

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

**JOINT APPLICATION OF KENERGY CORP. AND)
BIG RIVERS ELECTRIC CORPORATION FOR)
APPROVAL OF CONTRACTS AND) Case No. 2013-00413
FOR A DECLARATORY ORDER)**

**Response to the Kentucky Industrial Utility Customers, Inc.'s
First Set of Data Requests to
Big Electric Rivers Corporation and Kenergy Corp.
dated December 5, 2013**

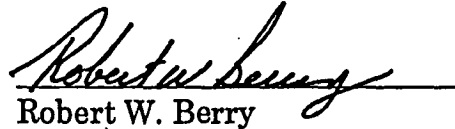
FILED: December 13, 2013

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP.
AND BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND
FOR A DECLARATORY ORDER
CASE NO. 2013-00413

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DEC 13 2013
PUBLIC SERVICE
COMMISSION

VERIFICATION

I, Robert W. Berry, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Robert W. Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Robert W. Berry on this
the 9th day of December, 2013.


Notary Public, Ky. State at Large
My Commission Expires 1-12-17

BIG RIVERS ELECTRIC CORPORATION

**JOINT APPLICATION OF KENERGY CORP.
AND BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND
FOR A DECLARATORY ORDER
CASE NO. 2013-00413**

VERIFICATION

I, Billie J. Richert, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Billie J. Richert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this
the 9th day of December, 2013.


Notary Public, Ky. State at Large
My Commission Expires 1-12-17

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP.
AND BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND
FOR A DECLARATORY ORDER
CASE NO. 2013-00413


VERIFICATION

I, Gregory J. Starheim, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Gregory J. Starheim

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Gregory J. Starheim on
this the 6th day of December, 2013.


Notary Public, Ky. State at Large
My Commission Expires 5-24-15

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 1)***Please refer to the following paragraph in the letter from Alcan Primary*
2 *Products Corporation ("APPC") President Jack Miller dated January 31, 2013 (Exhibit 1 to*
3 *the Application) providing its Notice of Termination:*

4 *APPC appreciates the recent efforts of Big Rivers in offering proposals that*
5 *would restructure the rate formula and other basic terms and conditions of the*
6 *Agreement. While we are not in agreement at the present time we welcome*
7 *continuation of those discussions during the pendency of the rate case in hopes*
8 *of reaching a mutually acceptable accord. We believe that further discussions*
9 *would not be inconsistent with this Notice of Termination and indeed are*
10 *appropriate in order to find ways to retain the jobs and preserve the economic*
11 *benefits of those jobs for the Commonwealth of Kentucky.*

12
13 *a. Please provide a copy of all service and rate proposals and related*
14 *documents "that would restructure the rate formula and other basic terms*
15 *and conditions of the Agreement" offered by APPC to Big Rivers and/or*
16 *Kenergy since January 1, 2012 to the present.*

17 *b. Please provide a copy of all service and rate proposals and related*
18 *documents "that would restructure the rate formula and other basic terms*
19 *and conditions of the Agreement" offered by Big Rivers and/or Kenergy to*
20 *APPC since January 1, 2012 to the present.*

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 *c. Please provide a copy of all service and rate proposals and related*
2 *documents offered by Century to Big Rivers and/or Kenergy for the Sebree*
3 *Smelter since January 1, 2013.*

4 *d. Please provide a copy of all service and rate proposals and related*
5 *documents offered by Big Rivers and/or Kenergy to Century for the Sebree*
6 *Smelter since January 1, 2013.*

7
8 **Response)** Big Rivers and Kenergy object to the extent this request seeks information that is
9 protected by the attorney client and attorney work product privileges. Notwithstanding those
10 objections, and without waiving them, Big Rivers and Kenergy state as follows.

11 a. Please see the attached documents. Please also refer to Big Rivers’ response
12 to KIUC 1-75 in Case No. 2013-00199.

13 b. Please see the attached documents. Notwithstanding any confidential
14 designations in these documents, the documents should not be considered
15 confidential. Please also refer to Big Rivers’ resposne to KIUC 1-75 in Case
16 No. 2013-00199. Kenergy did not originate any service and/or rate proposals
17 to APPC.

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

- 1 c. Other than the documents filed in this case, there have been no rate proposals
2 submitted to Big Rivers or Kenergy from Century since January 1, 2013.
- 3 d. Other than the documents filed in this case, there have been no rate proposals
4 submitted to Century from Big Rivers or Kenergy since January 1, 2013.

5

6 **Witnesses)** Robert W. Berry – Big Rivers

7 Gregory J. Starheim - Kenergy



Analysis of impact of
smelters on Big Rivers and its
members

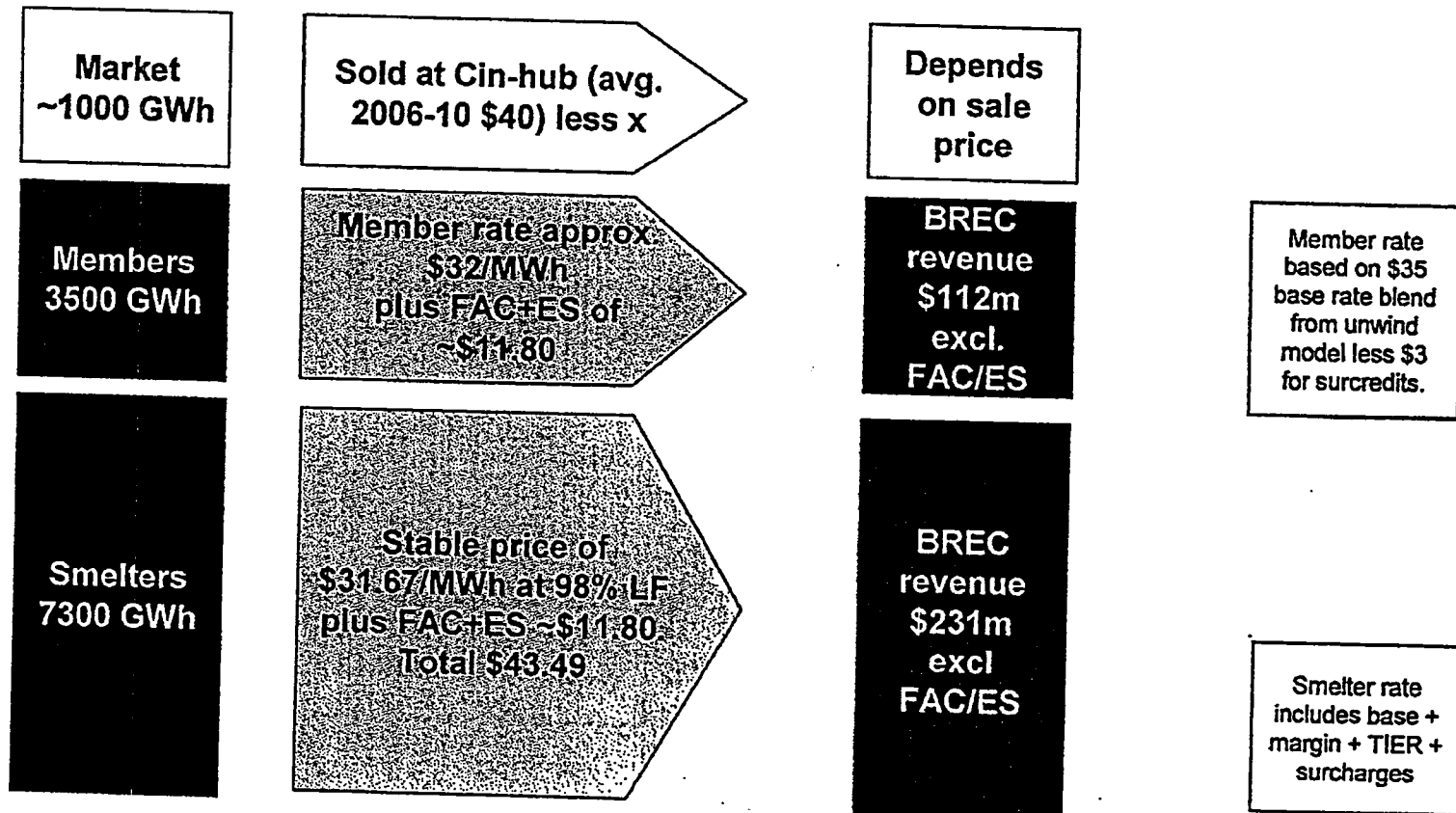
September 28, 2010

Rio Tinto Alcan

BREC production and sales

Rio Tinto Alcan

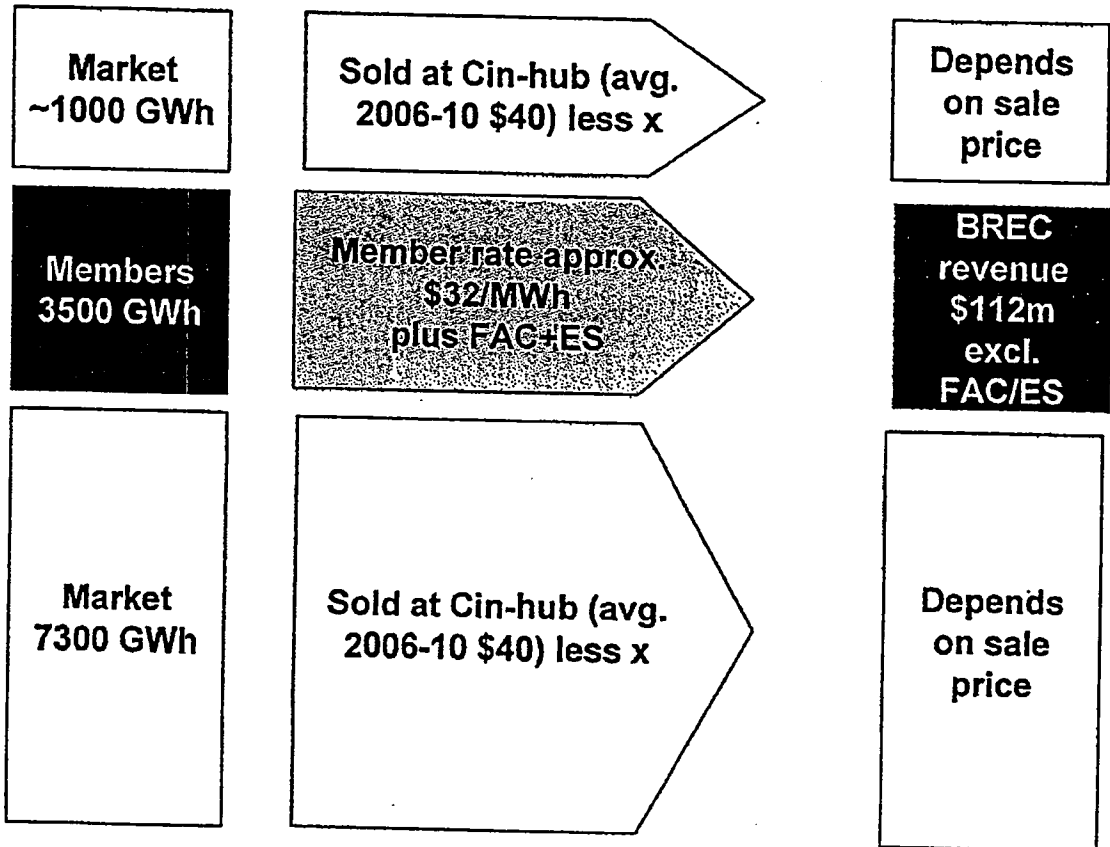
Smelters provide a stable 7x24 outlet for the Big Rivers system power.



BREC production and sales

RioTintoAlcan

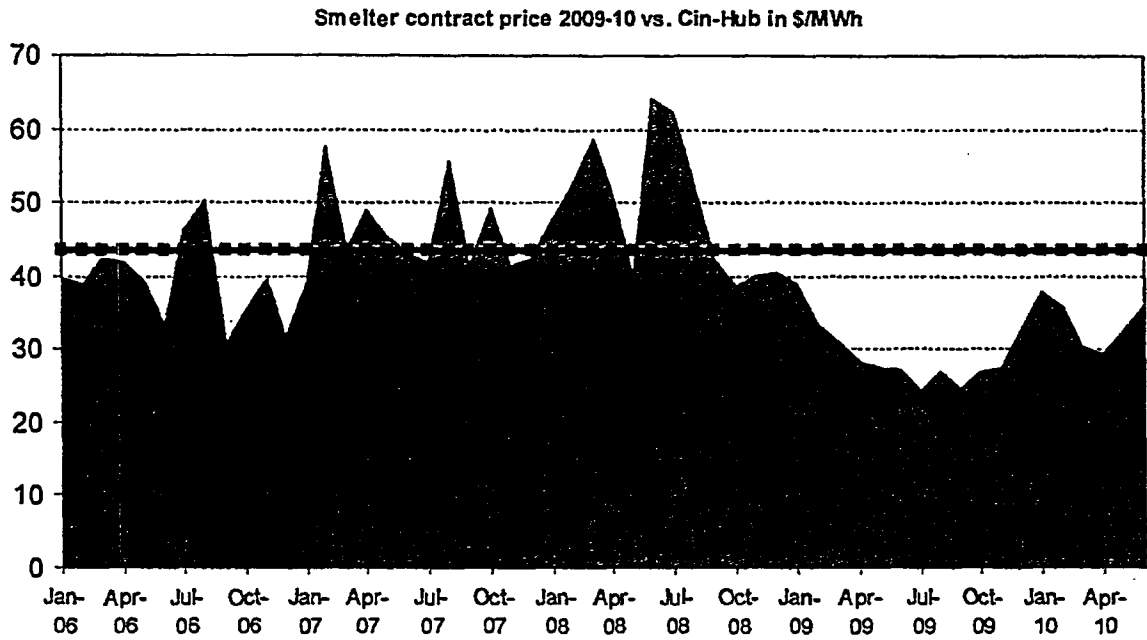
Without the smelters, 7300GWh would need to be sold to the market or generation curtailed/sold.



Alternative to smelter sales

Rio Tinto Alcan

2009-10 smelter contract rate exceeds Cinergy Hub average over 2006-10 period.

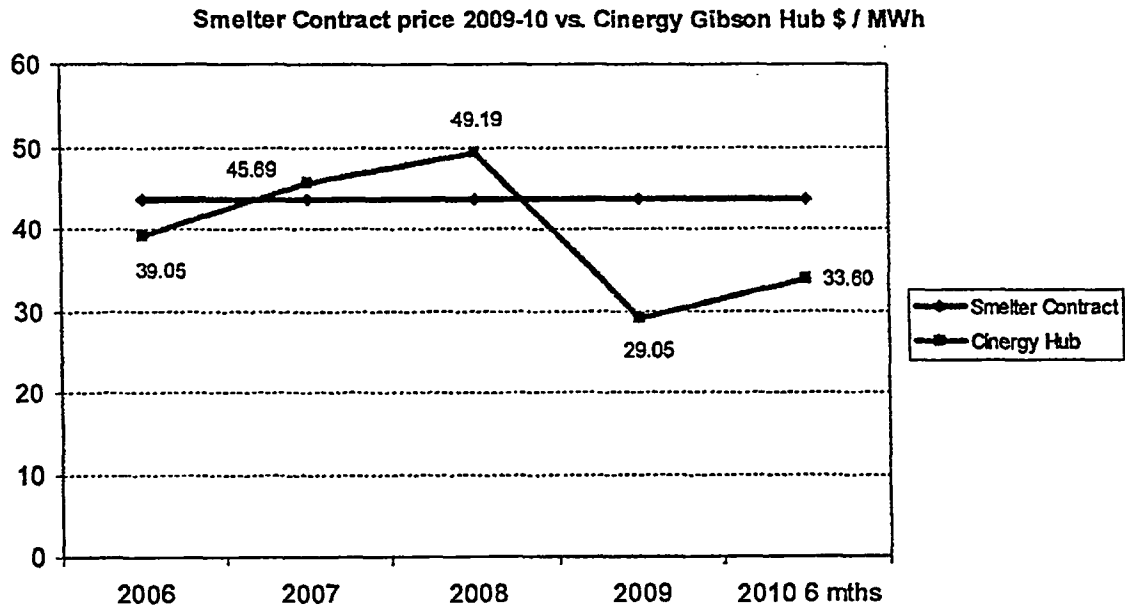


- Average Cinergy Hub price of \$40 in 2006-10
- Less transmission
- Less impact on market of an additional 850MW
- => instead of contract price of \$43.50 replacement sales could be at \$35-38/MWh

Impact on BREC of market sales

RioTintoAlcan

The stable smelter contract price protects BREC and its members against power market fluctuations.



