March 22, 2024

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

RE: *In the Matter of the Application of North Star BlueScope Steel LLC for Approval of a Reasonable Arrangement*, Case No. 24-159-EL-AEC.

Dear Docketing:

Enclosed please find Staff's Review and Recommendations regarding the application filed by North Star BlueScope Steel LLC in Case No. 24-159-EL-AEC.

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STAFF REVIEW AND RECOMMENDATIONS

North Star BlueScope Steel LLC
Case No. 24-159-EL-AEC

Background

On March 1, 2024, North Star BlueScope Steel LLC ("North Star") filed an application (the "Application") for approval of a reasonable arrangement with the Toledo Edison Company pursuant to Ohio Revised Code 4905.31 and Ohio Adm. Code 4901:1-38-05.

According to the application, North Star is a mercantile customer in Toledo Edison's service territory and is "the largest single site electric user in Ohio," using as much electricity as 1.5 million residential customers. At its current plant (the "Existing Plant"), North Star produces hot rolled steel bands, which are used in the automotive, construction, agriculture, and other industries. North Star states that it directly employs 575 highly skilled employees in Delta, Fulton County, Ohio, with an average annual compensation of over $100,000.

North Star currently participates in Toledo Edison's Economic Load Response ("ELR") program, receiving credits for up to 156 MW of curtailable load.[1]

In 2019, North Star filed an application for a reasonable arrangement in Case No. 19-950-EL-AEC. At the time, North Star proposed to expand its facility to increase its production capacity (the "First Expansion"), and it made a firm commitment to create at least 75 jobs within one year of the First Expansion becoming operational. In that application, North Star requested approval for 130 MW of interruptible demand to participate in Toledo Edison's Economic Load Reduction ("ELR") program. North Star would have received a credit equal to 70% of the PJM Base Residual Auction market rate, up to a maximum of $28 million. Although North Star's request for ELR credits for the First Expansion remains pending, North Star completed the First Expansion with a total investment of $735 million and added 150 new direct jobs. *See* Application at 2.

[1] North Star participates in the ELR program with an interruptible load of 156 MW, but according to North Star, it can curtail as much as 273 MW (and has in fact done so). *See* Staff DR 1-3.

In the current Application, North Star proposes a two-phase reasonable arrangement as follows:

1. Phase I
   a. North Star is considering a $100 to $150 million expansion (the "Second Expansion") of its Existing Plant, which would increase annual production by 500,000 tons per year from 3.1 to 3.6 million. This expansion is expected to create 10 to 30 additional jobs.
   b. North Star would increase its curtailable load under the ELR program by 112 MW. These 112 MW of curtailable load would be subject to whatever terms and conditions are approved for Toledo Edison's ELR program during the term of the proposed reasonable arrangement.[2] This 112 MW would be in addition to the 156 MW that North Star currently has enrolled in FirstEnergy's ELR program.
   c. Phase I would begin "on the date that North Star files a verified letter at the Commission attesting that the Second Expansion is approved and will proceed" and would continue for ten years thereafter.
2. Phase II
   a. North Star's parent company, BlueScope, is considering building a new facility (the "New Facility"), which North Star says could be built in Ohio, Indiana, Michigan, or Tennessee. The estimated cost of the New Facility is $1.2 billion, and North Star states that it would create 215 to 275 new full-time direct jobs,[3] plus 370 indirect jobs and 400 construction jobs. The New Facility would be owned by BlueScope and would be separately metered from the Existing Plant. The New Facility would have an electric load of approximately 40 MW with 3 MW of firm service required.
   b. BlueScope would receive a rate credit for 37 MW of interruptible demand, which would be subject to whatever terms and conditions are approved for Toledo Edison's ELR program during the term of the proposed reasonable arrangement.
   c. Phase II would begin when commercial operations begin at the New Facility and would continue for ten years thereafter.

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[2] As of the date of this Staff letter, FirstEnergy's fifth electric security plan application is pending in Case No. 23-301-EL-SSO ("ESP V"), and the terms and conditions of the ELR program are under consideration as part of that case.

[3] Page 2 of the Application estimates 250-275 jobs, whereas the economic impact study attached to the Application estimates 215 jobs. In response to Staff DR 1-5, North Star clarified that an appropriate estimate for job creation would be a range of 215 to 275 jobs.

In both phases, Toledo Edison would be eligible to recover the cost of the interruptible credits through its Economic Development Rider or an equivalent recovery mechanism.[4] Further, North Star proposes that it "shall not be required to repay any credit received or accrued under this Arrangement except as authorized by the ELR tariff or in the case where North Star commits violations of law, fraud, or misrepresentation."

