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Via E-file

May 23, 2018

Public Utilities Commission of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

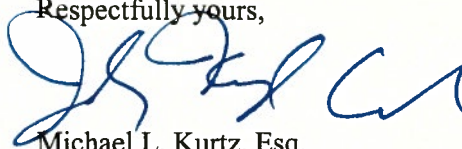
In re: Case No. 18-0450-EL-AEC

Dear Sir/Madam:

Please find attached the DIRECT TESTIMONY OF LARRY SCHUTTE ON BEHALF OF AK STEEL CORPORATION for filing 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: Certificate of Service

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application for Approval of)
an Economic Development Arrangement between) Case No. 18-0450-EL-AEC
AK Steel Corporation and Duke Energy Ohio, Inc.)

**DIRECT TESTIMONY
OF
LARRY SCHUTTE**

**ON BEHALF OF
AK STEEL CORPORATION**

May 23, 2018

I. QUALIFICATIONS AND SUMMARY

Q. Please state your name and business address.

A. My name is Larry Schutte. My business address is 9227 Centre Pointe Drive, West Chester Township, OH 45069.

Q. By whom are you employed and in what capacity?

A. I am Corporate Manager of Energy Optimization at AK Steel Corporation ("AK Steel").

Q. Please describe briefly your education and professional experience.

A. In 1980, I graduated from the University of Cincinnati with a Bachelor of Science Mechanical Engineering degree. I am a professional engineer in the State of Ohio and project management professional who has worked at AK Steel (and its predecessor company, Armco Steel) for over forty years.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of AK Steel, an electric customer within the Duke Energy Ohio, Inc. ("Duke" or "Company") service territory.

Q. What is the purpose of your testimony?

A. My testimony explains how the unique arrangement set forth in AK Steel's March 15, 2018 Application for Expedited Approval of a Reasonable Arrangement ("Application"), as modified by the Joint Stipulation and Recommendation filed in this proceeding on May 11, 2018 ("Stipulation"), satisfies the seven key factors used by Staff and the Commission when considering unique arrangements.

1 **Q. What are the seven key factors used by Staff and the Commission when considering**
2 **unique arrangements?**

3 **A.** The seven key factors are:

- 4 (1) whether the applicant's business is acutely energy-intensive or has a distinct energy profile;
5 (2) whether the applicant has made a commitment to investing in Ohio either in a new
6 investment or support of a new industry;
7 (3) whether the economic impact of the applicant's project on the region will be significant;
8 (4) whether the applicant has explored or taken advantage of other opportunities for operational
9 savings, such as a basic budgetary management, shopping for or self-generating electricity,
10 energy efficiency, and participation in utility or regional transmission organizations'
11 conservation or reliability programs;
12 (5) whether the charges paid to the utility cover all incremental costs of service and contribute
13 to the payment of fixed costs;
14 (6) whether the benefits to the community and the project outweigh the costs imposed on other
15 retail customers because of the reasonable arrangement; and
16 (7) whether the application is for a set term which will allow the project to continue afterward
17 without subsidies.¹

18
19 **Q. Is AK Steel's business acutely energy-intensive and does it have a distinct energy profile?**

20 **A:** Yes. AK Steel's Middletown facility is the largest single-site electric customer in Ohio. The
21 energy delivered to AK Steel is more than 6% of all of the energy delivered by Duke. The
22 facility has a distinct energy profile that allows the facility to interrupt its power use in order to
23 support firm service customers. AK Steel is also one of only two customers participating in
24 Duke's current large interruptible load program.

¹ In the Matter of the Joint Application for Approval of an Economic Development Arrangement Between Ohio Power Company and Acero Junction, Inc., Case No. 17-2132-EL-AEC , Opinion and Order (May 2, 2018) at 6-7.

1 **Q. Has AK Steel made a commitment to investing in Ohio as part of the unique**
2 **arrangement?**

3 **A:** Yes. In the Stipulation, AK Steel commits to \$105 million in new capital investment in Ohio
4 during the term of the unique arrangement.

5
6 **Q. Does AK Steel's Middletown facility have a significant economic impact in Ohio?**

7 **A:** Yes. That facility employs approximately 2,160 people, with an annual payroll of about \$144
8 million, plus \$67 million in fringe benefits. The facility spends approximately \$590 million
9 annually in purchases from Ohio vendors. In 2017, the total net annual economic impact of the
10 facility in Ohio was estimated to be approximately 8,075 jobs and \$529 million in labor income.
11 Of that, about 5,840 jobs and \$403 million in labor income was in Butler County. State and
12 local governments in Ohio also received at least \$43.6 million in tax revenues annually in 2016
13 and 2017 related to operations at the Middletown facility, of which about \$5.8 million was in
14 the form of local income and sales tax receipts in Butler County.

15
16 **Q. Has AK Steel explored or taken advantage of other opportunities for operational savings**
17 **such as a basic budgetary management, shopping for or self-generating electricity, energy**
18 **efficiency, and participation in utility or regional transmission organizations' conservation**
19 **or reliability programs?**

20 **A:** Yes. AK Steel actively manages its PJM peak load contribution at significant operational cost
21 to the facility and actively participates in PJM demand response programs in addition to
22 undertaking cost-effective energy efficiency projects.

23
24 **Q. Will the charges paid by AK Steel to Duke under the unique arrangement cover all**
25 **incremental costs of service and would AK Steel contribute to the payment of fixed costs?**

1 **A:** Yes. Duke Energy Ohio will incur no incremental costs of service or new investment in
2 transmission or distribution facilities as a result of the unique arrangement. AK Steel would
3 also contribute to the payment of fixed costs. The arrangement would not result in a negative
4 transmission and distribution bill for the facility. Nor would it provide AK Steel with a discount
5 on any transmission or distribution tariffs. Rather, any interruptible credit received by AK Steel
6 under the unique arrangement would be in exchange for its commitment to serve as an
7 interruptible resource on Duke's system.

8
9 **Q.** **Will the benefits to the community and the project outweigh the costs imposed on other**
10 **retail customers because of the unique arrangement?**

11 **A:** Yes. As discussed above, the total net annual economic impact of AK Steel's facility in Ohio
12 last year was estimated to be approximately 8,075 jobs and \$529 million in labor income. This
13 significant annual benefit vastly exceeds the \$25.8 million seven-year total cost of the unique
14 arrangement. Additionally, AK Steel is committing to \$105 million in new capital investment
15 in Ohio over the term of the unique arrangement. Further, AK Steel's ability to interrupt its
16 service in order to support firm service customers will provide energy efficiency and reliability
17 benefits to other customers.

18
19 **Q.** **Is the application for a set term?**

20 **A:** Yes. The unique arrangement will expire May 31, 2025. This is the same end date proposed
21 for Duke's currently pending ESP.

22
23 **Q.** **Does that complete your testimony?**

24 **A.** Yes.

CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to this case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on the 23rd day of May, 2018 to the following:



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

Summary: Testimony Direct Testimony of Larry Schutte on behalf of AK Steel Corporation
electronically filed by Mr. Michael L. Kurtz on behalf of AK Steel Corporation