Average of 7*24 spot prices at the Cinergy Hub

- Average price of \$40 at Cin-Hub in 2006-10 compared to contract rate average of \$43.49
 - Difference of approx. \$3.50/MWh
 - Smelter sales 7300GWh * 4.5 yrs = 32850 GWh * 3.50 = \$115m less revenue for BREC
 - Members usage is 3500 * 4.5 = 15750 GWh => increase of \$7.30 per MWh for members
- Assumes power could be sold at Cin-Hub price. In reality sale price could be lower.
- A collapse in the power market similar to what occurred in 2009 could cause a financial crisis for BREC and its Members without the stability of the smelter load (impact of approx. \$100m in the year).

Impact of selling to market instead of smelters

Rio Tinto Alcan

If both smelters close then any difference compared to selling at \$43.50 must spread over the Member load of 3500GWh.

Realized sale price	Century (482MW) = 4100 GWh		Both smelters (850MW) = 7300GWh	
	\$m	\$/MWh	\$m	\$/MWh
\$50	27	-4.10	47	-13.40
\$45	6	-0.90	11	-3.10
\$40	-14	2.10	-26	7.30
\$35	-35	5.30	-62	17.70
\$30	-56	8.40	-99	28.30

Examples:

- If Century power replaced by market at \$40 then impact per remaining MWh is $\$3.49 \times 4100 = \$14m / (3500 + 3200) = \sim \2.10
- If both smelters replaced by market at \$40, then impact is $\$3.49 \times 7300 = \$25m / 3500 = \sim \$7.30$

Advantages to BREC and members of smelter business

A stable smelter baseload represents an operating advantage for BREC and its members.

- 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).
- Smelter loads can protect against system blackout in extreme conditions (such as 2009 ice storm).
- Contract price is more stable than the power market (avoids financial crisis in years of depressed prices).

Comparison of smelter rate to Large Industrial rate

RioTintoAlcan

Comparison of headline rates paid by users needs to account for load factor.

- Load factor
 - Large Industrials at 78.65% LF
 - Smelters at 98% LF
 - => Smelter rate should be lower than Large Industrials, all other things being equal

- Surcharges
 - Smelters pay \$1.57 surcharge
 - Reduces the rate paid by Large Industrials by \$3.27 (factor based on GWh of 7.3/3.5)

- Non-FAC PPA a direct recovery for Smelters but recovery deferred for Members
 - Should be the same in the medium term but variable in short term

Breakdown of smelter rate \$/MWh

RioTinto Alcan

				\$/MWh
Large Industrial Rate @ 98% LF				27.91
	Actual	Base	Adj	
FAC	20.34	-10.72	9.62	
ES	2.19	0.0	2.19	
Non-FAC PPA	1.75	-1.75	0.00	
Total adjustments				11.81
Large Industrial Rate with adjustments				39.72
Smelter-specific costs				
Surcharges				1.57
TIER				1.95
Margin				0.25
Smelter rate				43.49

- Base rate includes a variable component for FAC and non-FAC PPA. Base component of ES is zero.

- Non-FAC PPA assumed to be same as base. In actuality it varies each month.

- Smelters pay non-FAC directly while impact on Members is accrued by BREC pending a rate case.

- Surcharges increase Smelter costs and reduce Member costs.

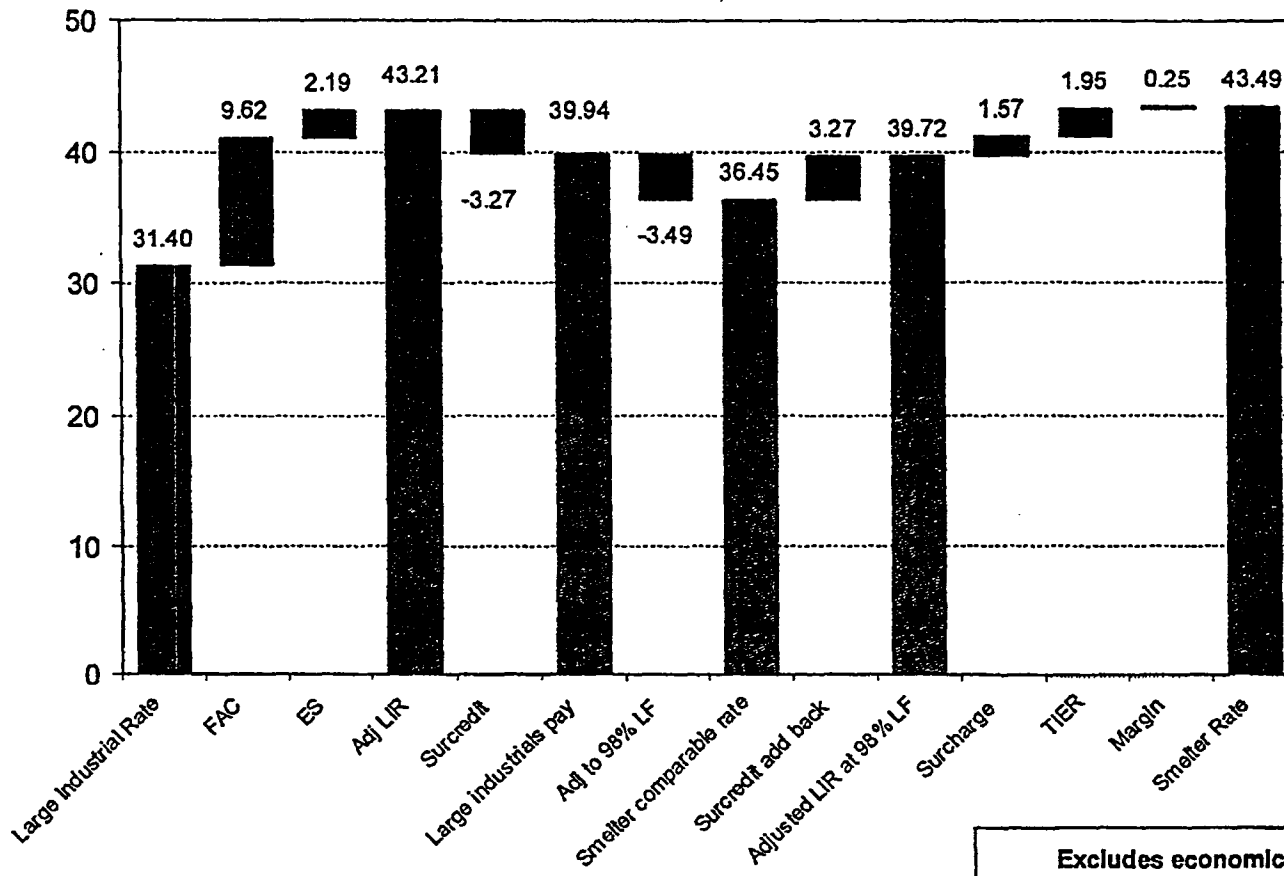
- TIER and Margin benefit Big Rivers. If spread across all members, Smelters would still pay around 70%.

- Rate shown excludes economic reserves and amortization.

Smelter comparison to Large Industrial Rate (\$/MWh)

Rio Tinto Alcan

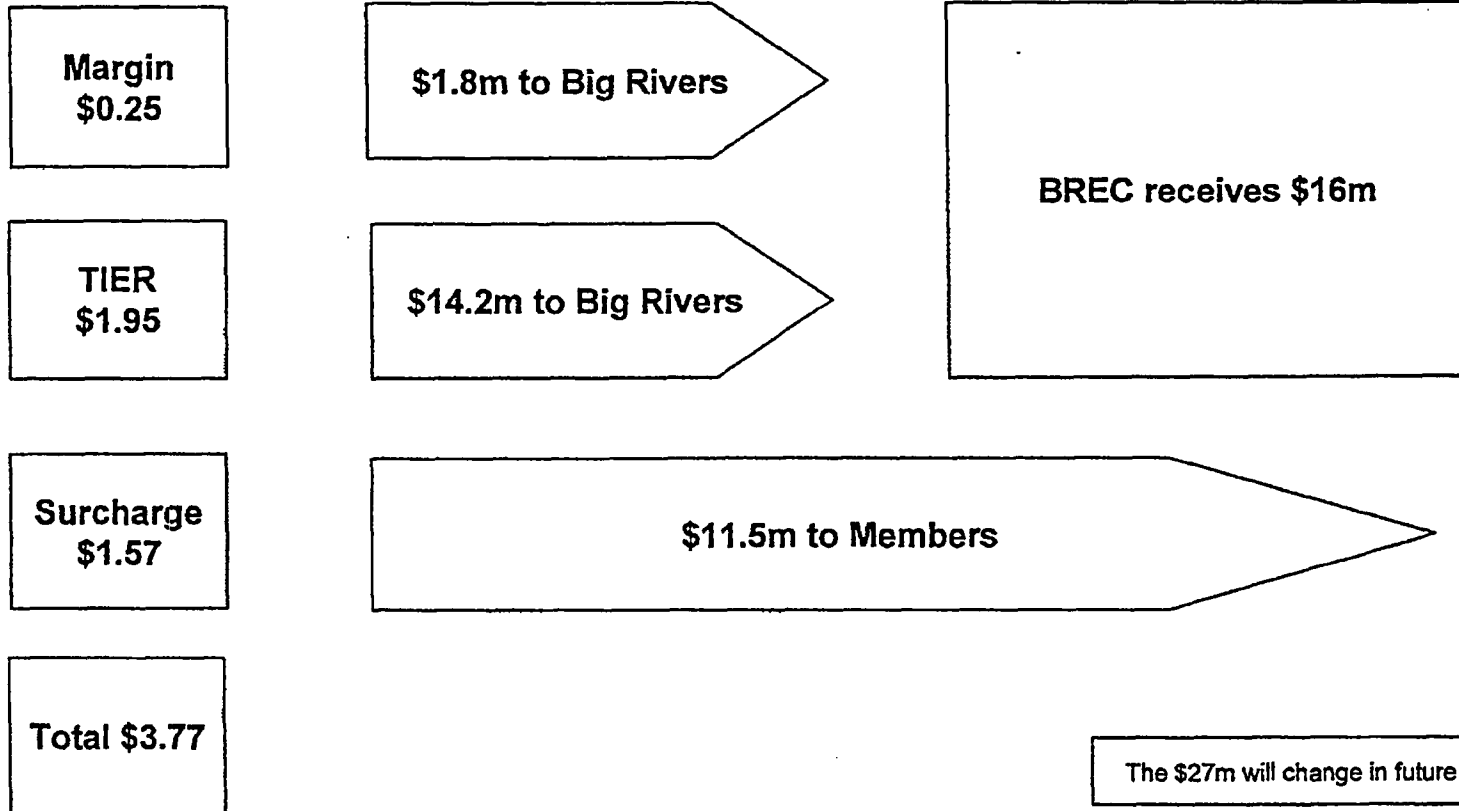
Smelters pay a premium of over \$7/MWh compared to Large Industrial users.



Excludes economic reserves.

Extra costs paid by smelters

Additional \$27m annually paid by Smelters to BREC and/or Members.
This would equal \$7.85/MWh if borne by the Member load.



What are the smelters worth to the members?

Smelters worth \$7+/MWh to Members before considering impact on employment.

\$7.30/MWh if Smelter contracts replaced with Cin-Hub price

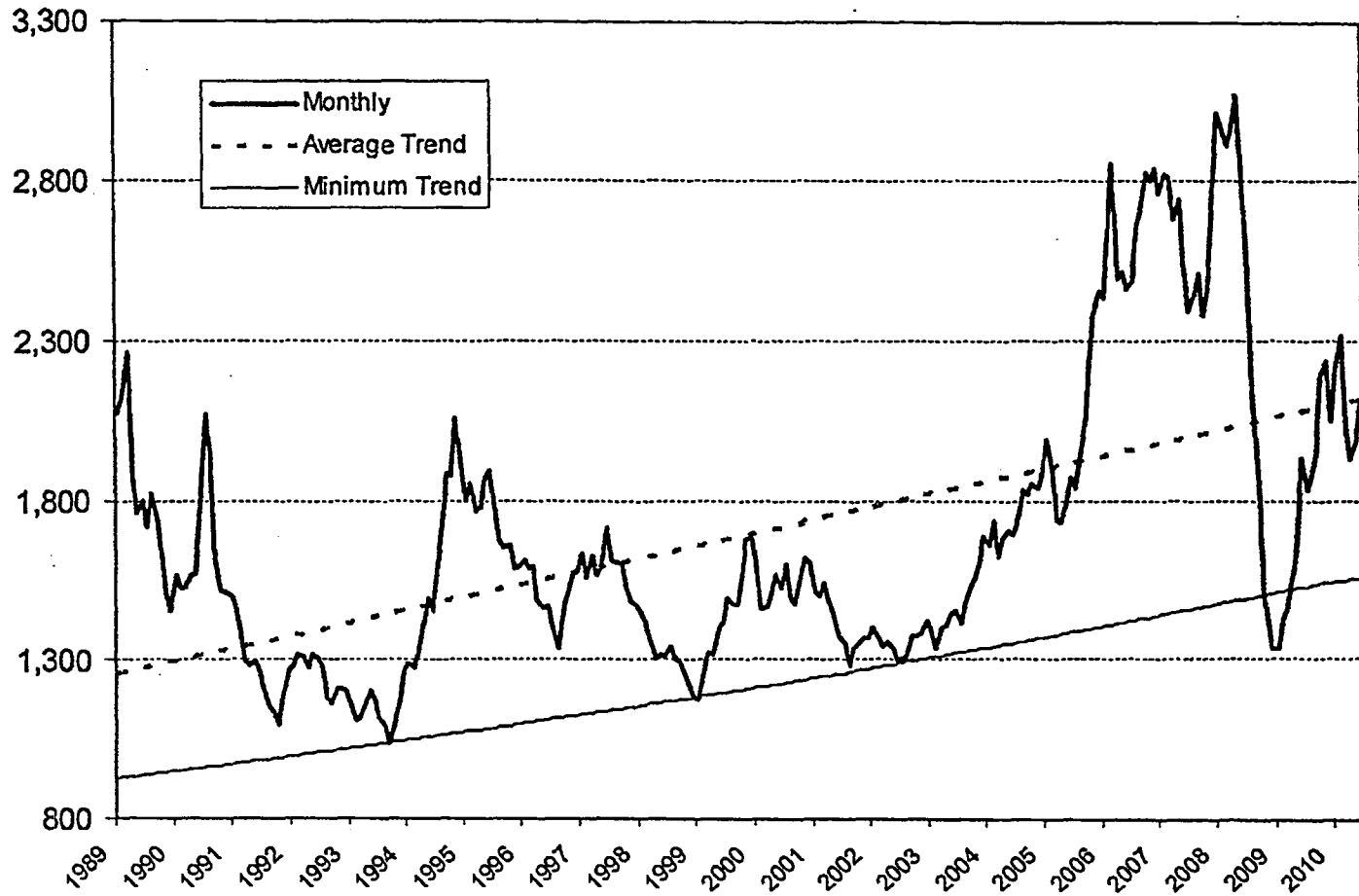
\$7.85/MWh to compensate for loss of Smelter premiums (assuming rest of power was sold at LIR + FAC + ES)

Plus additional risk

- Lose ability to directly pass-through non-FAC PPA (same cost in long run, more variability)
- Possible need to restructure BREC (sell generation, long term supply contracts with other generators, consider merger or re-engineer as primarily wholesale entity)
- Additional variability of both revenues (wholesale vs. contract) and generation (with loss of smelter base-load).

LME by month 1989-2010

LME prices 1989-2010 \$ / metric tonne monthly



Rio Tinto

Sebree Works
Everything is linked !

Rio Tinto proposal to ensure sustainability of the Sebree smelter

CONFIDENTIAL

Presented to Big Rivers Electric Corp. & Kenergy Corp., November 8, 2012



www.sebreeworks.com



Introduction

RioTinto

In June 2012, the Governor of Kentucky requested that Big Rivers, Kenergy and the Smelters discuss options available to ensure smelter sustainability and mitigate rate increases on the Non-Smelter members of the Big Rivers system. This proposal is a continuation of that process.

Seabee Works - Aluminum

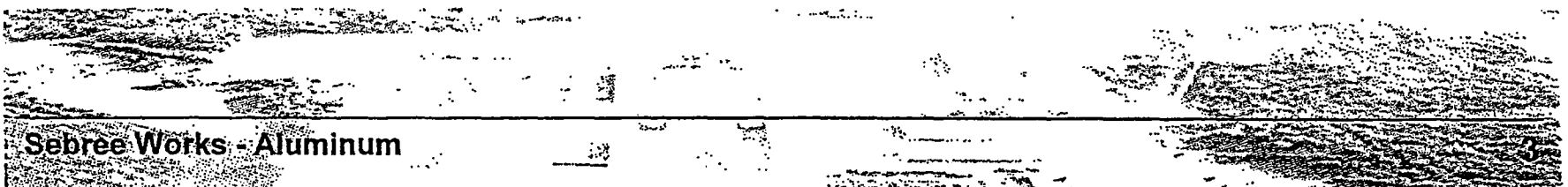


Impact of the Sebree smelter

The Sebree smelter is a valuable economic asset for the Commonwealth of Kentucky.

