

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764

Via Overnight Mail

July 13, 2011

RECEIVED

JUL 14 2011

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2011-00036

Dear Mr. Derouen:

Please find enclosed the original and ten (10) copies each of: 1) PUBLIC VERSION OF THE SUPPLEMENTAL RESPONSE OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. TO BIG RIVERS ELECTRIC CORPORATION's FIRST DATA REQUEST NO. BREC-1; and 2) PETITION FOR CONFIDENTIAL TREATMENT OF INFORMATION and attached CONFIDENTIALITY AGREEMENT filed in the above-referenced docket.

By copy of this letter, all parties listed on the Certificate of Service have been served. I also enclose a copy of the CONFIDENTIAL ATTACHMENT to be filed under seal.

Please place these documents of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

BOEHM, KURTZ & LOWRY

MLKkew

Attachment

cc: Certificate of Service
David C. Brown, Esq.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by electronic mail (when available) or by mailing a true and correct copy by overnight mail, unless other noted, this 13th day of July, 2011 to the following



Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.

Mark A Bailey
President CEO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

Sanford Novick
President and CEO
Kenergy Corp.
P. O. Box 18
Henderson, KY 42419

Douglas L Beresford
Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004

Melissa D Yates
Attorney
Denton & Keuler, LLP
555 Jefferson Street
P. O. Box 929
Paducah, KY 42002-0929

J. Christopher Hopgood
Dorsey, King, Gray, Norment & Hopgood
318 Second Street
Henderson, KY 42420

Albert Yockey
Vice President Government Relations
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

Mr. Dennis Howard
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY 40601

Honorable James M Miller
Attorney at Law
Sullivan, Mountjoy, Stainback & Miller, PSC
100 St. Ann Street
P.O. Box 727
Owensboro, KY 42302-0727

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC)
CORPORATION FOR A GENERAL) CASE NO. 2011-00036
ADJUSTMENT IN RATES)

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS SUPPLEMENTAL RESPONSE TO
BIG RIVERS ELECTRIC CORPORATION
FIRST DATA REQUEST
PSC CASE NO. 2011-00036
July 13, 2011

PUBLIC VERSION

Request BREC-1

Please provide an electronic copy - with searchable electronic formats and all formulas intact - of all exchanges of information among Dr. Morey, Dr. Coomes, Mr. King, Smelters, any person representing a Smelter, the Smelters' respective Corporate parents, and/or Mr. Strong. This includes, but is not limited to, e-mails, letters, charts, graphs, tables, reports, *etc.*

SUPPLEMENTAL RESPONSE

See attached. The "*Power Cost Reduction Strategies*" is CONFIDENTIAL and filed under seal.

Witness: Counsel

From: Schneider, Pam (RTA)
Sent: Tuesday, January 11, 2011 9:22 AM
To: 'John Cooper'; 'russ.woodward@gmail.com'; 'Scott Douglas'
Cc: Jenkins, Jeremy (RTA); eyre, allan; Barkley, Kenny (RTA)
Subject: Documents for Today's Call

Please find attached documents we can discuss on today's call. We have used the Power Cost Reduction Strategy for internal communication only so far. The Stakeholder presentation is the one we plan to show Kenergy Board this week and need to expand it for Sec. Hayes next week.

Pam

Pam Schneider
HR Manager

Rio Tinto Alcan
9404 State Route 2096, Robards, KY, USA, 42452
T: (270) 521 7317 M: (270) 860 5320 F: (270) 521 7320
pam.schneider@riotinto.com

