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STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

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REGULATORY COMMISSION

PETITION OF AK STEEL CORPORATION FOR
APPROVAL TO PARTICIPATE IN PJM LOAD RESPONSE
PROGRAMS

)
) CAUSE NO. 43503
)
)

PETITION OF AK STEEL CORPORATION
FOR APPROVAL OF THE EXTENSION OF THE TERM TO
PARTICIPATE IN PJM LOAD RESPONSE PROGRAMS

AK Steel Corporation ("AK Steel") hereby petitions the Indiana Utility Regulatory Commission ("Commission" or "IURC") to extend the term of its current approval of AK Steel's participation in the Load Response Programs ("LRP") of PJM for five more years. In support of its request, AK Steel states as follows.

1. On September 3, 2008, the Commission issued its *Order* in this proceeding, in which it approved AK Steel's participation in PJM's load response program for a period of three years.
2. The initial three-year term ends on September 8, 2011.
3. The underlying facts on which the Commission approved its 2008 Order have not changed (see the attached *Memorandum of Support*).
4. AK Steel has complied in all respects with the requirements of the September 3, 2008 *Order*.
5. Subsequent to the issuance of the above-referenced *Order*, the Commission found in Cause 43566 that Indiana end-users should not directly participate in demand response programs offered

by Regional Transmission Operators (“RTO”), and directed respondent utilities that are members of PJM and MISO to file tariffs or riders authorizing participation in their respective RTO’s demand response programs.

5. The IURC also noted in its *Order* in Cause 43566 that until a load serving entity (“LSE”) had its tariff approved, the Commission would act on a retail customer’s request to participate in a demand response program by filing a petition requesting such relief.

6. Because Petitioner’s LSE¹ has not filed a tariff or rider authorizing its retail customers to participate in PJM’s response load program, AK Steel’s request is not in contravention of the Commission’s directive in Cause 43566.

7. As more fully described in the attached *Memorandum of Support*, Petitioner believes it is in the best interests of all stakeholders that its petition be approved.

8. All of the members of the Joint Operating Group have given approval to extend the period of AK Steel’s participation in PJM’s load response program, and will be filing a statement in support of this petition.

9. In its initial *Order*, the IURC imposed the following four conditions on Petitioner, which AK Steel has complied with, and which it believes should continue to be required.

- a. Petitioner must file quarterly reports containing certain data relating to curtailments, if any.
- b. It must notify the Commission and the OUCC of any changes in PJM’s LRP approved by the Federal Energy Regulatory Commission.
- c. Curtailments under any Commission-approved retail contract would take precedence over any curtailment under PJM’s LRP.

¹ The Joint Operating Group is the load serving entity, and is comprised of Southern Indiana Rural Electric Co-ops (“SIREC”), Hoosier Energy Rural Electric Co-op, Inc. (“Hoosier”), and Vectren (formerly Southern Indiana Electric Gas & Electric Co.).

- d. AK Steel could not get credit for the same curtailment under both a retail contract and a PJM LRP.

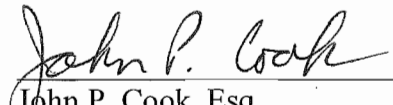
WHEREFORE, AK Steel respectfully requests the IURC approve Petitioner's continued participation in the load response program offered by PJM for five more years.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing was served via hand delivery or by regular U.S. mail, postage prepaid, this 18th day of August, 2011.


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MEMORANDUM IN SUPPORT

On May 28, 2008, AK Steel filed a Petition for Approval to Participate in PJM's Load Response Programs with the IURC. The Indiana Industrial Group, ("Industrial Group"), the Indiana Office of Utility Consumer Counselor ("OUCC") and the Joint Operating Group ("JOG"), a joint service group composed of SIGECO and SIREC intervened and participated at an evidentiary hearing held on August 11, 2008.

Stephen R. Etsler, Manager of Purchasing - Electric, Gas and Water for AK Steel, testified on behalf of AK Steel's request. He outlined the unique operating characteristics of AK Steel's sole facility in Indiana. He testified that AK Steel operates a steel finishing facility near Rockport, Indiana, and uses large quantities of electricity. He further testified the facility is located in the service territories of Southern Indiana Rural Electric Co-ops ("SIREC") and Hoosier Energy Rural Electric Co-op, Inc. ("Hoosier"), and Vectren (formerly Southern Indiana Electric Gas & Electric Co.). He explained that the three entities formed the Joint Operating Group ("JOG"), and because it does not have the facilities to serve the Rockport plant, AK Steel arranges for the supply of electricity from outside sources.