RioTinto

- Approx 500 high paid direct jobs, supporting a further 1,300 Kentucky jobs.
 - Over 1,800 jobs depending on the smelter.
- Annual economic impact of \$200m to Kentucky
- Adds value to Kentucky coal
- One of the most efficient smelters in the world on operating (non-energy) cost
- Over \$100m invested in the plant in the last 5 years
 - Plan for approximately \$70m in the next 5 years
 - If the Sebree smelter is sustainable
- Everyone is better off if the Sebree smelter remains operational.



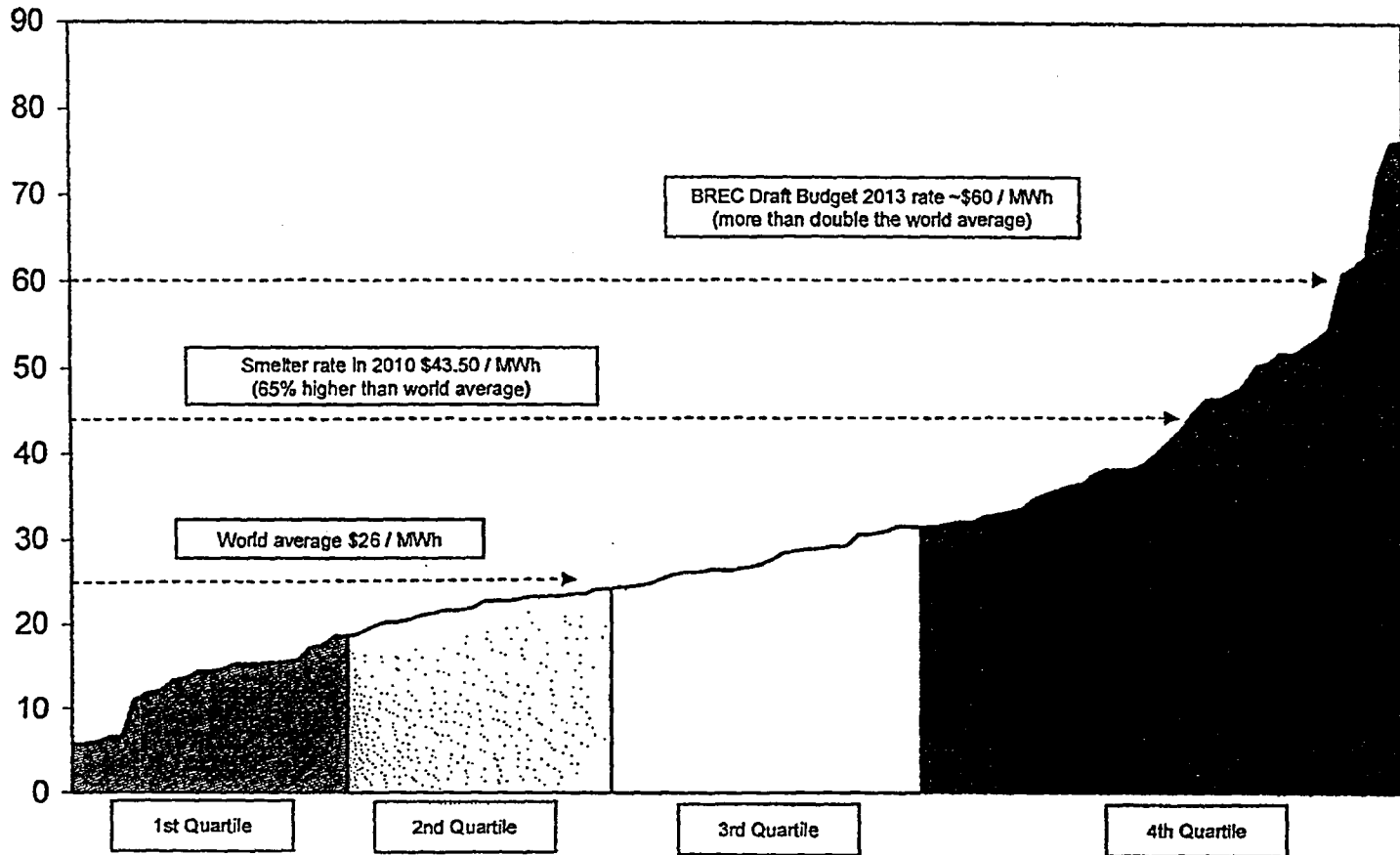
Sebree Works - Aluminum



RioTinto

Smelter power costs worldwide - \$/MWh 2010

Electricity is the most important single cost for a smelter.



Source: CRTI. Excludes China.

Seabee Works - Aluminum

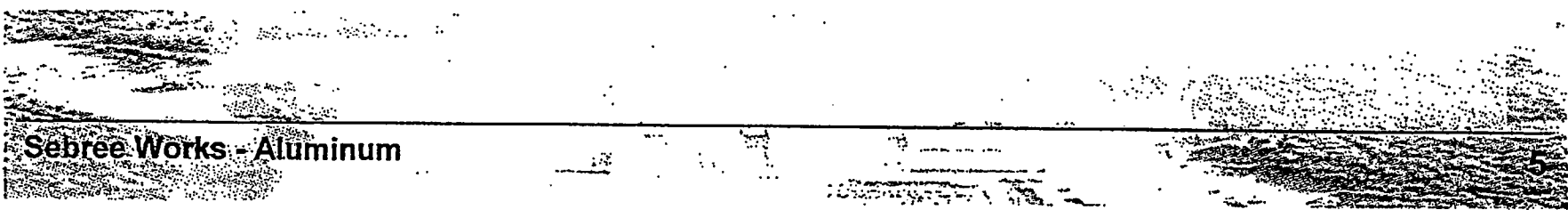


Time is running out.

For the first time, Rio Tinto is considering a shutdown of the Sebree smelter.

Rio Tinto

- Century issued in August 2012 a 12 month Notice to Terminate its power contract and leave the Big Rivers system in August 2013
- Big Rivers draft budget projects a significant rate increase for the Sebree smelter effective August 2013. This brings the Sebree smelter rate to approx. \$56-\$60/MWh in 2013.
- At \$56-60/MWh power, the Sebree smelter is not sustainable.



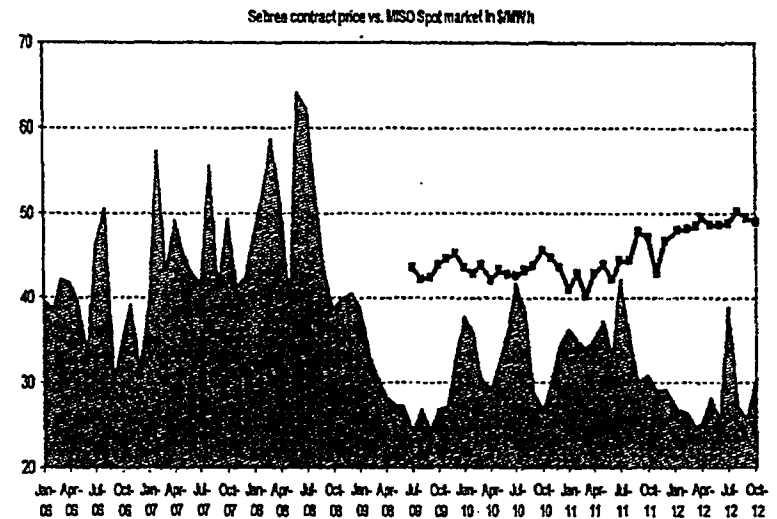
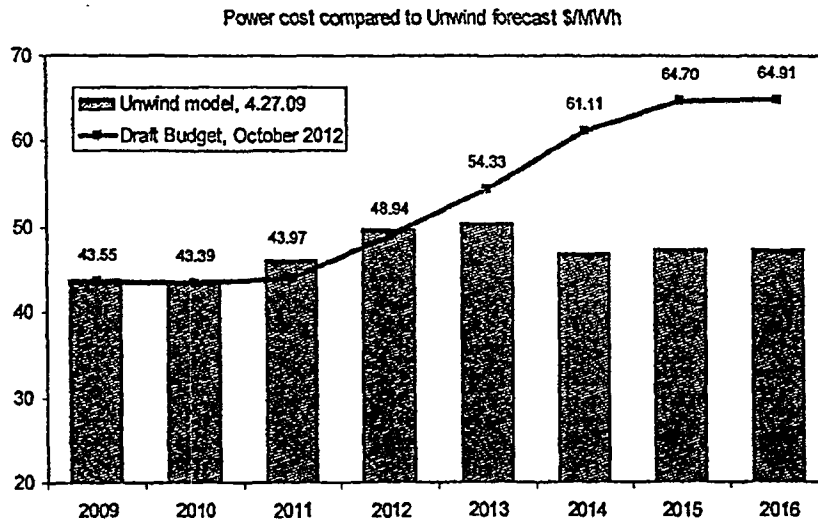
Sebree Works - Aluminum



What's different now compared to 2009

Circumstances today are very different to those projected at the time of the Unwind

RioTinto



- In 2009, no-one predicted that the market price for power would remain low for so long
- As a result, while it was envisioned that one smelter might leave the BREC system before end-2023, this was not expected to lead to a rate increase for the remainder of the System.
- Immediately prior to the Unwind, the power cost projection for 2014 was approximately \$46/MWh



Rio Tinto

Rate impact on customers if nothing is done - 2014

	Sebree	Large Industrials	Rurals	BREC system
Base Case from Draft Budget – Century exit August 2013	+24% \$60/MWh \$30m cost	+23% \$59/MWh \$14m cost	+25% \$67/MWh \$36m cost	\$80m additional revenue from Sebree (\$30m) + Members (\$50m) to compensate for Century exit
BREC proposal to Rio Tinto Sebree	+11% \$56/MWh \$18m cost	+43% \$63/MWh \$18m cost	+35% \$71/MWh \$44m cost	No net impact on revenue compared to base case. \$62m of additional cost on Non-Smelters.
Sebree closed in 2014		+87% \$83/MWh \$36m cost	+72% \$90/MWh \$91m cost	Total additional revenue requirement of \$127m from Sebree leaving BREC system. Additional revenue of \$65m from Non-Smelters compared to second scenario

All rates estimated. Non-Smelter rates are based on wholesale rate before Member Rate Stability Mechanism. Assumed that Sebree's power will be sold to the market at \$35/MWh after smelter closure.



RioTinto

“Any revenue that Big Rivers can derive from the smelters above SRMC (short-run marginal cost) would financially benefit Big Rivers’ other customers relative to the smelters closing.”

Energy Rate Impacts on Kentucky Industry
Christensen Associates Energy Consulting, September 2012.



What Rio Tinto-Sebree is proposing

The Sebree smelter is sustainable if it pays the true cost of the base-load power that it uses.

RioTinto

- As an alternative to leaving the BREC system, Sebree is willing to pay the true cost of its own base-load power
 - Including fuel and capital costs
 - Not including the cost of excess capacity
 - We have calculated \$38.50/MWh for test year (projected ~\$43 in 2014)
- Although the cost of \$43/MWh is higher than the global smelter average of \$26-28/MWh, Sebree has certain advantages not available to most other smelters:
 - Location in the U.S. Midwest, access to the Mid-West premium
 - First-quartile operating cost, excluding electricity
 - Lower capital cost compared to new facilities.
 - Skilled and committed employees
 - Value-added aluminum

Sebree Works - Aluminum



EVERYTHING
IS LINKED

RioTinto

Rate impacts on Customers with Sebree solution - 2014

	Sebree	Large Industrials	Rurals	BREC system
Base Case from Draft Budget – Century exit August 2013.	+24% \$60/MWh \$30m cost	+23% \$59/MWh \$14m cost	+25% \$67/MWh \$36m cost	\$80m additional revenue from Sebree (\$30m) + Members (\$50m) to compensate for Century exit
Sebree closed in 2014		+87% \$83/MWh \$36m cost	+72% \$90/MWh \$91m cost	Total additional revenue requirement of \$127m from Sebree leaving BREC system. Additional revenue of \$65m from Non-Smelters compared to second scenario
Sebree at base-load cost	Power at approx \$43/MWh	+70% \$75/MWh \$29m cost	+58% \$83/MWh \$73m cost	BREC system revenue improved by \$26m compared to Sebree being closed.



Impact of Sebree's proposal

Everyone is better off if the Sebree smelter remains operational

RioTinto

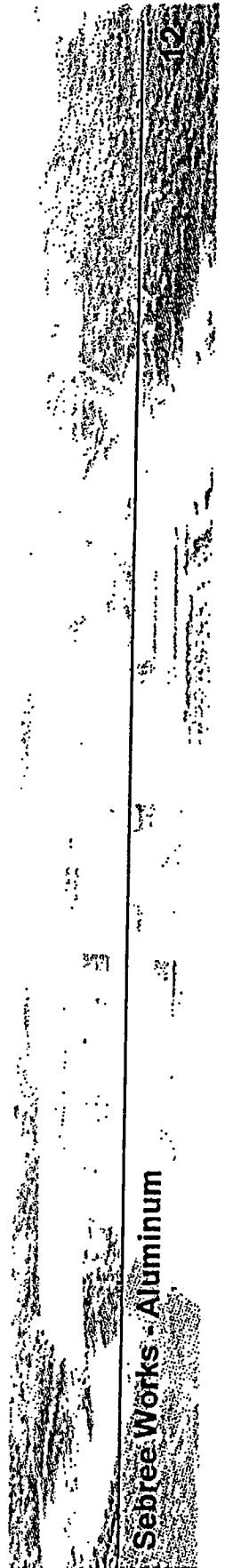
Compared to Sebree smelter shutdown, this proposal offers

- Lower electricity rates for Members
- Sustain economic activity in Western Kentucky, including BREC, Coal and indirect jobs
- Secure Sebree jobs



RioTinto

Questions / comments



Seabee Works - Aluminum

12

EVERYTHING
IS **1113**

Depend on our ability and willingness to work together

• • •
RioTinto

Sabree Works - Aluminum

13

Mark Bailey

From: Gosselin, Serge (RTA) <Serge.Gosselin@riotinto.com>
Sent: Wednesday, December 05, 2012 9:39 AM
To: Mark Bailey
Subject: FW: Update on Sebree Works

Sorry Mark, I used a wrong email address.

Please see below.

Have a good day.

Serge

From: Gosselin, Serge (RTA)
Sent: Wednesday, December 05, 2012 9:37 AM
To: Greg Starhelm; Bailey, Mark (RTAYARWUN)
Cc: Miller, Jack (Cable); Seberger, Donald (RTSS)
Subject: Update on Sebree Works

Good morning Mark, good morning Greg,

I want to make a quick follow up with you following our meeting last Wednesday November 28th. But first, I want to thank you again for your work and openness to reach a solution for sustainability of our plant.

We will, in the coming days, meet Rio Tinto people involved into business evaluation and development in order to analyze your offer. As you know, we were very troubled when we saw the 2013 BREC Draft Budget, showing huge rate increase up to ~60\$/MWh. Then we worked on our side to evaluate a "Cost of service" approach and proposed a "Sebree Solution" at ~43\$/MWh to you. What you presented last week is, as we mentioned during the meeting, not what we need for long term sustainability. But we definitely recognize that is an important step to find a solution for both organizations.

Our meeting for scenarios evaluation will be next week. We will then update our headquarters and try to get direction to finally update you formely.

With Christmas coming soon, I hope we will be able to come back to you with formal feedback in 2012. Otherwise, it will be very early 2013.

Thanks again.

Regards,

Serge

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June 24, 2012

Mark Bailey
President & CEO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419

Re: BREC's June 22, 2012 Proposal

Dear Mr. Bailey:

Century Aluminum and Rio Tinto Alcan appreciate BREC's prompt response to the companies' proposal presented at our June 20th meeting. However, BREC's proposal simply does not address the immediate problem – closure of the smelters due to high power rates and the unavoidable revenue loss to BREC - and, thus, is not responsive to the Governor's concerns and direction.

Under BREC's proposal, BREC would continue to serve the smelters under the current power contracts but, subject to PSC approval, the contracts would permanently amended to:

- Eliminate the non-cost-based rate charges that only the smelters pay, i.e., the Tier charge, the contract Surcharge, and the \$0.25/MWh adder above the Large Industrial rate; and
- Remove from the smelter rate the amount, identified by the PSC in the last rate case, by which the smelter rate subsidizes BREC's other customers.