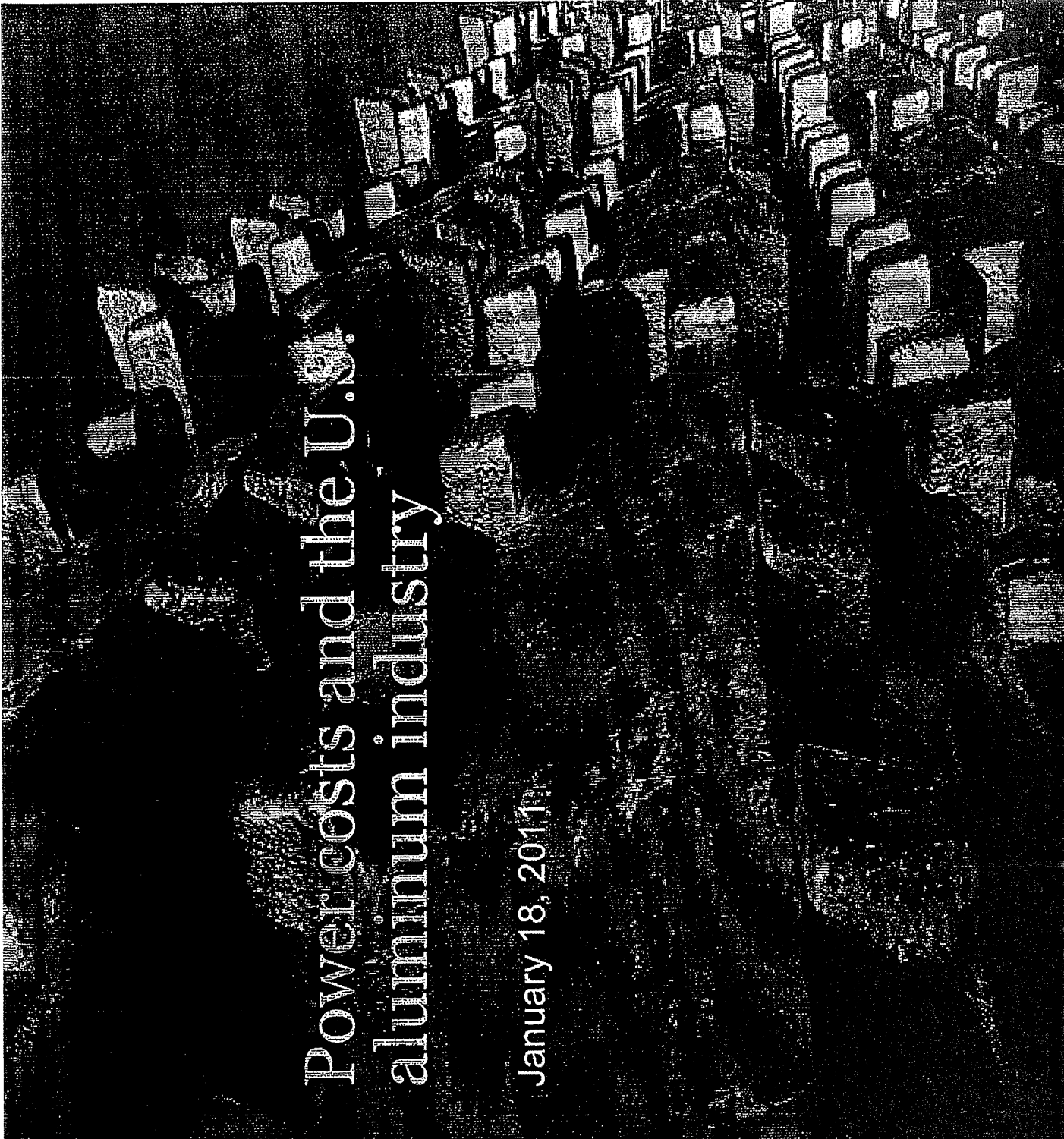
Avis:

Ce message et toute pièce jointe sont la propriété de Rio Tinto et sont destinés seulement aux personnes ou à l'entité à qui le message est adressé. Si vous avez reçu ce message par erreur, veuillez le détruire et en aviser l'expéditeur par courriel. Si vous n'êtes pas le destinataire du message, vous n'êtes pas autorisé à utiliser, à copier ou à divulguer le contenu du message ou ses pièces jointes en tout ou en partie.

Notice:

This message and any attachments are the property of Rio Tinto and are intended solely for the named recipients or entity to whom this message is addressed. If you have received this message in error please inform the sender via e-mail and destroy the message. If you are not the intended recipient you are not allowed to use, copy or disclose the contents or attachments in whole or in part.

