



June 14, 2013

The Honorable Keith Faber
President of the Ohio Senate
1 Capitol Square, 2nd Floor
Columbus, Ohio 43215

RE: Ohio Steel Council Opposes Natural Gas Remediation Budget Amendment

Dear President Faber:

We are writing on behalf of Ohio's steel industry manufacturers in opposition to the natural gas remediation amendment included in Substitute House Bill 59.

It is our understanding the purpose of this amendment is to allow for cost recovery from utility customers for the cleanup of natural gas manufacturing facilities most of which were built and utilized in the 1800's and have not been operational for many decades. It is important to note the amendment language is not restrictive to this application rather it will allow recovery for "environmental remediation" in general.

Passage of this amendment will eliminate a fundamental, longstanding (over 100 years) standard applied to the ratemaking process to determine what utility expenditures can be recovered from customers. Under this amendment, a portion of the "used and useful" provision is removed from Section 4909.15(A)(1) and also removed from consideration is "cost causality" from Section 4909.15(A)(4). The first principle is that utilities may not recover funds for assets unless they are both "used and useful," with emphasis on the present tense. While the second principle, "cost causality," means that no ratepayer should be made to pay for costs that he or she did not cause or for a benefit that he or she did not enjoy. Reversing these policies and creating this precedent will create significant financial exposure for Ohio's steel manufacturers.

According to a 1985 Report by the Radian Corporation for the U.S. EPA, there are at least 90 sites in Ohio that manufactured gas and byproducts. While not all 90 plants are owned by gas utilities or gas companies, we are aware of efforts by the electricity utilities to be included as well. If made law, the proposed amendment would allow the companies who profited from these sites during their operation, and who will continue to hold the value of the recovered property, to impose upon present customers potentially billions in costs which will provide them no benefit. As an example two such sites owned by Duke Energy have remediation costs of \$63 million based on their filings before the PUCO. Extrapolating the Duke Energy example would indicate that the total cost could likely exceed \$2.8 billion.

We also understand the methodologies under consideration for the allocation of these costs include mechanisms that would assign these costs volumetrically on a per unit basis. This type of application would severely penalize Ohio's energy intensive businesses. This is not consistent with Ohio's goals as it would impose new costs upon the state's large, energy-intensive consumers just as we are beginning to provide the growth and jobs Ohio needs.

We welcome the opportunity to discuss this important issue with you further and to address any questions you may have.

Thank you for your consideration.

Sincerely,



Brenda Schulz
Nucor Steel Marion, Inc.
Chair, Ohio Steel Council



Robert Lapp
The Timken Company
Chair, Ohio Steel Council Government Affairs
Committee