BREC states that this will provide \$27.2 million in rate relief in 2014. However, BREC asserts that any further rate relief "will require the involvement of other

parties” and characterized this interim rate relief that the “base on which others can construct the long-term solution.”

At the June 20th meeting, BREC agreed that the unavoidable revenue loss to BREC if the smelters close is \$110 million/year even if BREC mitigates by closing the Wilson and Coleman generators with the loss of 184 jobs at BREC and 2½ million tons/year of Kentucky coal. BREC’s proposal would reduce the smelter rate by only \$3.73/MWh producing a rate of about \$45.60/MWh, well above the current market price for power and well above the power rate that the smelters need to operate. BREC’s proposal will not prevent smelter closures; the rate relief offered is too small.

BREC’s proposal would only eliminate the current non-cost-based contract charges and the subsidy that the smelters pay, which the PSC has already found should be phased out. This is all BREC offers; any further rate long-term rate relief must be provided by “others”. Under BREC’s proposal the smelter jobs will be lost, the 184 BREC jobs will be lost, and hundreds of Kentucky coal jobs will be lost.

In addition, BREC would amend the contract to require the smelters to forego their right to give notice of termination until after the end of the interim rate period. At the level of rate relief offered by BREC this would increase the smelters’ financial exposure. However with adequate interim rate relief the smelters would commit to operate during the interim period unless the economy collapsed as in 2008-09.

We believe the only viable approach to saving the smelter jobs, the BREC jobs, and Kentucky coal jobs, consistent with the Governor’s direction, is to develop interim rate relief based on the \$110 million of unavoidable revenue loss to BREC if the smelters are forced to close. Attached is our proposal, revised to base the rate relief on \$110 million and with additional detail on reimbursement of BREC’s expenses. In addition, provided adequate initial rate relief, the smelters are open to discuss a rate adjustment during the interim period if LME prices rise above certain levels.

We want to stress again the urgency of the situation. We are available at any time to discuss this proposal.

Sincerely,

**Pam Schneider
Rio Tinto Alcan**

**Michael B. Early
Century Aluminum**

**cc: Mike Haydon
Holland Spade**

6/24/12

Agreement in Principle

1. Parties: Century Kentucky, RTA, and BREC
2. Term: 36 months
3. Start date: Upon approval by PSC of contract amendment, new rates applicable for sale to Kenergy for resale to Century Kentucky and RTA (the "Smelters"), and new rates applicable for sale to BREC's member cooperatives for resale to their non-Smelter customers—all as provided in sections 4 and 5 below.
4. Contract amendment with smelters: The parties agree to amend the contract with each Smelter to modify the rate provisions for the Term such that the otherwise applicable rate (in terms of \$/MWh) shall be reduced by \$15.01/MWh which is determined by the Unavoidable Loss Amount of \$110 million divided by 7.3 million MWh. The parties agree that the existing contracts may be amended only to the extent necessary to implement or give effect to the rate reductions agreed to herein.
5. PSC filing: Within 60 days after execution of this term sheet, BREC agrees to file with the PSC and support approval of the Smelter contract amendments. BREC agrees to prepare, file with the Smelter contract amendments, and support approval of (a) a new rate rider, implementing the rate reduction in the amendments as agreed to herein, applicable to rates for sale to Kenergy for resale to the Smelters and (b) new rate riders applicable to the rates for sale to its member cooperatives for resale to their non-Smelter retail customers that recover from such customers the Unavoidable Loss Amount. BREC agrees to take all permitted actions to seek and obtain expedited consideration and approval by the PSC of the contract amendments and rate riders.

BREC agrees to provide the Smelters with a reasonable opportunity to review and comment on any proposed filings with the PSC.

BREC agrees not to request in such filings recovery of any costs other than the Unavoidable Loss Amount or to seek any modification or increase its base rates or other charges. BREC will not request and will oppose any motion to consolidate this filing with any other filing.

6. **Smelter support:** The Smelters agree to support the filing in section 5, provided that the Smelters may support or oppose the proposed allocation of the Unavoidable Loss Amount between the Rural and Large Industrial rate classes.

7. **BREC Board:** The parties acknowledge that BREC's obligations under sections 4 and 5 are subject to approval by its Board. BREC agrees to fully support such amendments and rate filings and to actively seek prompt approval from its Board, no later than 15 days after agreement of this term sheet.

8. **Cost reimbursement:** The Smelters agree to reimburse BREC for up to \$XX for costs incurred in preparing the amendments in section 4 and the filings in section 5, provided BREC provides the Smelters with its budget for this effort, such contribution does not exceed 50% of the total, and the amendments and new rates are approved substantially as filed.

The Smelters also agree to reimburse BREC for up to \$YY for costs incurred in the PSC process in section 5, provided BREC provides the Smelters with a budget for this effort, such contribution does not exceed 50% of the total, and the amendments and new rates to the Smelters are approved substantially as filed.

9. **Public Affairs:** BREC agrees to initiate and participate in a joint public affairs campaign, in coordination with the Smelters and others, to inform the public about the amendments and new rates in the filings and to promote approval of the amendments and new rates. The Smelters will contribute \$ZZ to BREC to offset the costs of such campaign.

10. **Long term solution:** During the Term the parties agree to work diligently and in good faith with the Governor, the Legislature, and other interested parties to develop and implement a comprehensive long term power supply and rate structure that will assure the economic viability of the Smelters and BREC and the

direct and indirect employment and related economic opportunities that their respective businesses and operations provide to the Commonwealth of Kentucky.

11. BREC will support parallel modifications to, and PSC approval of, the rate provisions in each Kneeney/Smelter contract.



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

June 25, 2012

Mr. Michael B. Early
Corporate Energy Director
Century Aluminum Company
Building A, Suite 200
2511 Garden Road
Monterey, CA 93940

Ms. Pam Schneider
Alcan Primary Products Corporation
9404 State Route 2096
Robards, KY 42452-9735

Dear Ms. Schneider and Mr. Early:

We have reviewed your response of June 24, 2012, to Big Rivers' letter of June 22, 2012, and want to reply promptly to that latest response. Big Rivers has respected Governor Beshear's request that we meet to determine whether there is a consensual plan by which the smelters' requirements for economic relief can be met by continuing the meetings Big Rivers began with the Cabinet for Economic Development and the smelters (Century and Alcan) in January of this year. Consistent with the spirit of the meetings, Big Rivers gave you a proposal last Friday that is, to our knowledge, unprecedented in Kentucky. We respectfully point out some of our continuing difficulties with the smelters' positions:

- Your counter proposal does not resolve a number of key issues for Big Rivers. For example, you did not respond in any respect to Big Rivers' request for financial information on the local smelter operations that would support the need for the relief the smelters are demanding.
- Big Rivers seeks in its proposal that the smelters only delay giving notice of termination for one year after an agreed plan is approved, not until the end of any interim rate period. In fact, there is no interim rate period in Big Rivers' proposal; the contract and cost of service changes are permanent.
- The Public Service Commission has never discussed phasing out the TIER Adjustment Charge, Surcharge and \$0.25/MWh adder in the smelter contracts. Only the cost of service differential between the Large Industrial

Mr. Michael Early
Ms. Pam Schneider
June 25, 2012
Page Two

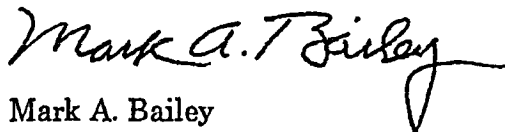
rate and the Rural rates is likely to be phased out, and if so, that will occur over the course of the next few years in future Big Rivers rate cases.

The dollar amount of the rate relief the smelters are requiring from Big Rivers is obviously a crucial issue. Big Rivers' proposal to seek net rate relief for the smelters of \$27.2 million in 2014 (an average of \$33.75 million annually over the life of the smelter contracts) was a good faith attempt to provide assistance to the smelters, consistent with the law of Kentucky, that would help them through a period of low world-wide aluminum prices, and provide a permanent basis for a long-term plan of relief involving others.

Your latest proposal requires that Big Rivers obtain consensual approval and implementation of a plan that will provide the smelters approximately \$110 million in rate relief each year for three years. This would involve reducing the smelters' rates during that period by slightly over 27.7%, and shifting the cost of that relief to the other customers on Big Rivers' members' systems. While we appreciate the smelters reducing their demand for rate relief per year during the interim rate period from \$125 million to roughly \$110 million, the remaining gap between your demand and Big Rivers' proposal is far larger than Big Rivers has the ability to close. We have no solution for how to close that gap.

Big Rivers has long recognized the importance of the smelters to the economy of Kentucky. We continue to be available to work with all interested public and private representatives for a long-term solution to the issue of smelter viability. Our hope would be that the legislative study due at the end of October will provide concepts and guidance to help achieve that goal. If legislation is needed to implement some aspect of a long-term solution, we would be receptive to working with the 2013 Kentucky General Assembly to achieve this mutual goal.

Sincerely yours,



Mark A. Bailey
President and CEO
Big Rivers Electric Corporation



P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

June 22, 2012

Mr. Michael Early
Century Aluminum of Kentucky, General Partnership
P.O. Box 500
Hawesville, Kentucky 42348

Ms. Pam Schneider
Alcan Primary Products Corporation
9404 State Route 2096
Henderson, Kentucky 42452-9735

Dear Sir and Madam:

Big Rivers Electric Corporation ("Big Rivers") has carefully reviewed the proposal presented by Mr. Early on behalf of Century Aluminum Kentucky General Partnership ("Century") and Alcan Primary Products Incorporated ("Alcan") at the meeting at the Economic Development Cabinet offices on June 20, 2012. In response to the requests of Century, Alcan and the Economic Development Cabinet, we have worked continuously since then to formulate and send out by today Big Rivers' response to that proposal.

As we said on Wednesday, the rate relief of \$125 million annually for three years proposed by the smelters is unworkable for Big Rivers. Among other things, the rate increase it would impose on the non-smelter retail customers on Big Rivers' members' systems would substantially exceed the estimated rate relief that would be required from those customers if both smelters ceased operations. A solution that goes beyond what is proposed in this letter will require the involvement of other parties.

This letter makes an alternative proposal which, while providing less rate relief than sought by the smelters, does provide interim rate relief, and offers a base on which others can construct the long-term solution so many seek to the operational feasibility issues raised by the smelters. This proposal is provided in as much detail as possible at this date.

1. **Rates.** Big Rivers proposes (i) amendments to the smelter agreements that will eliminate the charges added to the Big Rivers large industrial rate that are not paid by other large industrial retail customers, and (ii) changes to Big Rivers' tariff rates to eliminate the cost-of-service differential identified in Big Rivers' last rate case. This will provide the smelters an estimated \$27.2 million in annual rate relief (based on assumptions for 2014; an annual average of \$33.75 million over the remaining lives of the contracts). To assist in your review of this element of Big Rivers' proposal, we have quickly reviewed the smelter contracts and assembled a table describing contractual changes that Big Rivers believes, at this time, are appropriate to implement this proposal.

2. **Term.** The Big Rivers proposal would be a permanent change in the smelter service contracts, rather than a short-term change.

3. **Timing.** Big Rivers understands the need to move quickly to implement any agreement, and will commit to expedite, to the best of its ability, all actions required to obtain approvals for and to implement the proposal.

4. **Rate Case Subjects.** The smelters do not want any general adjustments to Big Rivers' rates to be included in the rate case that is filed to implement an agreed plan with the smelters. Big Rivers has made no decision about whether such additional rate relief would be required in that time frame, but if it is, believes including both issues in the same case would not delay a final order. In fact, running parallel rate cases would be confusing, and would slow both cases. But resolution of this issue can be postponed until Big Rivers determines whether additional rate relief is required on the same time table.

5. **Agreement in Principle.** The smelters proposed preparing an agreement in principle. This is acceptable to Big Rivers.

6. **Expenses.** Big Rivers' financial condition is such that the anticipated cost of negotiating smelter contract revisions and seeking the approvals required to implement any agreement with the smelters creates an unacceptable risk that Big Rivers will fail to achieve the financial metrics required by Big Rivers' loan documents for Big Rivers to continue to borrow money and secure it under Big Rivers' indenture. This problem is not solved by an arrangement under which the contribution to those costs is contingent upon the arrangements being successfully implemented. A proposal could fail for reasons beyond the control of Big Rivers, leaving Big Rivers in a very weak financial position when one or both smelters are in crisis. A consensual arrangement would involve more expense than a rate case alone. Big Rivers must have this issue resolved satisfactorily. The costs of a public affairs

campaign fall in the same category. Big Rivers is certainly willing to provide a proposed budget for these expenditures, but actual costs must be reimbursed.

7. Long Term Solution. The smelters seek an agreement to work in good faith toward a long term commitment. Big Rivers believes its proposal provides a platform on which the Commonwealth of Kentucky can build the long-term solution.

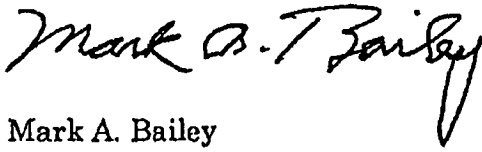
8. Justification for Relief. As we have discussed before, the smelters must provide to Big Rivers financial information on the profitability of the local smelters as required for Big Rivers to confirm that the local smelter operations require the relief being proposed, and to support a filing with the Public Service Commission. Big Rivers would also require the agreement of the smelters that they will not give a one-year notice of closure before the end of the first year following consummation of the proposal.

9. Restitution. Big Rivers' proposal has its members giving up basically all the compensation the smelters agreed to provide in 2009 in return for the members supporting the transaction by which Big Rivers reacquired control of its generating units, and entered into contracts to provide the smelters a source of firm power supply. It is appropriate to include in the Big Rivers proposal a mechanism by which some of this surrendered benefit would be restored if the smelters achieve a specified level of profitability. Time does not allow Big Rivers to make any specific proposal in this letter, however.

10. Approvals. The proposal outlined in this letter is subject to: (i) all appropriate board, regulatory, creditor and other approvals; (ii) acceptability of rate relief to Big Rivers and its creditors; and (iii) confirmation that Big Rivers' credit rating will not be suspended or reduced following the rate relief granted to Big Rivers.

We look forward to discussing this proposal with you.

Sincerely yours,

A handwritten signature in black ink that reads "Mark A. Bailey". The signature is written in a cursive style with a large, sweeping initial 'M'.

Mark A. Bailey

Copy to: Holland B. Spade
John DeZee
David Brown
Mike Haydon

**BIG RIVERS ELECTRIC CORPORATION
SMELTER SERVICE AGREEMENT PROVISIONS**

The following summarizes proposed changes to the each Retail Electric Service Agreement, dated as of July 1, 2009 (each, a "Retail Agreement"), between Kenergy Corp. ("Kenergy") and each of Alcan Primary Products Corporation ("Alcan") and Century Aluminum of Kentucky General Partnership ("Century" and, collectively with Alcan, the "Smelters"), and the corresponding Coordination Agreement, dated as of July 1, 2009, between Big Rivers Electric Corporation ("Big Rivers") the applicable Smelter.

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
Base Monthly Energy	Retail Agreement §§ 1.1.17, 1.1.18, 4.2	"Base Monthly Energy" is 368 MW per hour for Alcan and 482 MW per hour for Century. The Retail Agreements do not require the Smelters schedule Base Monthly Energy but require each Smelter to use reasonable commercial efforts to inform Kenergy and Big Rivers promptly of any material change in its intended usage of Base Monthly Energy.	The "Base Energy Charge" equals (a) the Large Industrial Rate (inclusive of any surcharges/credits, the Rebate and the Surcharge), plus \$0.00025 per kWh, plus or minus (b) an adjustment for specified variable costs, based on the Smelters' actual energy requirements and energy curtailed at the request of Big Rivers or, in some cases, the Smelters.	Eliminate the "plus \$0.00025 per kWh" from the definition of Base Energy Charge so the Smelters would be paying an amount equal to the Large Industrial Rate, plus or minus adjustments for their variable energy consumption.
Surcharge	Retail Agreement § 4.11	The Smelters will pay a Surcharge in multiple parts.	<ul style="list-style-type: none"> A fixed annual payment, of \$7,300,000 from 2012 through and including 2016, and \$10,182,813, from 2017 through 2023; The product of Base Fixed Energy and \$0.60 per MWh; The product of Base Fixed Energy and the number of cents (between zero and 60) per MW 	Eliminate provision to reduce the Smelters' overall cost of power.