7/8/2011



Power costs and the U.S.
aluminum industry

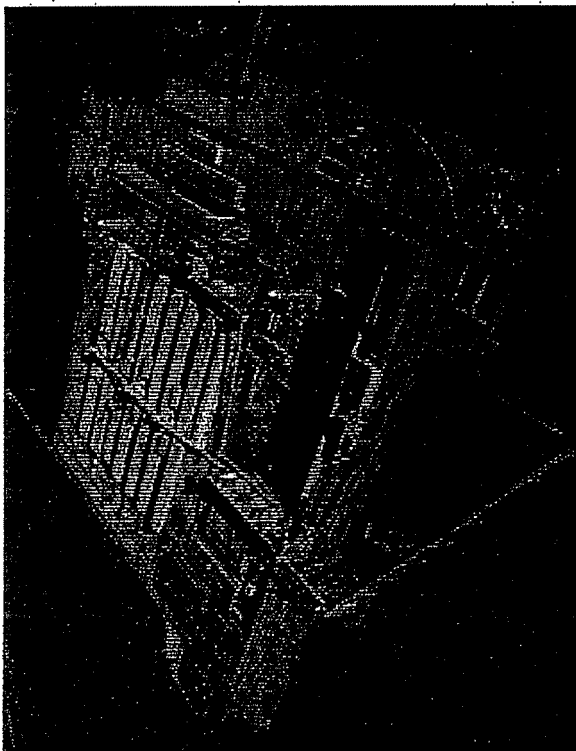
January 18, 2011

Rio Tinto Alcan

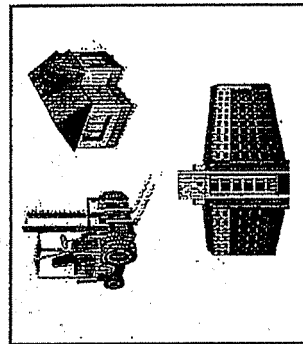
Structure of BREC sales

Smelters represent 70% of Big Rivers load

Smelters
7300 GWh / 850MW



Members
3500 GWh / 350MW



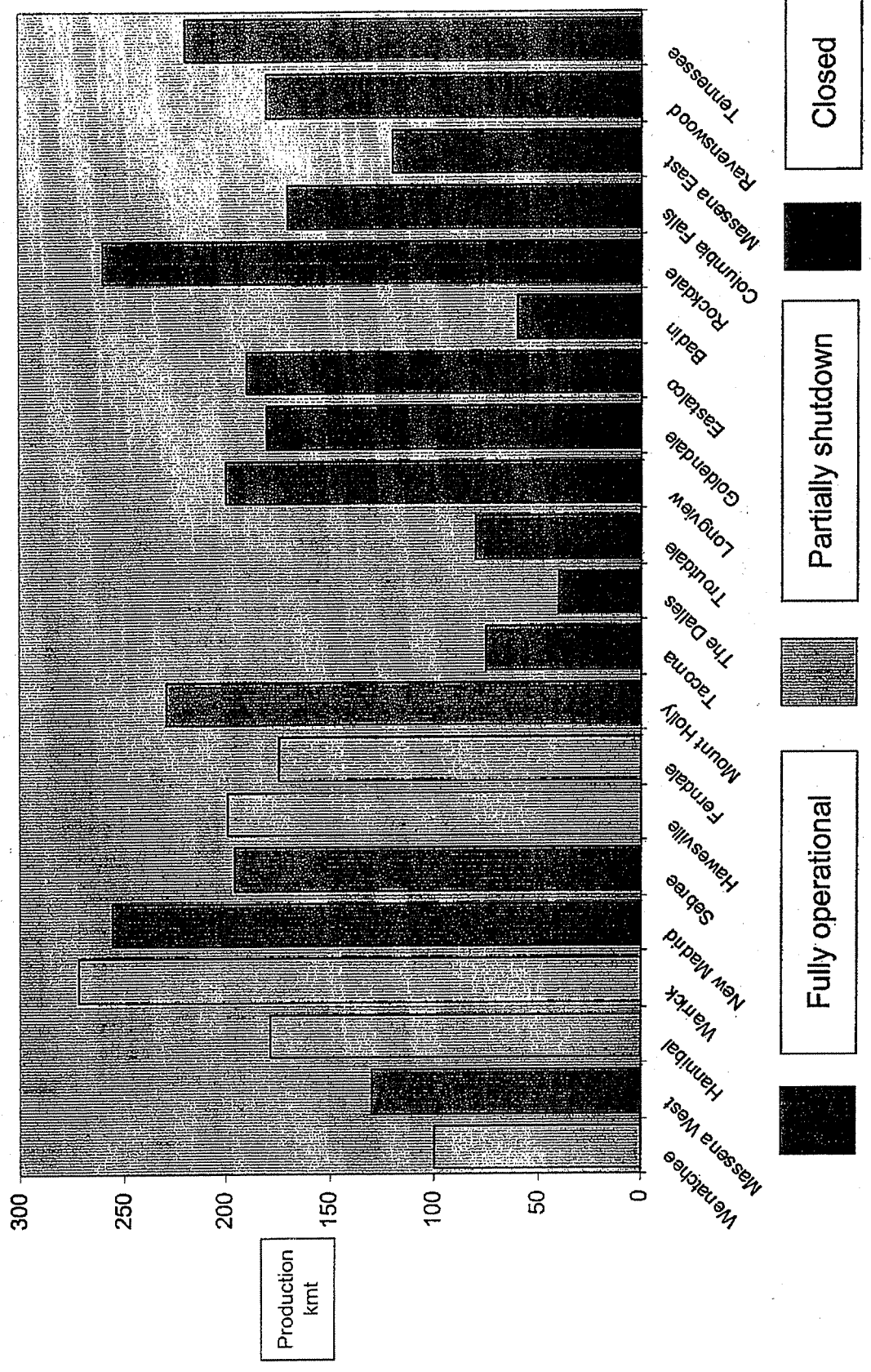
Market
1200 GWh



