is capable of curtailment on short notice in times of energy shortages or transmission/distribution interruptions.

7. In Duke's last Electric Security Plan ("ESP"), the Commission specifically authorized the continuation of the large customer interruptible load program even as Duke transitioned from being a Fixed Resource Requirement provider to a participant in PJM capacity and energy markets.¹ AK Steel, which had been a participant in Duke's interruptible tariff program, was then converted to a contract provider of interruptible capacity. The terms of AK Steel's participation in that interruptible program were approved by the Commission in Case No. 16-2141-EL-UNC.
8. The arrangement approved by the Commission in Docket 16-2141-EL-UNC expires with the Company's current ESP on May 31, 2018.
9. The need for a buffer of interruptible load in times of shortage to help assure service to human needs and other firm customers will exist after the current arrangement ends this upcoming May. Further, abandoning the current interruptible program would cause a significant increase in the cost of power to AK Steel. It would affect AK Steel's worldwide competitiveness and could affect employment, tax payments, and service purchases.
10. AK Steel is significantly larger than any other customer of Duke, and has a unique cost of service that does not fit comfortably within the available tariff services.
11. AK Steel thus proposes that upon the expiration of the currently approved arrangement, a new arrangement between Duke and AK Steel be authorized for the interruption of up to 110 MW of AK Steel's load.
12. R.C. 4905.31 and Ohio Adm. Code 4901:1-38-05 permit the Commission to approve a Reasonable Arrangement between a mercantile customer and an electric utility. In this Application, AK Steel submits the structure and content of the Arrangement, as required by R.C. 4905.31 and Ohio Adm. Code 4901:1-38-05. So as to facilitate approval of this Application, the structure and content of this Arrangement incorporates rate mechanisms already familiar to and found reasonable by the Commission. Moreover, the interruptible rate credit and transmission billing approaches described herein are similar to approaches supported by several parties, including Commission Staff, in Case Nos. 16-1852-EL-SSO *et al.*

A) Term and Effective Date.

The term of this Arrangement shall commence immediately after the date of a Commission order approving this Application, but no earlier than June 1, 2018. The term of this Arrangement shall end May 31, 2025. While the end of the Arrangement term is designed to coincide with the end of Duke's pending ESP proposal in Case No. 17-1263-EL-SSO, this Arrangement will continue in effect irrespective of the results of any legal review of that ESP proposal. Beginning on the effective date of the Arrangement, AK Steel and Duke will enter into a written contract that is consistent with the Application approved by the Commission in this proceeding, which will be filed at the Commission.

B) Pricing During Arrangement Term.

I. General Terms and Conditions Applicable Throughout Arrangement Term.

1. Customer will receive a rate credit for its monthly interruptible demand, subject to the terms set forth herein. That rate credit shall be determined by multiplying Customer's monthly interruptible demand times the PJM Base Residual Auction ("BRA") market rate

¹ Opinion and Order, Case No. 14-841-EL-SSO (April 2, 2015) at 76.

for the Duke zone times 0.7. Monthly interruptible demand shall be the difference between the monthly billing demand determined in accordance with the applicable rate schedule under which Customer receives service and Customer's designated firm service contract capacity. In no event shall Customer's monthly interruptible demand be greater than 110 MW.

2. From June 1, 2021 through May 31, 2025, the annual rate credit received by Customer will be capped at 70% of the 2018/19 RPM BRA clearing price (\$164.77/MW-day), which is \$4.63 million, subject to the additional provisions set forth below. The total amount of rate credit received by Customer throughout the term of this Arrangement will be capped at \$25.8 million.
 3. In no event will the monthly interruptible rate credit received by Customer pursuant to this Arrangement result in a negative monthly bill to Customer from Duke for transmission and distribution service, excluding Customer's Universal Service Rider charges (Customer's "wires charges"). If the monthly interruptible credit received by Customer pursuant to this Arrangement would otherwise exceed its wires charges in a given month, then Customer will be permitted to "bank" the difference between the monthly interruptible credit and the monthly wires charges. Customer will then be permitted to draw upon any "banked" interruptible credit for use in offsetting future monthly wires charges during the term of this Arrangement. Upon expiration of the Arrangement term, Customer will forfeit any remaining "banked" interruptible credit.
 4. Customer interruptions will be limited to emergency events, whether called by Duke or PJM. The Company will endeavor to provide Customer as much advance notice as possible of an upcoming emergency interruption, but Customer will not be required to interrupt on less than 120 minutes notice. Such notice will specify the starting and ending hour of the interruption if known. If Customer fails to interrupt load as requested by Duke for an emergency interruption, then Customer will be required to refund for the load that failed to interrupt the interruptible rate credits received under this Arrangement during the precedent 12 months for the uninterrupted demand.
 5. Customer's interruption capability will be calculated monthly. Any changes in Customer's firm service level must be communicated by December 1 of each year.
 6. Duke will be permitted to recover the costs of the interruptible rate credit contemplated herein through its Economic Competitiveness Fund Rider, or an equivalent recovery mechanism, with such recovery a fundamental term of this Arrangement.
 7. Participation in this Arrangement does not preclude Customer from also participating in other PJM demand response programs through a curtailment service provider. Customer is permitted to retain any compensation received by PJM for its participation in those programs.
 8. Customer shall have the right to opt out of Duke's energy efficiency and peak demand reduction programs as provided by S.B. 310.
- II. Assignment. This Arrangement, including all rights and obligations hereunder, shall be fully assignable by Customer to any new owner or operator of the plant with the prior, written consent of Duke, which consent shall not be unreasonably withheld, and prior approval of the Commission.