OHSUSA:750919543.3

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
			<p>per hour that Big Rivers' budgeted annual average fuel costs for coal-fired generation per MWh for a given fiscal year exceed the amounts set forth in Schedule 4.11(c) of the Retail Agreement for that fiscal year, subject to a true-up; and</p> <ul style="list-style-type: none"> A fixed reduction to the surcharge of \$86,588 per month for Alcan and \$113,412 per month for Century, in each case for the first 96 billing months of the contracts. 	
Tier Adjustment Charge	Retail Agreement § 4.7	The expected total amount of additional revenue it needed to achieve a TIER of 1.24, subject to extensive exceptions and limitations, one-twelfth of which was the " <u>TIER Adjustment Charge</u> ".	One-twelfth of the estimated Tier Adjustment for the fiscal year.	Eliminate provisions to remove the Smelters' obligation to pay the TIER Adjustment Charge and end the support of Big Rivers' achievement of a 1.24 TIER, as calculated in the agreement, to lower the Smelters' overall cost of power.
Rebate	Retail Agreement § 4.9	If Big Rivers' TIER in any year exceeds 1.24, as calculated under the Smelter Agreements, then during the next fiscal year Big Rivers may elect to rebate on a kWh basis a portion of the excess amount, subject to certain limitations, to the Members. Big Rivers is seeking a rider to its tariff to affect this transfer to the	A pro rata portion of the amount it received from Big Rivers on a kWh basis (the " <u>Rebate</u> ") or a pro rata portion of the excess to Kenergy for distribution to the Smelters (the " <u>Equity Development Credit</u> ").	Eliminate provision because it only exists to rebate excess amounts paid by the Smelters under the TIER Adjustment Charge.

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
		Members.		
Potline Reduction Sales	Retail Agreement § 10.3	A Smelter, upon the ceasing of aluminum smelting operations on one of its potlines (a " <u>Potline Reduction</u> "), may request that Kenergy cause Big Rivers to sell 115 MW (plus or minus 10 MW) per hour to the market (" <u>Potline Reduction Sales</u> ") if: (a) such Smelter is reasonably likely to be able to continue aluminum smelting operations with respect to all of its other potlines; (b) such Smelter reasonably estimates the Potline Reduction will equal or exceed 12 months; and (c) no Potline Reduction Sales have been made for a period of twelve consecutive months prior to the date of such notice.	The Smelter will be entitled to a credit equal to the net proceeds of the sales.	Eliminate provision because this provision was developed to provide financial relief to the Smelters in circumstances when they were paying the TIER Adjustment Charge but not operating one of its potlines.
Operational Covenant	Coordination Agreement § 3.13	Big Rivers will covenant that it will operate its system for the benefit of the Members consistent with prudent utility practices and will apply the same standards to operating decisions that may affect the Smelter Base Rate or the Tier Adjustment. Big Rivers will covenant that it will not make an operating decision if the substantive basis for the decision is a Smelter's payment obligation	N/A	This provision was included because, when the TIER Adjustment Charge existed, Big Rivers could make a decision whose economic cost was borne by the Smelters alone. Because the Smelters no longer bear this risk, the provision should be eliminated.

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
		with respect to the Tier Adjustment.		
Depreciation Rates	Coordination Agreement § 3.10	In addition, Big Rivers will not seek any change to its depreciation rates that would be projected to cause the weighted average depreciation rates for the period from the start of New Transaction to December 31, 2016, to exceed the rates set forth in the financial model filed with the KPSC, except under certain circumstances.	N/A	Events have overtaken the purpose of this provision. The Commission has required Big Rivers to include a depreciation study in its next rate case and the provision only extends through 2016.
Restructuring	Retail Agreement § 16.5	Big Rivers protects the economics of the Retail Agreement if (i) Big Rivers or a Member engages in a restructuring, merger, acquisition of another utility system, or addition of a new member, and such transaction results in a 5% increase in the Big Rivers' sales to its Members on a pro forma basis or (ii) Big Rivers is acquired (a "Restructuring"). Big Rivers may however seek approval of an increase in the Large Industrial Rate which will increase amounts otherwise payable by the Smelters pursuant to the Smelter Base Rate upon the occurrence of a Restructuring.	Kenergy, the Smelters, and Big Rivers will determine a good faith estimate of the cumulative increase or decrease in the TIER adjustment that such a Restructuring would cause in Big Rivers over the 24 Billing Month period following the date of the effectiveness of Restructuring (the " <u>Restructuring Amount</u> ") and would increase or decrease the Smelters' charges for 48 months by 1/48th of the Restructuring Amount.	Eliminate this provision because it was included only to adjust amounts payable with respect to the TIER Adjustment Charge.

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
Budgets	Coordination Agreement § 3.4	Big Rivers provides the Smelters with a copy of Big Rivers' then-current projected operating and capital budgets for the following fiscal year. This estimated budget may be reviewed by a mutually agreed independent expert if requested by one or more Smelter who will evaluate the proposed budgeted operating expense and capital expenditures. The Smelters have the opportunity to present the conclusions of the third party to the Coordinating Committee and to Big Rivers' Board. Big Rivers also provides the Smelters with a copy of certain significant capital expenditures or operating expenses in excess of Big Rivers' budget made during the fiscal year and will allow the Smelters to make a presentation to Big Rivers' board in some cases.	N/A	This provision was included because the TIER Adjustment Charge was impacted by amounts Big Rivers budgeted. Because the amounts payable by the Smelters are no longer impacted by amounts budgeted, the provision should be eliminated.
Coordination Committee	Coordination Agreement § 4	The Smelter Agreements provide for the establishment of a "Coordinating Committee", consisting of representatives of the Members, Alcan, Century, and Big Rivers' management, organized for the purpose of analyzing information relating to	N/A	Eliminate this provision for the same reasons as the elimination of the provision regarding budgets.

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
		Big Rivers' operational and financial performance, including among others, (i) analysis criteria and procedures for evaluating plans and expenditures, (ii) budgets, (iii) fuel procurement or supply, and (iv) actual budget performance and variances.		
Capitalization Policy	Coordination Agreement § 3.15	Big Rivers agreed to capitalize expenditures for the replacement of the items related to Big Rivers' generation facilities identified in a list of retirement units set forth in a schedule to the Coordination Agreement. In effect, this provision retained WKE's units of account relating to these assets.	N/A	This provision was included because Big Rivers could make changes in its capitalization policy that could disproportionately affect the Smelters under the TIER Adjustment Charge. Because the Smelters no longer bear this risk, the provision should be eliminated.
Provision of Information	Coordination Agreement § 3.9	Big Rivers agreed to provide the Smelters operational and financial information regarding the performance of Big Rivers.	N/A	This provision was included because Big Rivers' financial and operational performance could disproportionately affect the Smelters under the TIER Adjustment Charge. Because the Smelters no longer bear this risk, the provision should be eliminated.

From: Gosselin, Serge (RTA) [mailto:Serge.Gosselin@riotinto.com]
Sent: Monday, October 01, 2012 4:42 PM
To: Mark Bailey
Cc: Greg Starheim
Subject: RE: Meeting w/ Century

Good day Mark,

Thanks for the update. We definitely can meet this Thursday. A good part of our team will be in Frankfort for the PSC presentation.

Jeremy Jenkins, Chuck Coney, Benoit Pepin, David Brown, Pam Schneider and I will be present.

I suggest to meet into our consultant office (John Cooper) meeting room witch will be available for us at 2PM this Thursday. The address is 225 Capital Ave, Frankfort. This is very close to the Capitol.

If there is a workable solution that requires our attention, I would be very interesting to be part of it and support any progress.

Please confirm that the location and the location are suitable for you.

ards,

Serge

From: Mark Bailey [mailto:Mark.Bailey@bigrivers.com]
Sent: Monday, October 01, 2012 7:57 AM
To: Gosselin, Serge (RTA)
Cc: Greg Starheim
Subject: Meeting w/ Century

Good Morning Serge:

I am writing to provide an update regarding Century's latest proposal. Late last week a meeting was requested by Century and has been arranged to take place this afternoon. After receiving our response to their "go-to-market" proposal, I received a call from Mike Bless last Thursday evening indicating they wanted to meet and offer a framework that they believe will work.

If indeed it looks like they may offer a workable solution, there may be some value in our objective teams getting together. I envision that meeting just involving Big Rivers (probably Miller, myself, Bob Berry and/or Billie Richert (our new CFO)), Kenergy (if Greg or

someone else is available), and RTA officials. Would your team happen to be in for the legislative committee meeting this Thursday? If so, perhaps something could be set up either before or after that session.

Regards,
Mark

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Mark Bailey

From: Mark Bailey
Sent: Wednesday, November 28, 2012 2:54 PM
To: 'Burns Mercer'
Subject: RE: Today's Meeting w/ Alcan

CONFIDENTIAL

I indicated the contract would need to be redone and that was why expense reimbursement was important, but did not get into specifics today.

From: Burns Mercer [mailto:bmercer@mcrecc.com]
Sent: Wednesday, November 28, 2012 2:51 PM
To: Mark Bailey
Subject: RE: Today's Meeting w/ Alcan

Did you talk about redoing the contract? Bandwidth, etc.

From: Mark Bailey [mailto:Mark.Bailey@blgrivers.com]
Sent: Wednesday, November 28, 2012 3:38 PM
To: Bill Denton; Jim Sills; Larry Elder; Lee Bearden; Paul E. Butler; Wayne Elliott; Burns Mercer; Greg Starheim; Kelly Nuckols
Subject: Today's Meeting w/ Alcan

As a FYI, I wanted to let you know that Jim Miller, Bob Berry, Billie Richert, Greg Starheim, Kelly Nuckols and I met with Alcan officials a short time ago to respond to the \$43/MWh proposal they made to us on November 8th. We responded that their proposal wouldn't work, but if they were willing to cover our incremental costs in working out the details, that we were willing to explore insulating them from the rate increase that would be necessary due to Century's departure. My sense was that they were pleased we came back with something other than a "no".

Many of their questions dealt with the potential time gap after the PSC grants the impending rate increase they would have to absorb due to Century and when any agreement we might reach with them could be approved by the PSC. They were also curious what we meant by paying our incremental costs including our estimate of what those might total. I noted that we would expect them to carry their share of future rate increases including the 3% we planned to file this year even if Century had not given Notice. I also said we would expect to obtain their earlier offer to let any financial benefit that would come from future revenue that would come from selling power Century previously purchased to the remaining Members. I also tried to make it clear that our proposal did not leave the door open to a counter offer.

The meeting lasted about a half an hour. I believe it ended positively. They intend to crunch the numbers and get back to us.

We'll keep you posted.
Mark

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Mark Bailey

From: Mark Bailey
Sent: Tuesday, October 02, 2012 11:05 AM
To: jmllder@smsmlaw.com; Bob Berry; John Talbert
Cc: Billie Richert; Greg Starheim
Subject: Meeting w/RTA Thursday Afternoon

CONFIDENTIAL

I just received a call from Serge Gosselin from RTA and confirmed we will meet with them at John Cooper's office (225 Capital Ave.) at 2 PM Thursday. He asked how the meeting went with Century, what we planned to discuss, and what I knew about the Legislative Committee report to be made Thursday. I told him I was told the meeting with Century went well to which he seemed surprised (as if Century had reversed their position). He said he didn't have a feel for Thursday's report (that they had just seen pieces), but was told it would list options and that state officials would have to decide which, if any, they might pursue. Mark

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Mark Bailey

From: Mark Bailey
Sent: Wednesday, December 05, 2012 9:44 AM
To: 'Burns Mercer'; 'Kelly Nuckols'; jmillier@smsmlaw.com; 'Bill Denton'; 'James Sills'; 'Larry Elder'; 'Lee Bearden'; 'Paul Edd Butler'; 'Wayne Elliott'
Cc: Greg Starheim
Subject: FW: Update on Sebree Works

CONFIDENTIAL

FYI. Mark

From: Gosselin, Serge (RTA) [mailto:Serge.Gosselin@riotinto.com]
Sent: Wednesday, December 05, 2012 9:39 AM
To: Mark Bailey
Subject: FW: Update on Sebree Works

Sorry Mark, I used a wrong email address.

Please see below.

Have a good day.

Serge

From: Gosselin, Serge (RTA)
Sent: Wednesday, December 05, 2012 9:37 AM
To: Greg Starheim; Bailey, Mark (RTAYARWUN)
Cc: Miller, Jack (Cable); Seberger, Donald (RTSS)
Subject: Update on Sebree Works

Good morning Mark, good morning Greg,

I want to make a quick follow up with you following our meeting last Wednesday November 28th. But first, I want to thank you again for your work and openness to reach a solution for sustainability of our plant.

We will, in the coming days, meet Rio Tinto people involved into business evaluation and development in order to analyze your offer. As you know, we were very troubled when we saw the 2013 BREC Draft Budget, showing huge rate increase up to ~60\$/MWh. Then we worked on our side to evaluate a "Cost of service" approach and proposed a "Sebree Solution" at ~43\$/MWh to you. What you presented last week is, as we mentioned during the meeting, not what we need for long term sustainability. But we definitely recognize that is an important step to find a solution for both organizations.

Our meeting for scenarios evaluation will be next week. We will then update our headquarters and try to get direction to finally update you formally.

With Christmas coming soon, I hope we will be able to come back to you with formal feedback in 2012. Otherwise, it will be very early 2013.

Thanks again.

CONFIDENTIAL 1

Regards,

Serge

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CONFIDENTIAL

Mark Bailey

From: Mark Bailey
Sent: Wednesday, December 19, 2012 10:21 AM
To: Burns Mercer (bmercer@mcrecc.com); 'Bill Denton'; 'James Silis'; 'Larry Elder'; 'Lee Bearden'; 'Paul Edd Butler'; 'Wayne Elliott'
Cc: Greg Starheim; 'Kelly Nuckols'
Subject: Meeting w/ Alcan

CONFIDENTIAL

As an FYI, you may recall that our team (Billie Richert, Bob Berry, Jim Miller, Kelly Nuckols, Greg Starhelm and me) was to meet with Alcan officials this morning to continue discussions. The short of it is that while appreciative of the proposal we last made, they have concluded they still need power in the \$43 per MWh range to be viable. They wanted to explore whether we could agree on the difference between what we believe we can live with (~\$50 to \$51) and what they need with a view that we jointly approach the state with a specific number to ask for assistance. We responded we could not agree to that at this time and would need to have some internal discussions before we could give them a response. We further indicated we would probably be able to get back to them shortly after the first of the year. Obviously, we will discuss in further detail later this week. Look forward to seeing you then. Regards, Mark

CONFIDENTIAL

Mark Bailey

From: Greg Starheim <GStarheim@kenergycorp.com>
Sent: Friday, December 21, 2012 3:58 PM
To: Mark Bailey
Cc: Larry Elder; Bill Denton; Burns Mercer; 'Kelly. Nuckols@jpenenergy.com'
(Kelly.Nuckols@jpenenergy.com); Greg Starheim
Subject: Alcan Proposal - Kenergy Position

CONFIDENTIAL

Mark,

Kenergy board just met. They support the proposal made to Alcan - i.e. isolate Alcan from the Cent rate impact @ \$50-51/MWh. Call with any questions.

**Greg
Sent from my iPhone**

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CONFIDENTIAL

Mark Bailey

From: Mark Bailey
Sent: Friday, December 21, 2012 4:07 PM
To: Greg Starheim
Subject: Re: Alcan Proposal - Kenergy Position

CONFIDENTIAL

Thanks. Have a safe trip and wonderful holidays. Mark

Sent from my iPhone

On Dec 21, 2012, at 3:58 PM, "Greg Starheim" <GStarheim@kenergycorp.com> wrote:

> Mark,

>

> Kenergy board just met. They support the proposal made to Alcan - i.e. isolate Alcan from the Cent rate impact @ \$50-51/MWh. Call with any questions.

>

> Greg

> Sent from my iPhone

>

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Mark Bailey

From: Mark Bailey
Sent: Thursday, December 27, 2012 2:09 PM
To: Billie Richert
Subject: RE: Big Rivers Cost of Service & Rates data

CONFIDENTIAL

Billie, I am having trouble determining where the change was made. Perhaps when it is convenient (no hurry at all) you can come by and show me. I know you are on vacation so no need to interrupt it any more than necessary for this at this time. Thanks, Mark

From: Billie Richert
Sent: Thursday, December 27, 2012 10:16 AM
To: 'Kelly.Nuckols@jpenenergy.com' (Kelly.Nuckols@jpenenergy.com) (Kelly.Nuckols@jpenenergy.com) (Kelly.Nuckols@jpenenergy.com); bmercerc@mcreecc.com; Greg Starheim (gstarheim@kenenergycorp.com); Karen Brown; Steve Thompson; Chuck Williamson
Cc: Mark Bailey
Subject: FW: Big Rivers Cost of Service & Rates data

All,
Kelly called this morning to report that on Page 32 of the Cost of Service Study, the Proposed Large Industrial Total Demand and Energy Rate was missing. This value is \$.052029 and is now reflected in the revised attached report. Please let me know if you have questions.

