

Gov Criticized Over Layoffs At Ohio Aluminum Plant

Julie Carr Smyth, AP Statehouse Correspondent

COLUMBUS, Ohio (AP) -- What was once the largest private employer in its region is now Ohio's largest industrial layoff of the year.

Republican Gov. John Kasich is facing criticism over the indefinite shuttering of Ormet Corp., an aluminum smelting giant along the Ohio River and the onetime largest customer of American Electric Power. About 1,000 workers — mostly unionized steelworkers — are out of work.

State utility regulators this month rejected key portions of Ormet's proposal for dealing with hefty electric costs through accelerated power discounts from AEP and eventual on-site power production using natural gas.

Within days of the Oct. 2 decision by the Public Utilities Commission of Ohio, Ormet announced it was curtailing operations of its 272,000-ton-a-year smelter in Hannibal, along the West Virginia border south of Wheeling.

Ormet CEO Mike Tanchuk, the United Steelworkers and their allies fault Kasich — who names jobs as his highest priority — for not intervening passionately enough on the company's behalf in Ormet's case before the PUCO.

Kasich's defenders say Ormet was doomed by huge power requirements and the economic realities of the aluminum industry, not by the governor or regulators. They also question why West Virginia — home to Ormet's former headquarters and about half the laid off workers — shouldn't share political responsibility for the job losses.

The closure is a heavy blow to an economically struggling region and a county where state figures show almost a third of workers had been employed in manufacturing. In addition to 901 indefinite layoffs reported, a 2011 analysis estimated Ormet supports 2,100 additional jobs in the region with wages totaling \$238 million.

Ormet filed for bankruptcy protection Feb. 25, citing historically low metal prices and "exceedingly high and uncontrollable power costs." At that time, the company had already been granted power discounts worth some \$346 million.

"The PUCO has got to deal with the facts and realities that are in front of them about what the customers, the ratepayers, have already paid," said Dave Celona, an energy industry consultant who oversaw utility issues under Gov. Bob Taft.

The 5-member commission's rotating five-year terms and bipartisan makeup are

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designed to insulate it from gubernatorial influence. Yet expiring terms and resignations have allowed Kasich to appoint four new commissioners, including a chairman, since taking office in 2011.

Commission spokeswoman Holly Karg said independent boards carefully vetted nominees and Kasich has no sway over panel decisions. An appointee of Kasich's Democratic predecessor was among the most vocal critics in rejecting parts of Ormet's latest deal.

Karg said the panel's current chairman "very closely guards the independence of the commission."

Ormet, which at peak operations was AEP's largest Ohio and U.S. customer, sought commission help with rates it called exorbitant. According to PUCO filings, the industrial electricity rate Ormet was charged by AEP rose 53 percent from 2009 to this September, even as wholesale power costs in the region fell 10 percent.

"Governor Kasich has been an outspoken proponent of a market-based approach, but AEP's intransigent and short-sighted behavior has made sustainable operations at Ormet impossible," the United Steelworkers' Dave McCall said in a statement.

Former PUCO Chairman Alan Schriber, who helped negotiate Ormet power discounts in 2006, said the commission's latest decision saves average AEP customers the \$2 to \$3 a month they were paying to offset Ormet discounts — but they will now have to bear the costs of AEP losing its biggest customer.

"There are going to be costs involved with shutting it down, just as there would be with giving them a big discount," Schriber said. "I think that gets lost in this. People are going to pay one way or the other."

The utility may petition Ohio regulators to recover what are called "stranded costs" associated with abandoning the infrastructure built to serve Ormet — costs that would again pass through to customers.

But AEP spokeswoman Terri Flora said Ormet's requested power discounts had exceeded its payroll for a year and simply weren't sustainable.

"Even if we had given them free electricity from January to now, they would not have been able to continue to make operations profitable," she said.

State Sen. Lou Gentile, a Democrat who represents the region, said eastern Ohio is sometimes treated like "we're not a part of the state."

He said Ohio's government, not West Virginia's, was responsible for defending Ormet jobs — and now must pay the bulk of unemployment, Medicaid and other costs created by the layoffs.

"The effect of this is devastating," he said. "It's going to be well beyond what the ratepayers would have had to subsidize in the short term by helping this company."

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Kasich spokesman Rob Nichols said Ohioans long supported Ormet's economic success through deep power discounts — "but the state of the aluminum market means that not even that huge subsidy has been enough."

He said Ohio is helping workers through its job placement and retraining programs.

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