Staff Review and Recommendations

Staff reviewed the Application to evaluate whether the proposed reasonable arrangement terms adhere to the requirements of R.C. 4905.31 and Ohio Adm. Code Chapter 4901:1-38. Staff's review included an assessment of the application, data requests, independent research, and conversations with the applicant.

Staff supports the use of a reasonable arrangement to encourage economic development through the Second Expansion and New Facility. According to North Star, these two projects would together create between 225 and 305 new, full-time, permanent jobs, about 90% of which would be in Ohio.[5]

Further, Staff supports FirstEnergy's ELR program because it can provide reliability benefits when large energy users curtail their load during times when the grid is stressed. At the same time, it is important in the ELR program to balance the program benefits with the costs associated with this program. The ELR program currently has approximately 600 MW enrolled, and in ESP V, Staff supported an increase to the program of an additional 250 MW over six years. The proposed 149 MW of interruptible credits for North Star and BlueScope would be in addition, bringing total program enrollment to 1,000 MW.

At this time, it is not clear what the rate impact of the proposed reasonable arrangement would be under ESP V. The rate impact may also depend in part on the timing of the Second Expansion and New Facility.

[4] Toledo Edison's recovery of ELR costs is also pending review in the ESP V case.

[5] In response to Staff DR 1-5, North Star stated that 88.4% of North Star's existing full-time employees live in Ohio, so it projects that same percentage of new employees would be in Ohio.

To balance these competing factors and to ensure that the economic development benefits mirror the benefits to North Star and BlueScope under the reasonable arrangement, Staff recommends approval of the proposed reasonable arrangement, subject to the following conditions:

1. The number MW of additional interruptible credits available to North Star under Phase I should be as follows:
   a. 30 MW at the start of Phase I, which shall start on the date proposed by North Star: "the date that North Star files a verified letter at the Commission attesting that the Second Expansion is approved and will proceed."
   b. An additional 82 MW beginning on the date that North Star or BlueScope files a verified letter on the docket in this case attesting that (i) the New Facility is approved and will be built in Ohio, and (ii) the New Facility is expected to create at least 175 new, direct, full-time jobs in Ohio.
2. Staff recommends approval of a ten-year term for Phase I, provided that Toledo Edison's ELR program is not discontinued before the end of the 10-year term. If Toledo Edison's ELR program is discontinued before the end of the 10-year term, then Phase I would end at the same time.
3. Staff recommends approval of Phase II, as proposed in the Application, with two modifications. First, Staff recommends approval of the proposed ten-year term for Phase II, provided that Toledo Edison's ELR program is not discontinued before the end of the 10-year term. If Toledo Edison's ELR program is discontinued before the end of the 10-year term, then Phase II would end at the same time. Second, the credits received under Phase II shall be as set forth in the following paragraph.
4. In ESP V, Staff was comfortable gradually increasing the size of the ELR program from 600 MW to 850 MW over a period of six years. The proposed reasonable arrangement would increase the program by another 149 MW. To provide certainty, Staff recommends that ELR credits to North Star and BlueScope be approved at a level of $4/kW-month, regardless of the level of ELR credits ultimately approved by the Commission in ESP V. This credit amount would be the same for Phase I and Phase II and would continue for the duration of the reasonable arrangement.
5. Recovery by Toledo Edison of the costs of this reasonable arrangement should be split with 50% recovered through Rider EDR(e)-1 and 50% recovered through Rider EDR(e)-2.
6. In addition to any other information required under Ohio Adm. Code 4901:1-38-06, North Star and BlueScope's annual reports shall identify the number of direct, full-time jobs created in Ohio as a result of the Second Expansion and New Facility.
7. If either the Second Expansion or New Facility is approved and then subsequently canceled, materially modified, reduced in scope, or moved to another state, North Star or BlueScope shall promptly file a letter on the docket in this case describing the change, and Staff reserves the right to modify its recommendations in this case based on such change.
8. Staff reserves the right, at its sole discretion and for any reason that Staff deems appropriate, to recommend a change, alteration, or modification of this reasonable

arrangement under R.C. 4905.31(E) at any time. This includes, but is not limited to, if the New Facility does not create at least 175 new, direct, full-time, skilled jobs in Ohio.

Conclusion

The Second Expansion and New Facility have the potential to provide important economic development benefits for Ohio. Staff supports the proposed reasonable arrangement, as modified above.