Thanks,
Billie

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Mark Bailey

From: Mark Bailey
Sent: Thursday, January 03, 2013 11:27 AM
To: Greg Starheim
Cc: Burns Mercer (bmercerc@mcrecc.com); Kelly Nuckols (kelly.nuckols@jpenenergy.com); 'Bill Denton'; 'James Sills'; 'Larry Elder'; 'Lee Bearden'; 'Paul Edd Butler'; 'Wayne Elliott'
Subject: FW: Mark Bailey

Greg, Happy New Year. FYI. I am scheduled to meet with the Jackson Purchase Board the evening of January 7th. Hope your meetings at ACES are going well. Regards, Mark

From: Mark Bailey
Sent: Thursday, January 03, 2013 11:25 AM
To: 'Gosselin, Serge (RTA)'
Subject: RE: Mark Bailey

CONFIDENTIAL

Hi Serge,

Thanks for the New Year wishes. I wish you the same as well as the hope you are having and will continue to have a good vacation. Thanks too, for the offer to make yourself available for a conversation. I don't believe that will be necessary as I attempted a contact just to provide a status report.

During our last gathering, Big Rivers was asked (my interpretation – please let me know if I have missed the mark) whether Big Rivers could agree on the difference in the assistance Big Rivers could provide in rate relief (pricing at the current cost you are paying including the planned rate relief we would have requested in a PSC filing in 2013 even if Century had not given us a Termination Notice - which we estimated would put Alcan at ~ \$50 – 51 per MWh) and what RTA needs in the way of an electric rate to provide long term sustainability which RTA estimates is ~ \$43 per MWh). I was also asked whether Big Rivers would be willing to join RTA in seeking outside assistance for the difference (i.e. \$50 - \$51 minus \$43 times ~ 3,200,000 MWh per year = ~ \$24 million if you split the difference in Big Rivers' estimated price range). I indicated I would get back to you after the first of the year which is the reason for my attempted contact with you.

Since our last meeting, we have been having internal discussion on this matter with additional discussion scheduled for Monday, January 7th. I contacted you to pass this information along and to say that I expect to have answers to RTA's questions by Tuesday January 8th. I will plan to contact you at that time if that is OK. I hope your return trip to Kentucky is a safe and uneventful one.

Regards,
Mark

From: Gosselin, Serge (RTA) [mailto:Serge.Gosselin@riotinto.com]
Sent: Thursday, January 03, 2013 10:57 AM
To: Mark Bailey
Subject: Fw: Mark Bailey

Hello Mark,

CONFIDENTIAL 1

First, I want to wish you an great year 2013.

I'm informed by Donna that you tried to reach me. I'm still in vacation but for sure I can make myself available if you want to talk to me. I'm back in KY saturday PM but If you want to talk before, please let me know at what time you are available and I'll call you on your cell.

Regards,

Serge

CONFIDENTIAL

Serge Gosselin

From: Freitag, Donna (RTA)
Sent: Thursday, January 03, 2013 09:56 AM
To: Gosselin, Serge (RTA)
Subject: Mark Bailey

Hi Serge,

Has Mark Bailey been able to reach you in the past half hour? I received a call from Paula a little while ago and she said he had tried your cell phone but got no answer. If he hasn't reached you, you may want to give him a call. His office phone is 270-844-6101. Paula's number is 270-844-6102.

Hope you're enjoying your vacation. See you next Monday.

Donna Freitag
Administrative Assistant

Rio Tinto
9404 State Route 2096, Robards, KY, 42452, USA

T: +1 (270) 521 7302 F: +1 (270) 521 7341
donna.freitag@riotinto.com

<http://www.sebreeworks.com>

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Mark Bailey

From: Mark Bailey
Sent: Tuesday, January 08, 2013 12:54 PM
To: jmiller@smsmlaw.com; 'Al Yockey'; Billie Richert; Bob Berry; 'David Crockett'; Eric Robeson (Eric.Robeson@bigrivers.com); 'James Haner'; Marty Littrel; 'Paula Mitchell'
Subject: FW: Alcan

FYI. I also have heard definitively from all Members (other than Kenergy) that they will intervene in our rate case, but not oppose it. Kenergy is just not certain what their position will be at this time although I understand they do plan to intervene. Mark

From: Mark Bailey
Sent: Tuesday, January 08, 2013 12:23 PM
To: 'Bill Denton'; 'James Sills'; 'Larry Elder'; 'Lee Bearden'; 'Paul Edd Butler'; 'Wayne Elliott'
Cc: 'Burns Mercer'; Greg Starhelm; 'Kelly Nuckols'
Subject: Alcan

As a FYI and in follow-up to our discussion during the last Board meeting regarding where each Member stands on the earlier proposal (subject to conditions) we made to Alcan to insulate them from the Century rate increase (e.g. holding Alcan's rate in the \$50 - \$51 dollar range), all Members have weighed in. Kenergy and Meade are supportive with JP maintaining a position consistent with the Resolution they passed a number of months ago opposing any relief (my paraphrasing; not necessarily those in the JP Resolution) for the smelters. I plan to contact the Sebree manager later this week indicating Big Rivers is willing to stand by the proposal we floated to them on November 28, 2012 and are willing to communicate in concert with Alcan to State officials (without putting any pressure on those officials) that we could offer relief at that level if the state (or some other entity) could make up the difference to get Alcan comfortable (e.g. \$43 according to Alcan). Regards, Mark

CONFIDENTIAL

Mark Bailey

CONFIDENTIAL

From: Mark Bailey
Sent: Tuesday, January 15, 2013 8:52 AM
To: 'Burns Mercer'; 'Kelly Nuckols'; 'Al Yockey'; Billie Richert; Bob Berry; 'David Crockett'; Eric Robeson (Eric.Robeson@bigrivers.com); 'James Haner'; Marty Littrel; 'Paula Mitchell'; 'Bill Denton'; 'James Sills'; 'Larry Elder'; 'Lee Bearden'; 'Paul Edd Butler'; 'Wayne Elliott'
Cc: Greg Starhelm
Subject: FW: Follow-up on BREC offer for energy supply

FYI. Mark

From: Gosselin, Serge (RTA) [mailto:Serge.Gosselin@riotinto.com]
Sent: Tuesday, January 15, 2013 8:36 AM
To: Mark Bailey
Cc: Greg Starhelm; Miller, Jack (Cable); Seberger, Donald (RTSS)
Subject: Follow-up on BREC offer for energy supply

Good day Mark,

This email is intended to follow-up with your proposal made last week on a potential solution for future energy rates.

From my understanding and to summarize, BREC's proposal is to work toward isolating Sebree Works from any impact related to Century's notice. This will require support from BREC's shareholders, a new rate case to present to the KPSC, a new contract between BREC/Kenergy/Sebree and, I expect, a prior agreement in order to ensure that Sebree will pay all fees related to these exercises. The end result will be a status quo with the current situation, a rate of ~50-51\$/MWh for maybe 2014.

As you know Mark, we have worked with BREC, Kenergy, legislators and local leaders for few years now in order to solve this long term and deteriorating issue related to energy price. Century's notice accelerated the issue. But, at the end, your offer can be summarized as an "endorsement" of the status quo, which we can't support. Furthermore, we are not even sure that it will be fully supported by your members and the KPSC. And time it ticking...

Again, and I mean this sincerely, I appreciate the time you have spent trying to accommodate the situation of our business.

But, the rate case that BREC intends to present to the KPSC in January 2013, in link with Century's notice and application for termination on August 2013 is real and severely impacts our operation. We are already at high risk with the current rate price... And no aluminum smelter is in business with ~60\$/MWh, worldwide.

We are currently looking at our options, and there are not a lot of these to be quite frank.

In any case, I hope that we will be able to continue to maintain the good communication channels we have built whatever the road we may need to take for the sustainability of the business.

sincerely,
gards,

CONFIDENTIAL

Serge

Serge Gosselin
General Manager

CONFIDENTIAL

Rio Tinto / Sebree Works

9404 State Route 2096, Robards, Kentucky, 42452-9735, USA

T: +1 (270) 521 7300 M: +1 (270) 577 4162 F: +1 (270) 521 7305
serge.gosselin@riotinto.com / www.sebreeworks.com

Assistant : Donna Freitag 270-521-7302

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Mark Bailey

From: Mark Bailey
Sent: Wednesday, January 16, 2013 11:51 AM
To: 'Burns Mercer'; 'Kelly Nuckols'; 'Bill Denton'; 'James Sills'; 'Larry Elder'; 'Lee Bearden'; 'Paul Edd Butler'; 'Wayne Elliott'
Cc: Greg Starheim
Subject: FW: Follow-up on BREC offer for energy supply

CONFIDENTIAL

FYI. Mark

From: Mark Bailey
Sent: Wednesday, January 16, 2013 11:50 AM
To: 'Gosselin, Serge (RTA)'
Cc: Greg Starheim
Subject: RE: Follow-up on BREC offer for energy supply

Hello Serge, Thanks for your message. I am sorry to hear our proposal will not work for RTA Sebree. By way of clarification, that proposal was actually made on November 28, 2012; it was only the level of commitment from the distribution cooperatives that was communicated last week along with an answer to RTA's question whether we would be willing to commit that level of support to state officials. I also note that the proposal was made with the understanding it would be covered by the confidentiality agreement. In the meantime, should you wish to have any additional discussion, please don't hesitate to contact me. Regards, Mark

From: Gosselin, Serge (RTA) [mailto:Serge.Gosselin@riotinto.com]
Sent: Tuesday, January 15, 2013 8:36 AM
To: Mark Bailey
Cc: Greg Starheim; Miller, Jack (Cable); Seberger, Donald (RTSS)
Subject: Follow-up on BREC offer for energy supply

CONFIDENTIAL

Good day Mark,

This email is intended to follow-up with your proposal made last week on a potential solution for future energy rates.

From my understanding and to summarize, BREC's proposal is to work toward isolating Sebree Works from any impact related to Century's notice. This will require support from BREC's shareholders, a new rate case to present to the KPSC, a new contract between BREC/Kenergy/Sebree and, I expect, a prior agreement in order to ensure that Sebree will pay all fees related to these exercises. The end result will be a status quo with the current situation, a rate of ~50-51\$/MWh for maybe 2014.

As you know Mark, we have worked with BREC, Kenergy, legislators and local leaders for few years now in order to solve this long term and deteriorating issue related to energy price. Century's notice accelerated the issue. But, at the end, your offer can be summarized as an "endorsement" of the status quo, which we can't support. Furthermore, we are not even sure that it will be fully supported by your members and the KPSC. And time it ticking...

ain, and I mean this sincerely, I appreciate the time you have spent trying to accommodate the situation of our business.

But, the rate case that BREC intends to present to the KPSC in January 2013, in link with Century's notice and application for termination on August 2013 is real and severely impacts our operation. We are already at high risk with the current rate price... And no aluminum smelter is in business with ~60\$/MWh, worldwide.

We are currently looking at our options, and there are not a lot of these to be quite frank.

In any case, I hope that we will be able to continue to maintain the good communication channels we have built whatever the road we may need to take for the sustainability of the business.

Regards,

Serge

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Serge Gosselin
General Manager

Rio Tinto / Sebree Works

9404 State Route 2096, Robards, Kentucky, 42452-9735, USA

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BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 2)** *Please refer to Section 4.1 (Monthly Charge) of the Electric Service Agreement*
2 *between Kenergy Corp. and Century Aluminum Sebree LLC.*

3 *a. On a per Mwh basis over the first 24 months of the Agreement, please*
4 *provide Kenergy's estimated cost to provide each of the services listed in*
5 *Sections 4.1.1 through 4.1.6.*

6
7 **Response)** The provisions of the ESA provide for Kenergy providing "market power"
8 supply to Century. The initial and default provision of the agreement is that power supply will
9 be sourced from the MISO day-ahead market which, by definition, is variable. Other aspects of
10 Electric Service defined in Section 1.1.31 are also variable and based on market conditions.
11 Furthermore, because Kenergy is uncertain of what other costs might be incurred under this
12 arrangement, it is not possible to provide a definitive estimate of the costs to provide Electric
13 Service in future months.

14

15 **Witness)** Gregory J. Starheim

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
dated December 4, 2013

December 13, 2013

1 **Item 3)** *Please refer to Section 4.1 (Monthly Charge) of the Arrangement and*
2 *Procurement Agreement between Big Rivers Electric Corporation and Kenergy Corp.*

3 *a. On a per Mwh basis over the first 24 months of the Agreement, please*
4 *provide Big Rivers' estimated cost to provide each of the services listed in*
5 *Sections 4.1.1 through 4.1.6.*

6
7 **Response)**

8 a. Big Rivers will be procuring the services listed in Sections 4.1.1 through 4.1.6
9 through the MISO market. Those charges will fluctuate based on market
10 changes. Big Rivers has not estimated those charges over the next 24 months
11 for Century Sebree, as Big Rivers' Members will not be responsible for any of
12 these costs.

13
14 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 4)** *Please refer to Sections 5.1 (Market Invoices) and 5.2 (Monthly Invoices For*
2 *Other Amounts) of the Electric Service Agreement between Kenergy Corp. and Century*
3 *Aluminum Sebree LLC.*

4 *a. On a per Mwh basis over the first 24 months of the Agreement, please*
5 *provide Kenergy’s estimated cost to provide service under Sections 5.1 and*
6 *5.2 of the Agreement.*

7
8 **Response)** Please see the response to KIUC 1-2.

9

10 **Witness)** Gregory J. Starheim

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
dated December 4, 2013

December 13, 2013

1 **Item 5)** *Please refer to Sections 5.1 (Market Invoices) and 5.2 (Monthly Invoices For*
2 *Other Amounts) of the Arrangement and Procurement Agreement between Big Rivers Electric*
3 *Corporation and Kenergy Corp.*

4 *a. On a per Mwh basis over the first 24 months of the Agreement, please*
5 *provide Big Rivers' estimated cost to provide service under Sections 5.1*
6 *and 5.2 of the Agreement.*

7

8 **Response)**

9 a. Please see the response to KIUC 1-3.

10

11 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 6)** *On an all-in fully delivered basis, over the first 24 months of the proposed*
2 *Electric Service Agreement, please provide the estimated cost that Kenergy projects that*
3 *Century Aluminum Sebree LLC will pay for Electric Services as that term is defined in Section*
4 *1.1.31. Please provide all supporting work papers that were used in quantifying your answer.*

5

6 **Response)** Please see the response to KIUC 1-2.

7

8 **Witness)** Gregory J. Starheim

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
dated December 4, 2013

December 13, 2013

1 **Item 7)** *On an all-in fully delivered basis, over the first 24 months of the proposed*
2 *Arrangement and Procurement Agreement, please provide the estimated cost that Big Rivers*
3 *projects that Kenergy Corp. will pay for Electric Services as that term is defined in Section*
4 *1.1.30. Please provide all supporting work papers that were used in quantifying your answer.*

5

6 **Response)**

7 a. Please see the response to KIUC 1-3.

8

9 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
dated December 4, 2013

December 13, 2013

1 **Item 8)** *Please provide a copy of all requests to APPC from Big Rivers and/or Kenergy*
2 *for financial information (revenues, production costs, income statement, balance sheet, etc.) to*
3 *determine the profitability, or lack thereof, of the Sebree Smelter and a copy of all responses*
4 *thereto for the two years prior to APPC's Notice of Termination.*

5

6 **Response)** In 2012 several meetings were held between Big Rivers, Century, Alcan and the
7 Kentucky State Economic Cabinet. Both Big Rivers and the Kentucky State Economic Cabinet
8 requested financial information from Century and Alcan; however, to the best of our knowledge
9 no financial information was ever produced. The Kentucky Public Service Commission also
10 requested financial information from Century and Alcan in a post-hearing data response in Case
11 No. 2011-00036. The financial information was provided under a petition for confidential
12 treatment. Please also see the responses to KIUC 1-1 and KIUC 1-12(b).

13

14 **Witnesses)** Robert W. Berry - Big Rivers

15 Gregory J. Starheim - Kenergy

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 9)** *Please provide a copy of all requests to APPC from Big Rivers and/or Kenergy*
2 *for financial information (revenues, production costs, income statement, balance sheet, etc.) to*
3 *determine the profitability, or lack thereof, of the Sebree Smelter and a copy of all responses*
4 *thereto after APPC's Notice of Termination.*

5

6 **Response)** See the response to KIUC 1-8.