U.S. aluminum industry overview

Rio Tinto Alcan

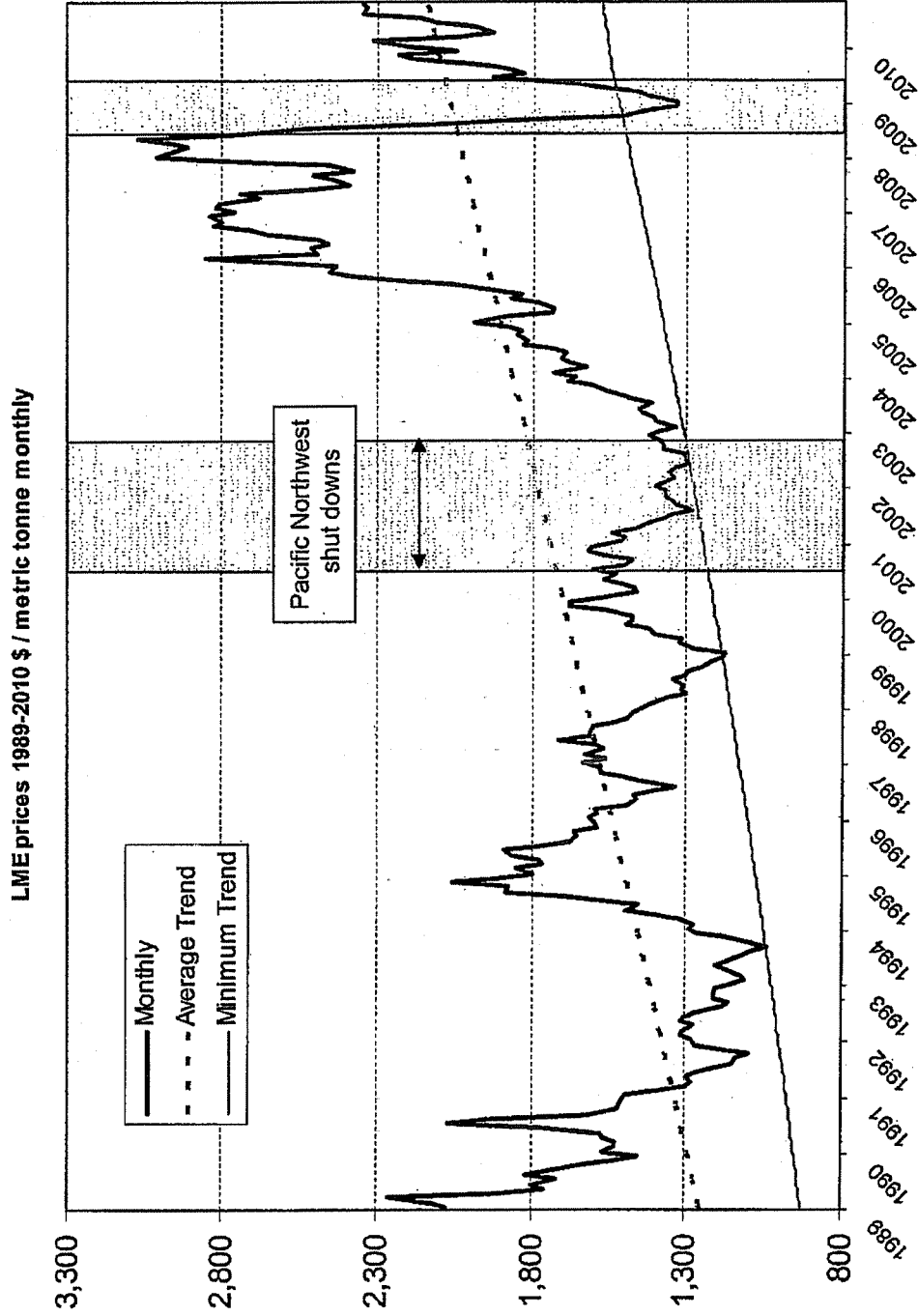
Four facilities currently operational at 100%, five facilities curtailed. At least 12 shut down in last 10 years, mainly in 2000-03 and 2008-09.



Aluminum prices since 1989

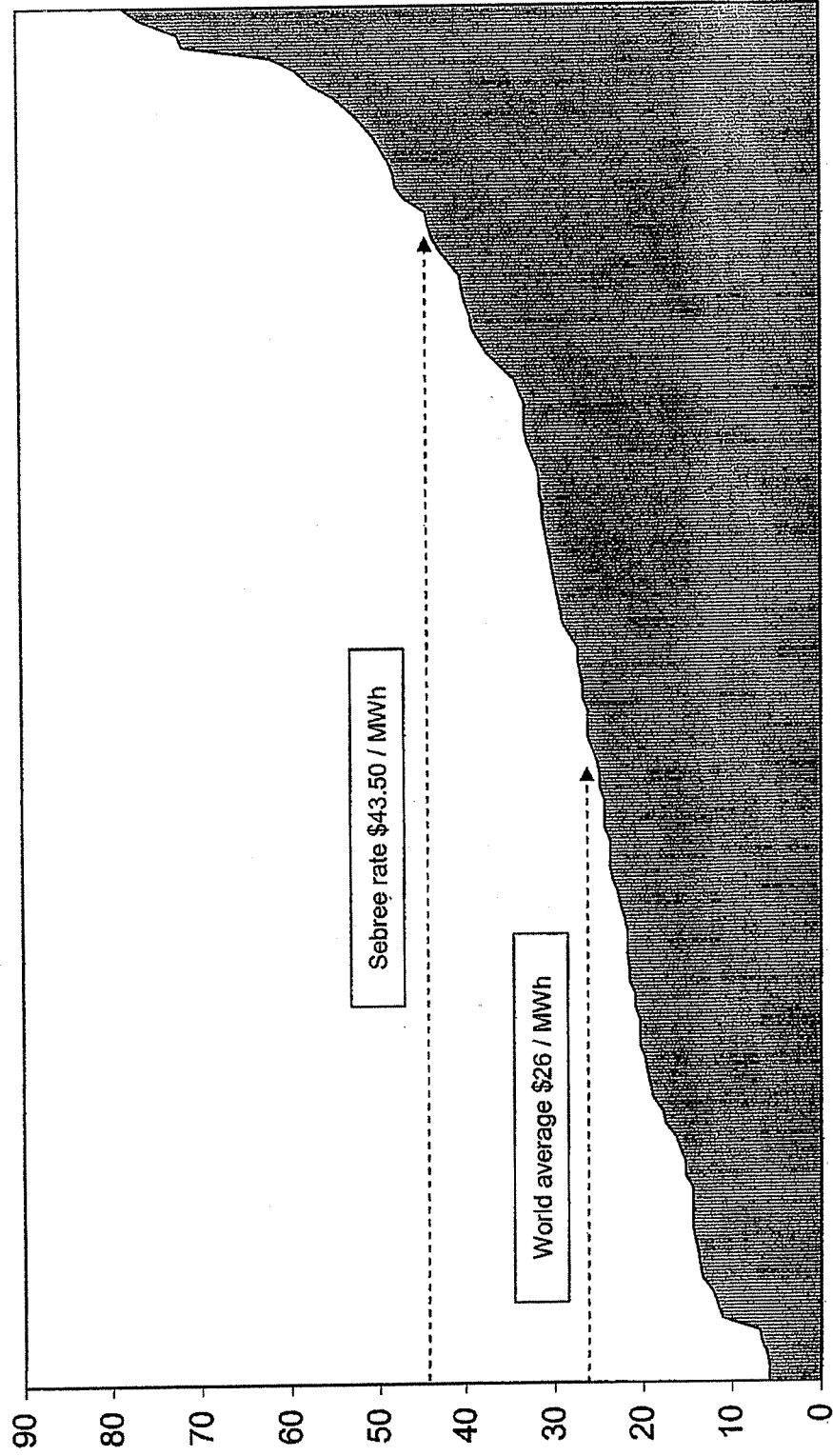
Rio Tinto Alcan

The market for aluminum is highly cyclical.