III. Termination Rights. Customer can elect to terminate this Arrangement upon six-month advance written notification to Duke and the Commission.

IV. Repayment. Customer shall not be required to repay any credit received or accrued under this Agreement except as authorized by this Arrangement or in the case where Customer commits violations of the law, fraud, or misrepresentation.

13. R.C. 4928.02 sets forth Ohio's policy related to electricity service. Approval of this Application will advance State policy. Specifically, approval of the Arrangement will facilitate the Ohio's effectiveness in the global economy by providing the Middletown facility with an electric service rate that will position the facility to be more competitive both nationally and internationally.
14. By providing AK Steel with an electric service plan which fits the unique attributes of its electric consumption, this Arrangement will help maintain AK Steel's estimated total net annual economic impact in Ohio of approximately 8,075 jobs and \$529 million in annual labor income.
15. Ohio Adm. Code 4901:1-38-05 requires a demonstration that a proposed Arrangement does not violate R.C. 4905.33 and 4905.35. Applicant represents that the proposed Arrangement is not anti-competitive, discriminatory or unduly preferential, and does not disadvantage any competitive retail electric service ("CRES") provider. Under the Arrangement, AK Steel's Middletown facility is free to purchase electric generation service from a CRES provider. Applicant proposes this Arrangement solely to help preserve the economic benefits provided to Ohio by the Middletown facility.
16. AK Steel respectfully submits that the information contained in this Application satisfies the requirements of R.C. 4905.31 and Ohio Adm. Code 4901:1-38-05. To the extent that the relief requested in this Application requires a waiver of any filing requirements of Ohio Adm. Code Chapter 4901:1-1-38, Applicant requests such a waiver.

REQUEST FOR EXPEDITED RULING

17. AK Steel requests that the Commission approve this Application on an expedited basis, i.e. within thirty (30) days.
18. Expedited consideration is critical because Duke has requested to eliminate the current interruptible rate program in which AK Steel participates effective May 31, 2018. If that program ends May 31, 2018 and the Commission has not yet approved this Application, then AK's Steel's current electric rates will significantly increase, jeopardizing its ability to compete both nationally and internationally. Further, this Arrangement is premised upon the assumption that AK Steel will be permitted to participate in PJM demand response programs and receive compensation for that participation beginning June 1, 2018. Indeed, AK Steel has already offered its demand response capability into PJM beginning June 1, 2018 in reliance on that assumption. Hence, a delay in the Commission consideration would be highly problematic for AK Steel.
19. Through the attached affidavit, Applicant submits that it has met its burden of proof to demonstrate that the proposed Arrangement is just and reasonable.

CONCLUSION

20. For the foregoing reasons, Applicant urges the Commission to find that the Arrangement described herein is just and reasonable and promptly act to approve this Arrangement on the terms and conditions described herein.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Michael L. Kurtz", is written over a horizontal line.

Michael L. Kurtz, Esq.

Jody Kyler Cohn, Esq.

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COUNSEL FOR AK STEEL CORPORATION

March 15, 2018

AFFIDAVIT

State of Ohio)
)
County of Butler) SS

I, Larry Schutte, being first duly sworn, verify that I have reviewed the foregoing Application and that the allegations contained in the Application are true and accurate to the best of my knowledge and belief.






Sworn to and subscribed before me, a Notary Public, this 15th day of March, 2018.



NATHAN J. SCOTT
Attorney at Law
Notary Public, State of Ohio
My Commission Has No Expiration
Date. Section 147.03 O.R.C.


Notary Public

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in

Case No(s). 18-0450-EL-AEC

Summary: Application AK Steel Corporation's Application for Expedited Approval of a Reasonable Arrangement electronically filed by Mr. Michael L. Kurtz on behalf of AK Steel Corporation