7

8 **Witnesses)** Robert W. Berry - Big Rivers

9 Gregory J. Starheim - Kenergy

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 10)** *Please provide a copy of all requests to Century from Big Rivers and/or Kenergy*
2 *for financial information (revenues, production costs, income statement, balance sheet, etc.) to*
3 *determine the profitability, or lack thereof, of the Sebree Smelter and a copy of all responses*
4 *thereto if the currently effective power contract remains in place.*

5

6 **Response)** Big Rivers and/or Kenergy did not request any financial information from
7 Century to determine the profitability of the Sebree smelter if the current contract remains in
8 place.

9

10 **Witnesses)** Robert W. Berry - Big Rivers

11 Gregory J. Starheim - Kenergy

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 11)** *Please provide a copy of all requests to Century from Big Rivers and/or Kenergy*
2 *for financial information (revenues, production costs, income statement, balance sheet, etc.) to*
3 *determine the profitability, or lack thereof, of the Sebree Smelter and a copy of all responses*
4 *thereto if market based pricing for generation service is approved by the Commission as*
5 *requested in the Joint Application.*

6

7 **Response)** Big Rivers and/or Kenergy have not requested any financial information from
8 Century regarding the Sebree smelter.

9

10 **Witnesses)** Robert W. Berry - Big Rivers
11 Gregory J. Starheim - Kenergy

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 12)** *Please refer to the following statement on page 5 of Mr. Starheim's Direct*

2 *Testimony:*

3 *Alcan represented to Kenergy that it might keep the Sebree smelter in operation*
4 *if Kenergy could provide the company with power supply from the wholesale*
5 *power market, along the lines of what was being offered to Century Hawesville,*
6 *rather than from Big Rivers.*

7

8 *a. Please provide a copy of all correspondence and all other documents related to*

9 *the negotiations between Big Rivers and/or Kenergy and Alcan to "provide the*

10 *company with power supply from the wholesale power market, along the lines*

11 *of what was being offered to Century Hawesville, rather than form Big Rivers."*

12 *b. Please provide a copy of all financial analysis performed by Big Rivers and/or*

13 *Kenergy to determine if a market based power supply was necessary to keep the*

14 *Sebree smelter in operation.*

15

16 **Response)** Big Rivers and Kenergy object that this request is overly broad and unduly

17 burdensome to the extent that it seeks production of drafts of agreements. They further object to

18 the extent that this request seeks information that is subject to the attorney client and attorney

19 work product privileges. Notwithstanding these objections and without waiving them, they state

as follows.

Case No. 2013-00413

Response to KIUC 1-12

Witnesses: Robert W. Berry and Gregory J. Starheim

Page 1 of 3

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

- 1 a. Please see the attached documents for correspondence between Big Rivers and/or
2 Kenergy and Alcan regarding market-priced power negotiations. The documents
3 attached here are not confidential, notwithstanding any markings to the contrary.
- 4 b. Neither Big Rivers nor Kenergy performed financial analysis of whether a
5 market-based power supply was necessary to keep the Sebree smelter in
6 operation. On January 31, 2013, Big Rivers and Kenergy received a letter from
7 Mr. Jack Miller, President of Alcan Primary Products Corporation ("APPC"),
8 constituting written Notice of Termination in accordance with Section 7.3.1 of the
9 Retail Electric Agreement dated July 1, 2009. In that same letter Mr. Miller
10 stated that he believed Big Rivers and Kenergy had entered into negotiations with
11 Century to waive the obligations of Section 7.3.1 and to otherwise assist Century
12 to access market power in order to keep Century's Hawesville smelter open
13 beyond August 20, 2013. He further stated that in the event APPC decided in the
14 future that market power might be an option to keep the Sebree smelter
15 operational, APPC would expect the same accommodations from Big Rivers and
16 Kenergy on terms no less favorable than those offered to Century. The only
17 financial information Big Rivers has regarding the profitability of the Alcan

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
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Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 smelter comes from monthly plant newsletters distributed to the Alcan employees;
2 those newsletters reflect monthly results of the Sebree plant Key Performance
3 Indicators (KPI's). Please see the attached Alcan monthly newsletters dated
4 December 2012 and May 2013.

5

6 **Witnesses)** Robert W. Berry and Gregory J. Starheim

Larry Baronowsky

From: Coney, Chuck (RTA) <chuck.coney@riotinto.com>
Sent: Tuesday, March 26, 2013 2:21 PM
To: Greg Starheim; Bob Berry
Cc: Pepin, Benoit (RTA); Jenkins, Jeremy (RTA); Brown, David; Seberger, Donald (RTSS)
Subject: Proposed Agenda
Attachments: Kick-Off Agenda for Meeting 28March2013.doc

Greg and Bob,

Attached is a proposed agenda for this Thursday's meeting. Could you please review and offer any comments or suggestions? Also, please tell me if you want to discuss other topics at this initial meeting.

Thanks,

Charles Coney, P.E.
Manager - Strategic Projects

Sebree Works / Rio Tinto
9404 State Route 2096, Robards, KY, 42452, USA

T: +1 (270) 521 7429 F: +1 (270) 521 7305
chuck.coney@riotinto.com <http://www.sebreeworks.com>

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Alcan Primary Products Corporation
9404 State Route 2096
Robards, KY 42452-9735
USA
T +1 (270) 521 7811
F +1 (270) 521 7305

Date: March 26, 2013
Subject: Post Termination Power Supply Arrangements
Proposed Agenda
Kick-Off Meeting – March 28, 2013

Dear Mr. Starhelm and Mr. Berry,

We propose the following Agenda for Thursday's initial meeting regarding Post-Termination Power Supply Arrangements for Sebree Works. The Agenda focuses primarily on defining roles and responsibilities, clarifications regarding the Terms Sheet and prioritizes short term activities. It is aggressive for a 3-hour meeting, but hopefully we have time to discuss most of the topics. We welcome feedback as well as other items you wish to add to the Agenda.

1. Roles of each participant in the transaction; duties and financial responsibilities
 - a. Alcan
 - b. Kenergy
 - c. BREC
 - d. ACES
 - e. Financial Market Participant
 - f. Generator
 - g. MISO
2. Immediate activities and risks
 - a. Must-run condition
 - i. Filing Y2 attachment
 - ii. Cost (\$???)
 - iii. Timing (60-90 days)
 - b. Sebree node
 - i. Filing (June 15)
 - ii. Cost (\$70k)
 - c. Market Participant registration
 - d. Other steps and costs?
3. Flexibility of Load and Scheduling
4. Tax Status
5. MISO membership
6. Charges to Alcan (Section 4C)
7. Other matters (Section 4O)
8. Monthly Bill (Section 5A)

Sincerely,

Chuck Coney
Manager – Strategic Projects



Larry Baronowsky

From: Coney, Chuck (RTA) <chuck.coney@riotinto.com>
Sent: Thursday, April 04, 2013 11:40 AM
To: Jenkins, Jeremy (RTA); Pepin, Benoit (RTA); Greg Starheim; Bob Berry
Subject: Agenda for tomorrow's conference call
Attachments: Agenda for Meeting 05April2013R1.doc

Attached is a proposed Agenda for tomorrow's conference call. Please review and if you have any comments or recommendations, get them back to me and I will add to the Agenda.

Bob – I have a check for \$70k made out to BREC to compensate for filing the Attachment Y-2. I was hoping to bring it by BREC and give it to you on my way home from work today. What time would be convenient to drop it off?

Thanks,

Charles Coney, P.E.
Manager - Strategic Projects & Business Improvement

Sebree Works / Rio Tinto
9404 State Route 2096, Robards, KY, 42452, USA

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chuck.coney@riotinto.com <http://www.sebreeworks.com>

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Alcan Primary Products Corporation
9404 State Route 2096
Robards, KY 42452-9735
USA
T +1 (270) 521 7811
F +1 (270) 521 7305

Date: April 4, 2013
Subject: Post Termination Power Supply Arrangements
Proposed Agenda
Conference Call – April 5, 2013

Dear Mr. Starhelm and Mr. Berry,

We propose the following Agenda for Friday's call. The focus is primarily on the MISO Attachment Y-2, pricing and terms of payment. We welcome feedback as well as other items you wish to add to the Agenda.

1. Status of Reimbursement and Escrow Agreements
2. MISO Attachment Y-2
 - a. Direct payment
 - b. Scenarios to be presented to MISO for analysis
 - c. Status of MISO analysis for Coleman & Wilson
 - d. Impact of MISO Attachment Y Alternatives Study (26 weeks following Notice)
3. Pricing in BREC spreadsheet
 - a. What product/services are contained?
 - i. Energy
 - ii. Capacity
 - iii. MISO – review all schedules
 - iv. *Pro forma* statement of account from MISO to BREC
 - v. MTEP – Schedule 26A (MISO website)
 - b. What product/services are not included?
 - i. SSR
4. Terms of Payment (Sections IV & V of Terms Sheet)

Sincerely,

Chuck Coney
Manager – Strategic Projects & Business Improvement



Larry Baronowsky

From: Pepin, Benoit (RTA) <benoit.pepin@riotinto.com>
Sent: Saturday, April 06, 2013 9:42 AM
To: Bob Berry; Coney, Chuck (RTA); Jenkins, Jeremy (RTA); gstarheim@kenegy.com
Subject: MISO Schedule 26 and 26A Charge Projections

Thanks Bob. Sorry to make you work on a Saturday!
On my side I received assurance that you will see progress on the agreements as a meeting was planned early this week for this purpose.

Benoit Pepin
Directeur Énergie, Amérique du nord
Rio Tinto Alcan
Tel: (514) 848.1406

De : Bob Berry [mailto:Bob.Berry@blgrivers.com]
Envoyé : Saturday, April 06, 2013 09:20 AM
À : Pepin, Benoit (RTA); Coney, Chuck (RTA); Jenkins, Jeremy (RTA)
Cc : Bob Berry <Bob.Berry@blgrivers.com>
Objet : FW: MISO Schedule 26 and 26A Charge Projections

Benoit,

Below is the link for the Schedule 26 and 26A charge projections from MISO. They have been updated recently by MISO, so these numbers will be slightly different from what we previously reported to you. The schedule 26 charges are reflected in total dollars so to get a dollar per megawatt hour rate just divide the number by 7,300,000 (total MWh of the two smelters). The schedule 26A estimates is reflected in \$/MWh. Please feel free to contact me if you have any further questions. Per our phone call we will send the other requested information by mid-week.

Regards
Bob

<https://www.midwestiso.org/Planning/TransmissionExpansionPlanning/Pages/MTEPStudies.aspx>

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Larry Baronowsky

From: Pepin, Benoit (RTA) <benoit.pepin@riotinto.com>
Sent: Tuesday, April 16, 2013 8:10 AM
To: Bob Berry
Cc: gstarhelm@kenegycorp.com; Coney, Chuck (RTA); Jenkins, Jeremy (RTA)
Subject: RE: MISO Attachment Y-2 filing for Green Station

Hi Bob,

Sorry for the delay. We pretty much completed our internal review of the Y2 but I am still waiting for an internal approval. I will keep you posted as soon as I get it. Thanks.

Benoit Pepin

Directeur Énergie, Amérique du nord / Director Energy, North America
Activités commerciales, énergie et produits carbonés / Commercial, Energy, Carbon Products

Rio Tinto Alcan

1188, rue Sherbrooke Ouest, Montréal, Québec, H3A 3G2, Canada

T: +1 (514) 848 1406 C: +1 (514) 239 4741 F: +1 (514) 848 1439
benoit.pepin@riotinto.com <http://www.riotinto.com/riotintoalcan>

De : Bob Berry [mailto:Bob.Berry@bigrivers.com]
Envoyé : 15 avril 2013 09:15
À : Pepin, Benoit (RTA); Coney, Chuck (RTA); Jenkins, Jeremy (RTA)
Cc : Greg Starhelm (gstarhelm@kenegycorp.com)
Objet : MISO Attachment Y-2 filing for Green Station

Benoit,

Do you have any comments or suggestions to the MISO attachment Y-2 we provided on April 5? It was my understanding you were to check with your folks and provide comments back to us before we file the attachment Y-2. Please let me know if you have any comments so that we can file the documents.

On another note, Greg informed me this morning that you did not receive my earlier email with the executed copy of the Common Interest Confidentiality Agreement. Attached please find an executed copy of the Common Interest Confidentiality Agreement. Please contact me if you have any questions.

Regards
Bob

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Greg Starheim

From: Gosselin, Serge (RTA) <Serge.Gosselin@riotinto.com>
Sent: Tuesday, October 30, 2012 4:47 PM
To: Greg Starheim; mark.bailey@bigrivers.com
Subject: Meeting with Sebree Works management team

Good afternoon gentlemen,

Following brief discussion we had in Frankfort regarding 2013 Big Rivers Draft Budget, I would like to continue our open discussion and present you a path a solution in order to fix the important issue Sebree Work face on energy rate.

My team and I have worked hard in order to analyze the situation and find a way to not only fix our issue but also mitigate the expected significant rate increase that other rate payers (Rural and Industrial) may face if we can't fix this. This proposed meeting represents the first step of many upcoming actions we want to make this fall to secure and sustain our plant for both short term and long term operation. As key business partners, it is important that those actions begin with a good reciprocal understanding of what we will present as the Sebree Solution.

So, I'm inviting you to a meeting on Thursday November 8th, 1h00PM at our plant in Robards, KY. in order to share and challenge if needed our presentation. I believe that the presence of Big Rivers CFO, Ms. Billie Richert, and Vice-president Operations, Mr. Bob Berry, will be most valuable to our discussion.

On the Sebree Works side, Jeremy Jenkins, Chuck Coney, David C. Brown, Jack Miller and myself will be present.

A quick confirmation of your attendance will be appreciated so we can make the necessary arrangements.

I look forward to sharing our work with you and hope for the continuation of our good co-operation and communication.

Regards,

Serge

Serge Gosselin
General Manager

Rio Tinto / Sebree Works
9404 State Route 2096, Robards, Kentucky, 42452-9735, USA

T: +1 (270) 521 7300 M: +1 (270) 577 4162 F: +1 (270) 521 7305
serge.gosselin@riotinto.com / www.sebreeworks.com

Assistant : Donna Freltag 270-521-7302

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Greg Starheim

From: Gosselin, Serge (RTA) <Serge.Gosselin@riotinto.com>
Sent: Thursday, November 15, 2012 9:59 AM
To: Greg Starheim
Subject: FW: Electronic copy of presentation - November 8th
Attachments: Presentation Sebree_Solution to BREC and Kenergy Nov_08_2012.pdf

Good morning Greg,

If needed.

Serge

From: Jenkins, Jeremy (RTA)
Sent: Thursday, November 15, 2012 9:58 AM
To: kelly.nuckols@jpenenergy.com
Cc: mark.balley@bigrivers.com; 'Brown, David'; Gosselin, Serge (RTA)
Subject: Electronic copy of presentation - November 8th

Kelly,
Please see attached an electronic copy of what we presented last Thursday.

Regards

Jeremy Jenkins
Financial Manager

Rio Tinto
9404 State Route 2096, Robards, KY 42452-9735, USA

T: +1 (270) 521 7349 M: +1 (270) 577 7422 F: +1 (270) 521 6125
jeremy.jenkins@riotinto.com <http://www.riotinto.com>

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Rio Tinto

Sebree Works
Everything is linked !

**Rio Tinto proposal to ensure sustainability of
the Sebree smelter**

CONFIDENTIAL



www.sebreeworks.com

Presented to Big Rivers Electric Corp. & Kenergy Corp., November 8, 2012



Introduction

RioTinto

In June 2012, the Governor of Kentucky requested that Big Rivers, Kenergy and the Smelters discuss options available to ensure smelter sustainability and mitigate rate increases on the Non-Smelter members of the Big Rivers system. This proposal is a continuation of that process.

Case No. 2

Seabree Works - Aluminum



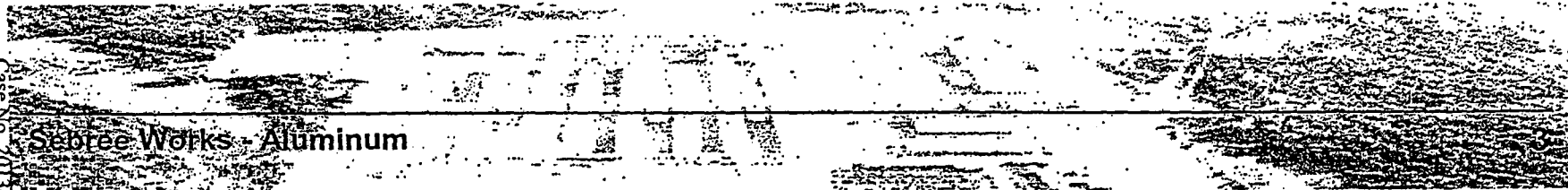
EVERYTHING
IS LINKED

RioTinto

Impact of the Sebree smelter

The Sebree smelter is a valuable economic asset for the Commonwealth of Kentucky.