Worldwide smelter power costs 2010 US\$/MWh

Smelter power cost is \$43.50/MWh compared to global average of \$26

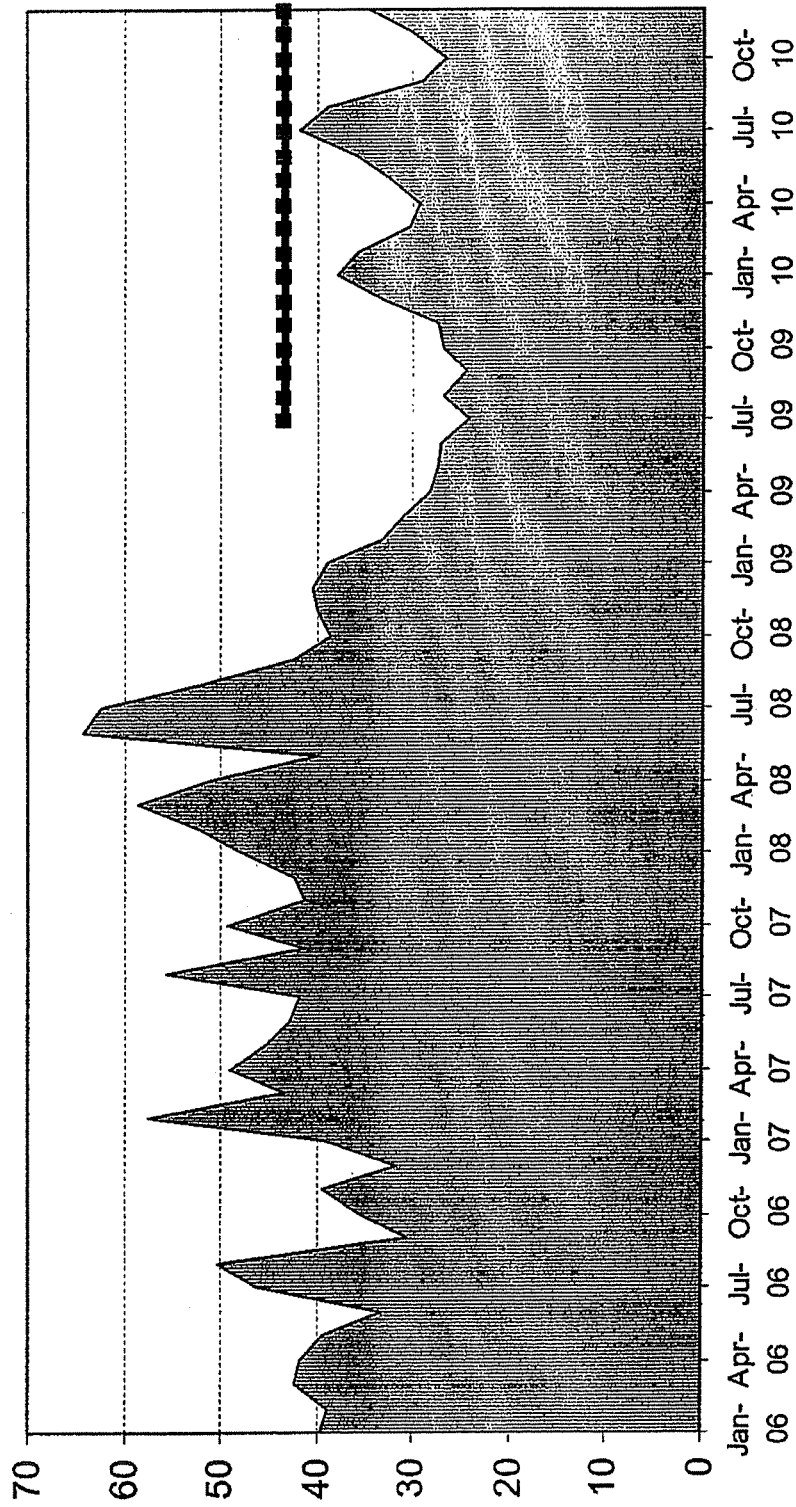


Source: CRU. Excludes China.