Mr. Etsler further testified to the economic benefits to AK Steel's Rockport Works of participating in PJM's LRP, especially the economic benefit of providing more pricing options for the delivery of electric service. Mr. Etsler also testified that no costs would be incurred by any Indiana retail customer of JOG as Petitioner is JOG's only retail customer; that Petitioner purchases its electricity on the wholesale market; and that there are already agreements in place in which Petitioner is obligated to indemnify and hold harmless the transmission provider. Mr. Etsler testified that AK Steel paid for the facilities necessary to receive transmission service, and does not utilize the distribution or generation services of the JOG. Mr. Etsler further testified that although PJM has enrolled AK Steel in its "emergency" LRP, PJM was withholding any earned payments to Petitioner, and was depositing them

into an escrow account, pending a decision by the Commission.

April M. Paronish, a Utility Analyst for the OUCC, testified in support of Petitioner's request, subject to a three-year trial period and the imposition of two reporting requirements and one curtailment provision that are similar to the conditions approved in Cause Nos. 43138 and 43300. According to Ms. Paronish, Petitioner's participation in PJM's LRP may benefit both the public and Petitioner. Ms. Paronish's testimony opines that such benefits may be provided: 1) by Petitioner being in a position to better manage its energy costs, 2) from a reduction of higher cost generation being dispatched to serve other Indiana ratepayers, and 3) by being able to use Petitioner's experience "*to shape future demand response activity in Indiana. ...*"

Ms. Paronish further testified that Commission approval should be tied to the Petitioner filing with the Commission and the OUCC data on each load curtailment incurred as part of the LRP program, including the date and time of each curtailment, the kWh reduction, any charge assessed, and the receipt and amount of any capacity and energy payments. This data would be provided on a quarterly basis as is practical, and if no curtailments occurred within a twelve month period, Petitioner would file a report covering the twelve-month time frame, and include any applicable data previously mentioned, "*such as the demand levels registered in the LRP and capacity revenues.*" Ms. Paronish also testified that the Commission should find that Petitioner's filings be considered confidential and treated as such pursuant to the provisions of 170 IAC 1-1.1-4.

The other reporting condition suggested by Ms. Paronish is that Petitioner would be required to notify the Commission and the OUCC of any changes to PJM's LRP approved by FERC during the three-year trial period. Any FERC approved changes would apply to AK Steel unless the Commission initiated its own review of the effect of such changes, or an interested party petitioned the Commission for a review to consider those changes.

Based upon the evidence and testimony, the absence of any opposition and the active support of others, the Commission found that AK Steel's participation in PJM's load response program met the requirements of Indiana Code §8-1-2-24 and that the public would benefit from AK Steel's participation in PJM's LRP. It found that such benefits may include AK Steel's being able to better position itself in controlling energy costs, reducing the dispatch of high cost generation serving other Indiana ratepayers, and gaining experience that may shape future demand response activity within the state. Moreover, the Commission noted that the cost of AK Steel's participation would not be borne by other Indiana ratepayers, the transmission provider or the JOG.

Therefore, the Commission granted its approval of an initial three-year term, subject to Commission approval of the extension. The Commission attached four conditions to its approval:

1. AK Steel must file quarterly reports containing certain data relating to curtailments, if any.
2. It must notify the Commission and the OUCC of any changes in PJM's LRP approved by the Federal Energy Regulatory Commission.
3. Curtailments under any Commission-approved retail contract would take precedence over any curtailment under PJM's LRP.
4. AK Steel could not get credit for the same curtailment under both a retail contract and a PJM LRP.

AK Steel is herewith requesting a 5-year extension of the PJM program. AK Steel represents that it has faithfully complied with all the conditions imposed by the Commission in the initial grant and that the benefits foreseen in the initial order have been realized. AK Steel's Rockport Works is a busy, productive facility employing a large workforce at family-sustaining wages. Its electric costs have been mitigated by its participation in PJM's LRP while at the same time the emergency standby provisions have reinforced the reliability of electric service in Indiana and within the PJM footprint.

Accordingly, AK Steel requests the Commission order an additional five year extension of the term of its approval under the same conditions as the initial term.

WHEREFORE, AK Steel respectfully requests that the IURC grant AK Steel's Request for Approval of an Extension of the Term to Participate in PJM Load Response Programs.

Respectfully submitted,

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