Comparison to market price

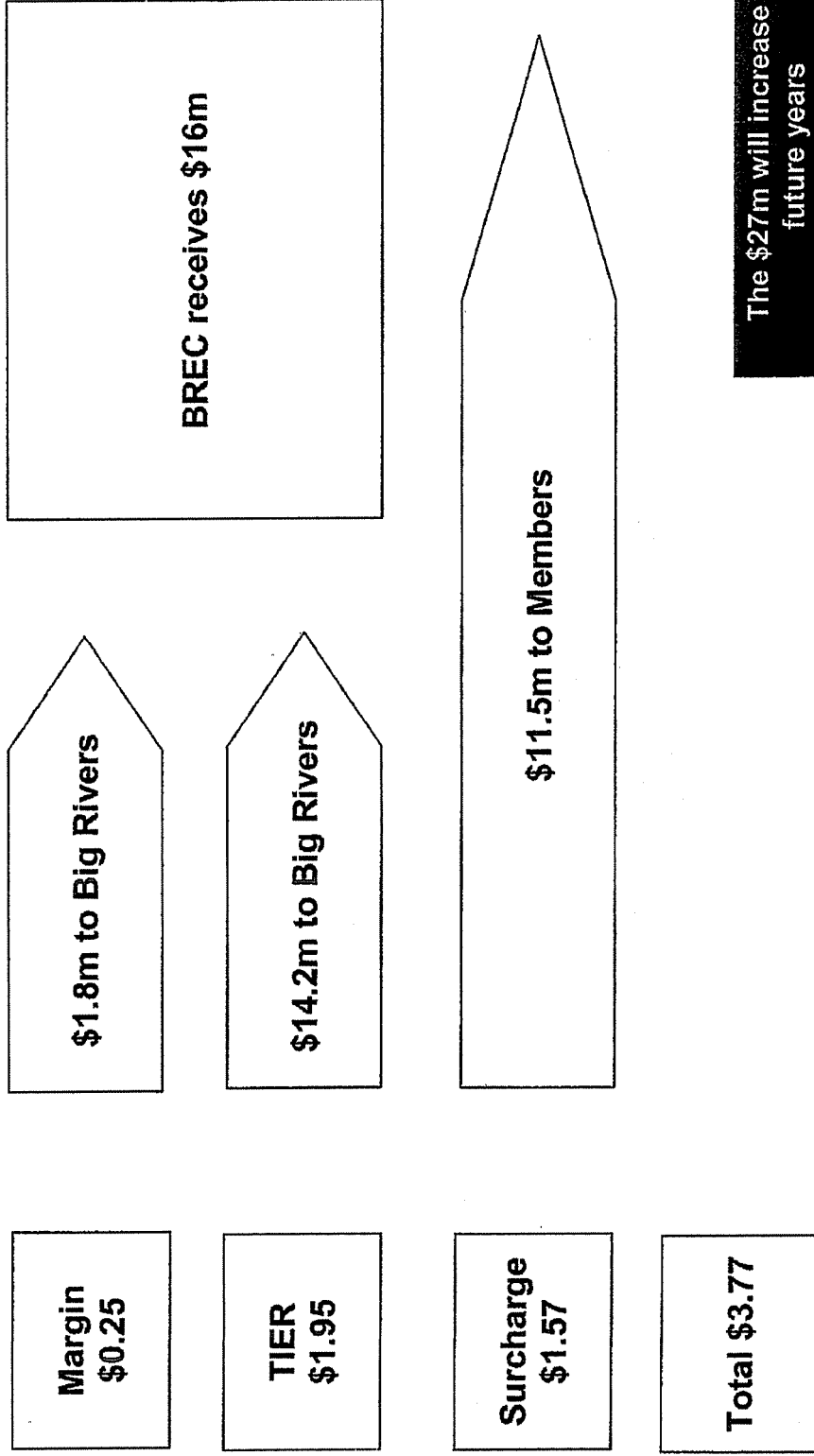
Smelter contract price compared to MISO Cinergy-Gibson hub

Smelter contract price 2009-10 vs. Cin-Hub in \$/MWh



Smelter support to Big Rivers

Additional \$27m support from Smelter to Big Rivers + Members.
This equates to \$7.50/MWh if spread over the Member load.



Advantages to BREC and members of smelter business

Smelter baseload reduces operating and financial risk to Big Rivers

- Near-constant 7*24 baseload suitable for coal-fired power.
- Allows a larger generation network to be maintained than would otherwise be the case (increased flexibility and stability with reduced uncertainty).
- Direct pass-through of non-fuel purchased power cost
- Smelter loads can protect against system blackout in extreme conditions (such as 2009 ice storm).
- Contract price is more stable than the power market
- Aids Big Rivers borrowing ability (Big Rivers must borrow from the commercial market, not RUS)

Conclusion

Rio Tinto Alcan

The success of the Smelters is essential for the financial health and survival of Big Rivers and financial stability of the Members.

- Rio Tinto Alcan smelter at Sebree is a significant contributor to the operational and financial stability of Big Rivers
- Absence of the smelters would result in a major rate increase to the Members
 - Smelters support to Big Rivers of \$27m annually reduces Member rates by \$7.50 / MWh
- The smelter competes in a global marketplace which is highly cyclical
- Much of the U.S. aluminum industry has closed since the year 2000, due to high power costs
 - most of those still operating have self-generated power or have special contracts or other regulatory treatments that keep costs low or track the LME.
- Sebree has reduced its own cost base by \$30m (excluding power) since 2008.
- The coming years will be a significant challenge for the Sebree smelter to remain competitive and avoid closure.

Elevator Speech:

The Rio Tinto Alcan Sebree plant is fast approaching a crossroad that will determine its existence in Kentucky. Over the next few years, the plant's power costs will increase by approximately \$35 million a year putting at risk the smelter's future.

There are two paths we can take to overcome this problem: 1) Follow the same path as the Pacific Northwest where nearly all of the aluminum smelters were shut down in order to redistribute power. 2) Sebree will work with the community and state to increase the plant's ability to survive and strengthen the community.

It is also timely to recognize that the current cost of electricity for the Sebree smelter is one of the highest in the US (and certainly in the world). Most of the smelters still operating in the US either have self-supply or have special contracts or other regulatory treatments that keep costs low and/or track the LME. All of these incentives are designed to attract and retain energy intensive large industries. With electricity costs at the high end of the curve, therefore, our smelter is at greater risk of failure in the event of the next downturn, which we know is inevitable. Forward thinking at this stage is critical. Once the power price and aluminum market together move adversely, it is often too late for anyone to take corrective action.

A community without one of its anchor industries will result in not only a loss of jobs, but the indirect affects will be substantial as well. The risk is not limited to the smelters – it impacts other customers, the State and Big Rivers itself. A shutdown of the smelters would result in a substantial long-term increase for remaining customers. Did you realize that if the smelter were to close – and in order for Big Rivers to maintain their current operations – the cost to all other ratepayers will increase 15-20 percent? That means if a family pays \$2,000 a year for utilities will be out of pocket by an additional \$300-\$400.

A shutdown of the smelters would have devastating effects on the economy of western Kentucky. A shutdown of the smelters could ultimately jeopardize Big Rivers' survival.

You should know that Sebree has not remained idle in its quest to be efficient and to prosper – we have worked very hard over the years to reduce our operating costs. Today, Sebree is one of the most efficient smelters in the WORLD, excluding power costs.

However, with electricity rates scheduled to increase exponentially for Sebree, we face a challenging financial liability that will put us at a competitive disadvantage when compared to other existing aluminum smelters in North America and globally. To survive long term, Sebree's costs must remain in line with the industry average. Recent history demonstrates that during the last wave of smelter closures (2009), many closed indefinitely because they were not in line with average power costs.

To avoid the same pitfall, Sebree will partner with the local and state leaders to strengthen Kentucky. If the community decides it wants Sebree to be here, we can develop an agreeable plan that will increase the probability of our survival, plus we will

do substantially more with the community for the long term financial health and stability of the area.

But our recognition of the problems and willingness to take action now can decrease probability that Sebree would have to close. Management has created two projects that it believes will increase the plant's viability and, at the same time, bring more wealth to the area. But it will take a collaborative approach, otherwise, it can't be done. We won't share this in January Phase yet except Sec. Hayes, selected others.

Kim Walton

From: Powell, Matt [mpowell@Centuryky.com]
Sent: Monday, April 18, 2011 11:18 AM
To: 'Paul A Coomes'
Cc: Hale, Wayne
Subject: RE: Plant Visit

I will be taking you on the tour. Please call my mobile when you arrive and I will come and get you.

Thanks

Matt

Matt Powell
Vice President
Century Aluminum - Hawesville and Ravenswood Operations
e-mail: mpowell@centuryky.com
mobile: +1 270 222 0267
office: +1 270 852 2815

This email and any files transmitted with it may contain privileged or confidential information. Use, disclosure, copying or distribution of this message by anyone other than the intended recipient is strictly prohibited. If you have received this email in error please notify the sender by reply email and destroy all copies of this message in your possession, custody or control.

From: Paul A Coomes [mailto:paul.coomes@louisville.edu]
Sent: Monday, April 18, 2011 10:05 AM
To: Powell, Matt
Subject: RE: Plant Visit

OK, thanks. I will plan to be there before 10 CST unless you wave me off.

>>> "Powell, Matt" <mpowell@Centuryky.com> 4/18/2011 11:03 AM >>>
Paul,

Dave is no longer with the organization. I will set you up with our Technical Director, who will be able to take you on a quick tour. I have copied him in on this note.

Rajiv,

Please make contact with Dr. Coomes. I will fill you in on the particulars

Regards

Matt

Matt Powell

Vice President
Century Aluminum - Hawesville and Ravenswood Operations
e-mail: mpowell@centuryky.com
mobile: +1 270 222 0267
office: +1 270 852 2815

This email and any files transmitted with it may contain privileged or confidential information. Use, disclosure, copying or distribution of this message by anyone other than the intended recipient is strictly prohibited. If you have received this email in error please notify the sender by reply email and destroy all copies of this message in your possession, custody or control.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 14 2011

In The Matter Of: The Application Of Big Rivers :
Corporation For General Adjustment of Rates : Case No. 2011-00036

PUBLIC SERVICE
COMMISSION

**PETITION OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
FOR CONFIDENTIAL TREATMENT OF INFORMATION**

Pursuant to 807 KAR 5:001, Section 7, Kentucky Industrial Utility Customers, Inc. (KIUC) petitions the Commission for confidential treatment of information provided in response to BREC-1. The information for which KIUC seeks confidential treatment is Rio Tinto's (a KIUC member) presentation entitled "*Power Cost Reduction Strategies*". This presentation contains detailed internal information concerning Rio Tinto's power cost reduction strategy. This is commercially sensitive information in that it would provide an unfair commercial advantage to Rio Tinto's competitors, if disclosed.

This information is kept confidential by Rio Tinto and not disseminated to others unless they have a legitimate need to know and act upon the information. This confidential information is not known outside Rio Tinto's employees, consultants and attorneys.

The Kentucky Open Records Act exempts from disclosure the following records:

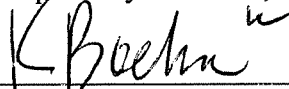
"[R]ecords confidentially disclosed to an agency or required by an agency to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records..."¹

Pursuant to 807 KAR 5:001, Section 7, KIUC has filed with the Commission and served the parties with copies of its response to the BREC-1 with the confidential information redacted.

¹ KRS 61.878(1)(c).

Based on the foregoing, KIUC respectfully requests that the Commission grant its Petition for Confidential Treatment of Information. The attached Confidentiality Agreement has been circulated to Big Rivers and Intervening Parties.

Respectfully submitted,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

BOEHM, KURTZ & LOWRY

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202

Ph: (513) 421-2255 Fax: (513) 421-2764

E-Mail: mkurtz@BKLawfirm.com

kboehm@BKLawfirm.com

**COUNSEL FOR KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.**

July 12, 2011

CONFIDENTIALITY AGREEMENT

Kentucky Public Service Commission
Case No. 2011-00036

This Confidentiality Agreement (“Agreement”) is entered into by and between Alcan Primary Products Corporation, Century Aluminum of Kentucky General Partnership, Domtar Paper Company LLC, Kimberly Clark Corporation, and Aleris International Inc., by and through Kentucky Industrial Utility Customers Inc (“KIUC”) by and through their representatives and the undersigned Recipient.

This Agreement is made and entered into this ____ day of _____, 2011 by and between KIUC and _____ (“Recipient”). KIUC and Recipient are hereinafter sometimes referred to individually as a “Party” and collectively as the “Parties”.

WHEREAS, Recipient has moved or may move to intervene in the above referenced cases, and has requested review of certain information KIUC believes to be confidential and proprietary;

WHEREAS, Recipient is willing to enter into this agreement and have access to the information at issue upon the terms and conditions contained herein;

NOW, THEREFORE, the parties covenant and agree as follows:

1. Access to information which KIUC believes to be confidential and propriety for which confidential treatment is sought by KIUC in these cases will be limited strictly to officers, employees and directors of the end use customers that comprise Recipient with a need to review that information, and Recipient’s legal counsel and/or consultants who shall execute a nondisclosure certificate as described in paragraph 3 and attached as Exhibit A to this agreement.

2. Use of the information provided pursuant to this confidentiality agreement shall be limited strictly to Case No. 2011-00036 before the Kentucky Public Service Commission (the “Commission”) and any appeals from those cases.

3. The non-disclosure certificate shall require the officers, employees and directors of the end use customers that comprise Recipient, and Recipient’s legal counsel and consultants who are given access to the information subject to this agreement to read a copy of this agreement and certify in writing that it, he or she has reviewed this agreement and agrees to be bound by its terms before disclosure of the confidential and proprietary information will be made. The certificate shall contain the full name and permanent business address of each person signing it. A copy of each certificate will be provided upon request to KIUC.

4. All copies of documents containing information that are provided to Recipient under this agreement pending a ruling by the Commission upon a Petition for Confidential Treatment, and information for which the Commission has Ordered that confidential treatment shall be afforded, shall be deemed to be held in trust pursuant to this agreement and shall be returned to KIUC upon demand at the conclusion of Case No. 2011-00036. Upon demand for

return of the information, any notations or other work product of Recipient, its counsel or consultants made or contained in the information shall be redacted prior to the return of the information to the KIUC.

5. If Recipient desires to make use of any confidential or proprietary information obtained as a result of its, its legal counsel's or its consultant's examination of the information, whether in testimony filed by Recipient or through cross-examination of any witness or otherwise, Recipient shall notify KIUC in advance of the proposed use and shall meet with KIUC' representatives to attempt in good faith to establish a procedure that will accommodate the needs of Recipient to make use of the information without risking its public disclosure. If KIUC and Recipient are unable to agree on a means of preventing public disclosure of the confidential and proprietary information, KIUC and Recipient will submit these issues to the Commission for resolution before the proposed use of the information is made.

6. Each and every party to this agreement will act in good faith, and no party to the agreement will do anything to deprive any other party of the benefit of this agreement.

7. Recipient's participation in this agreement shall not be construed as an admission that the information claimed to be confidential and proprietary is, as a matter of law, confidential and proprietary, or as a waiver of any right to assert that the information is not confidential and proprietary before the Commission or any court of competent jurisdiction. In the event the Commission should rule that any of the information should be removed from the restrictions imposed by this agreement, no party shall disclose such information until the Commission's Order subjecting the information to public disclosure is final pursuant to KRS 278.410, or until all appeals of such Order have been exhausted, unless authorized to do so by the other party or a court of competent jurisdiction.

8. This agreement shall bind the parties to it from the date of its execution. Every executed copy of this agreement will be deemed an original.

EXECUTED this ____ day of _____, 2011.

RECIPIENT

By: _____

Title: _____

KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.

By: _____

Title: _____

EXHIBIT A
NONDISCLOSURE CERTIFICATE

The undersigned hereby certify that, before disclosure to them of confidential and proprietary information of KIUC, they have read the confidentiality agreement between KIUC and the Recipient, Alcan Primary products Corporation, Century Aluminum of Kentucky, Domtar Paper Company LLC, Kimberly Clark Corporation, and Aleris International Inc., by and through Kentucky Industrial Utility Customers, Inc, which is incorporated herein by reference as if set forth in its entirety, and agree to be bound by its terms.

| <u>Name</u> | <u>Address</u> |
|-------------|----------------|
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |
| <hr/> | <hr/> |