- Approx 500 high paid direct jobs, supporting a further 1,300 Kentucky jobs.
 - Over 1,800 jobs depending on the smelter.
- Annual economic impact of \$200m to Kentucky
- Adds value to Kentucky coal
- One of the most efficient smelters in the world on operating (non-energy) cost
- Over \$100m invested in the plant in the last 5 years
 - Plan for approximately \$70m in the next 5 years
 - If the Sebree smelter is sustainable
- Everyone is better off if the Sebree smelter remains operational.

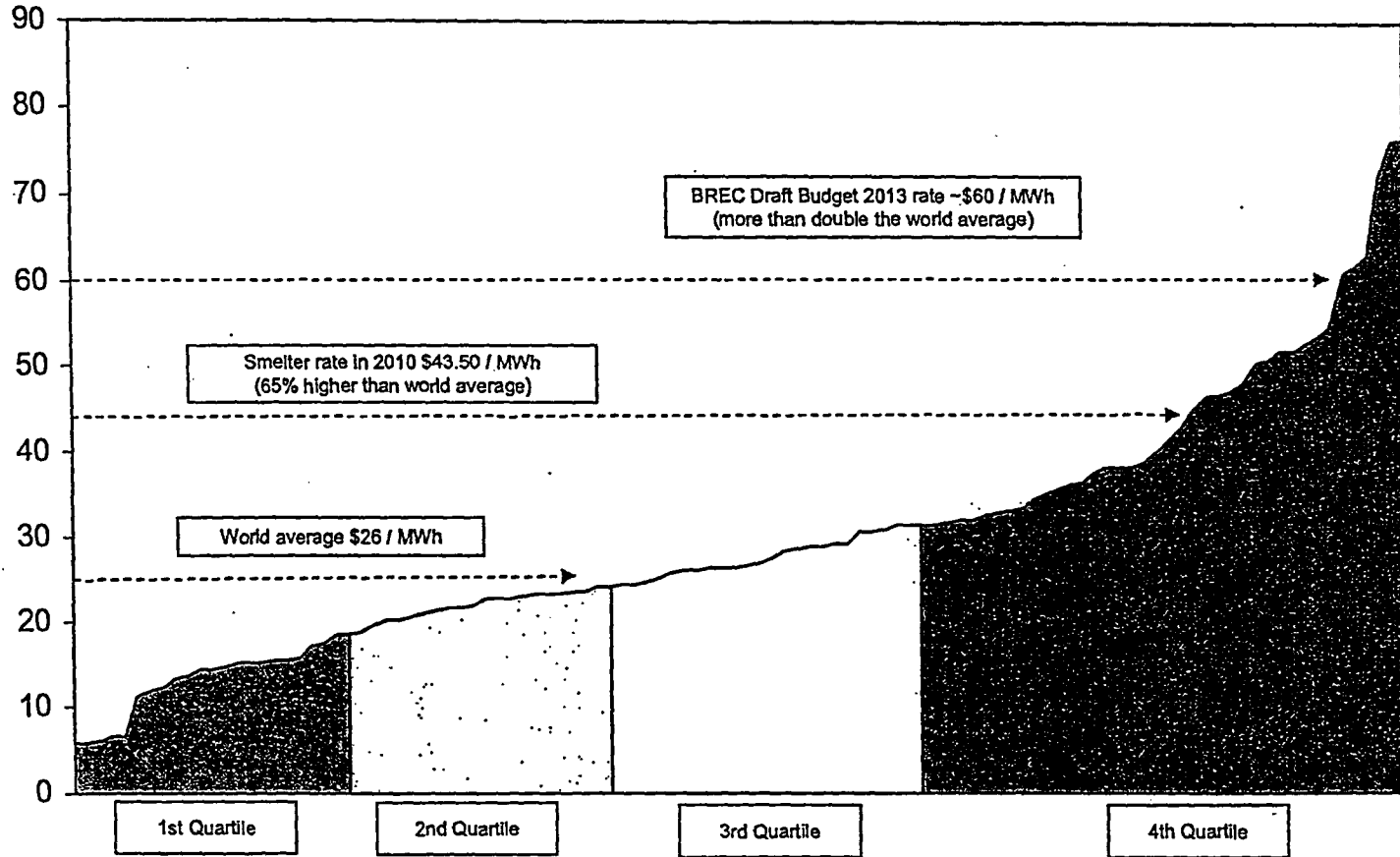




Smelter power costs worldwide - \$/MWh 2010

Electricity is the most important single cost for a smelter.

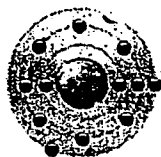
RioTinto



Source: CRU. Excludes China.

Attachment for Response to KIUC 1-12(a)
Case No. 2013-00413
Page 15 of 20

Sabree Works - Aluminum



EVERYTHING
IS LINKED

Rio Tinto

Time is running out.

For the first time, Rio Tinto is considering a shutdown of the Sebree smelter.

- Century issued in August 2012 a 12 month Notice to Terminate its power contract and leave the Big Rivers system in August 2013
- Big Rivers draft budget projects a significant rate increase for the Sebree smelter effective August 2013. This brings the Sebree smelter rate to approx. \$56-\$60/MWh in 2013.
- At \$56-60/MWh power, the Sebree smelter is not sustainable.

Sebree Works - Aluminum



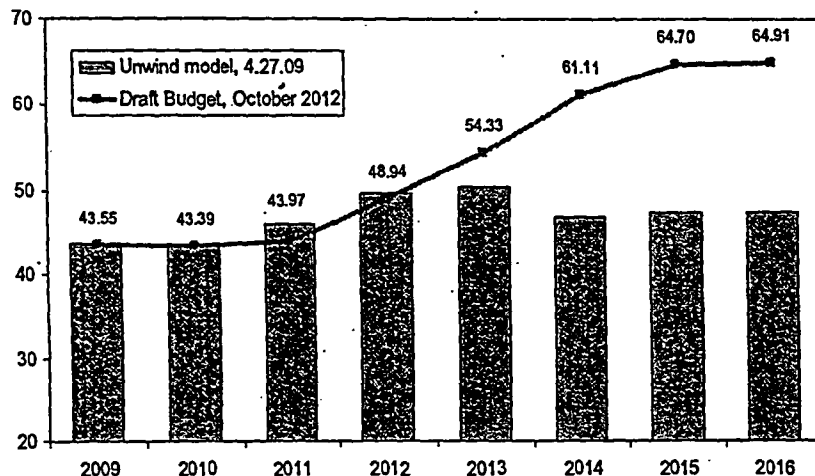
EVERYTHING IS **UNWIND**

Rio Tinto

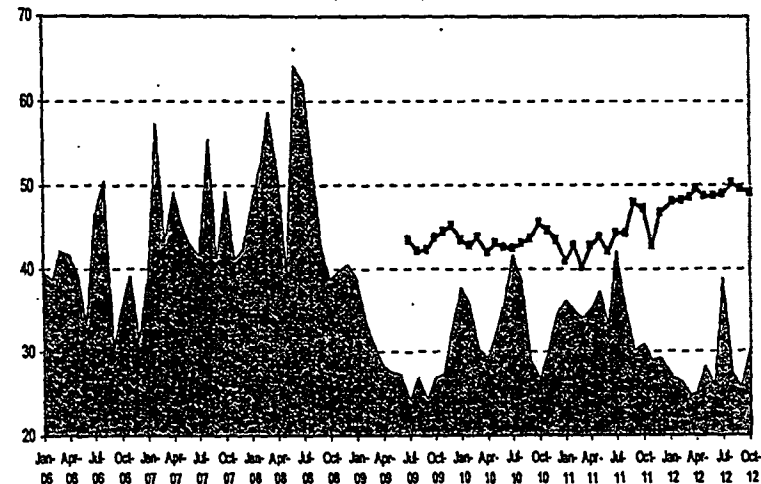
What's different now compared to 2009

Circumstances today are very different to those projected at the time of the Unwind

Power cost compared to Unwind forecast \$/MWh



Seabee contract price vs. MISO Spot market in \$/MWh



- In 2009, no-one predicted that the market price for power would remain low for so long
- As a result, while it was envisioned that one smelter might leave the BREC system before end-2023, this was not expected to lead to a rate increase for the remainder of the System.
- Immediately prior to the Unwind, the power cost projection for 2014 was approximately \$46/MWh



EVERYTHING
IS **UNION**

Rio Tinto

Rate impact on customers if nothing is done - 2014

	Sebree	Large Industrials	Rurals	BREC system
Base Case from Draft Budget – Century exit August 2013	+24% \$60/MWh \$30m cost	+23% \$59/MWh \$14m cost	+25% \$67/MWh \$36m cost	\$80m additional revenue from Sebree (\$30m) + Members (\$50m) to compensate for Century exit
BREC proposal to Rio Tinto Sebree	+11% \$56/MWh \$18m cost	+43% \$63/MWh \$18m cost	+35% \$71/MWh \$44m cost	No net impact on revenue compared to base case. \$62m of additional cost on Non-Smelters.
Sebree closed in 2014		+87% \$83/MWh \$36m cost	+72% \$90/MWh \$91m cost	Total additional revenue requirement of \$127m from Sebree leaving BREC system. Additional revenue of \$65m from Non-Smelters compared to second scenario

All rates estimated. Non-Smelter rates are based on wholesale rate before Member Rate Stability Mechanism. Assumed that Sebree's power will be sold to the market at \$35/MWh after smelter closure.

Sebree Works - Aluminum



EVERYTHING
IS LINKED

RioTinto

“Any revenue that Big Rivers can derive from the smelters above SRMC (short-run marginal cost) would financially benefit Big Rivers’ other customers relative to the smelters closing.”

Energy Rate Impacts on Kentucky Industry
Christensen Associates Energy Consulting, September 2012.

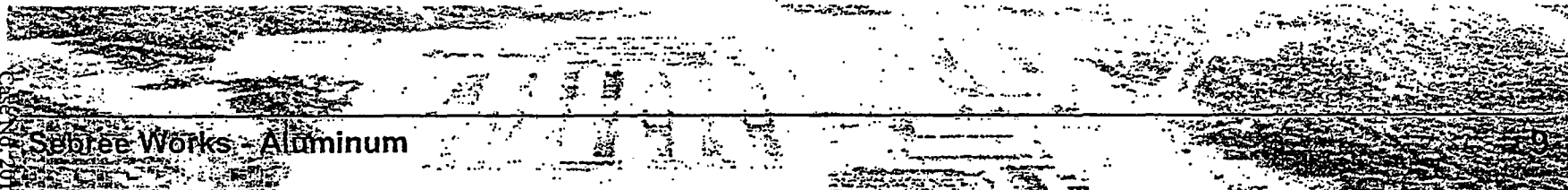


What Rio Tinto-Sebree is proposing

The Sebree smelter is sustainable if it pays the true cost of the base-load power that it uses.

RioTinto

- As an alternative to leaving the BREC system, Sebree is willing to pay the true cost of its own base-load power
 - Including fuel and capital costs
 - Not including the cost of excess capacity
 - We have calculated \$38.50/MWh for test year (projected ~\$43 in 2014)
- Although the cost of \$43/MWh is higher than the global smelter average of \$26-28/MWh, Sebree has certain advantages not available to most other smelters:
 - Location in the U.S. Midwest, access to the Mid-West premium
 - First-quartile operating cost, excluding electricity
 - Lower capital cost compared to new facilities.
 - Skilled and committed employees
 - Value-added aluminum



Sebree Works - Aluminum



EVERYTHING
IS LINKED

Rio Tinto

Rate impacts on Customers with Sebree solution - 2014

	Sebree	Large Industrials	Rurals	BREC system
Base Case from Draft Budget - Century exit August 2013	+24% \$60/MWh \$30m cost	+23% \$59/MWh \$14m cost	+25% \$67/MWh \$36m cost	\$80m additional revenue from Sebree (\$30m) + Members (\$50m) to compensate for Century exit
Sebree closed in 2014		+87% \$83/MWh \$36m cost	+72% \$90/MWh \$91m cost	Total additional revenue requirement of \$127m from Sebree leaving BREC system. Additional revenue of \$65m from Non-Smelters compared to second scenario.
Sebree at base-load cost	Power at approx \$43/MWh	+70% \$75/MWh \$29m cost	+58% \$83/MWh \$73m cost	BREC system revenue improved by \$26m compared to Sebree being closed.



Impact of Sebree's proposal

Everyone is better off if the Sebree smelter remains operational

RioTint

Compared to Sebree smelter shutdown, this proposal offers

- Lower electricity rates for Members
- Sustain economic activity in Western Kentucky, including BREC, Coal and indirect jobs
- Secure Sebree jobs



RioTinto

Questions / comments



Seabee Works - Aluminum



Next steps

EVERYTHING
IS IN IT

RioTint

Depend on our ability and willingness to work together

Sabree Works - Aluminum

Greg Starheim

From: Mark Bailey <Mark.Bailey@bigrivers.com>
Sent: Wednesday, November 28, 2012 2:38 PM
To: Bill Denton; Jim Sills; Larry Elder; Lee Bearden; Paul E. Butler; Wayne Elliott; Bums Mercer; Greg Starheim; Kelly Nuckols
Subject: Today's Meeting w/ Alcan

As a FYI, I wanted to let you know that Jim Miller, Bob Berry, Billie Richert, Greg Starheim, Kelly Nuckols and I met with Alcan officials a short time ago to respond to the \$43/MWh proposal they made to us on November 8th. We responded that their proposal wouldn't work, but if they were willing to cover our incremental costs in working out the details, that we were willing to explore insulating them from the rate increase that would be necessary due to Century's departure. My sense was that they we were pleased we came back with something other than a "no".

Many of their questions dealt with the potential time gap after the PSC grants the impending rate increase they would have to absorb due to Century and when any agreement we might reach with them could be approved by the PSC. They were also curious what we meant by paying our incremental costs including our estimate of what those might total. I noted that we would expect them to carry their share of future rate increases including the 3% we planned to file this year even if Century had not given Notice. I also said we would expect to obtain their earlier offer to let any financial benefit that would come from future revenue that would come from selling power Century previously purchased to the remaining Members. I also tried to make it clear that our proposal did not leave the door open to a counter offer.

The meeting lasted about a half an hour. I believe it ended positively. They intend to crunch the numbers and get back to us.

We'll keep you posted.
Mark

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Greg Starheim

From: Greg Starheim
Sent: Thursday, November 29, 2012 7:01 AM
To: Allan Eyre (eyrea@bellsouth.net); Bill Denton (bdenton@areaband.com); Billy Reid (bhr117@aol.com); brentwcol@tds.net; crmfarm@att.net; gcox424@bellsouth.net; John Warren (jbwkenenergy@att.net); jonayer@bellsouth.net; larryelder@roadrunner.com; Randy Powell (papawrandy@live.com); white5407@att.net
Cc: Greg Starheim
Subject: FW: Today's Meeting w/ Alcan

Gentlemen,

Yesterday, Big Rivers made a proposal to Alcan in response to their request for rate relief. See below summary by Mark. The proposal basically involves isolating Alcan from the upcoming rate increase. This would result in the Rural and Large Industrial members subsidizing Alcan once the rate increase goes into effect (presumably) in August 2013. Mark's argument for proposing this is to attempt to avoid Alcan giving termination notice which would cause a higher rate increase to Rural and Large Industrial members (higher than the increase they will get with the proposed subsidy) and which would have significant implications to Big Rivers financially.

Alcan is considering. The first I heard of the proposal was when it was presented to Alcan.

Greg

From: Mark Bailey [<mailto:Mark.Bailey@bigrivers.com>]
Sent: Wednesday, November 28, 2012 2:38 PM
To: Bill Denton; Jim Sills; Larry Elder; Lee Bearden; Paul E. Butler; Wayne Elliott; Burns Mercer; Greg Starheim; Kelly Nuckols
Subject: Today's Meeting w/ Alcan

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The meeting lasted about a half an hour. I believe it ended positively. They intend to crunch the numbers and get back to us.

**We'll keep you posted.
Mark**

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Greg Starheim

From: Gosselin, Serge (RTA) <Serge.Gosselin@riotinto.com>
Sent: Wednesday, December 05, 2012 9:37 AM
To: Greg Starheim; Bailey, Mark (RTAYARWUN)
Cc: Miller, Jack (Cable); Seberger, Donald (RTSS)
Subject: Update on Sebree Works

Good morning Mark, good morning Greg,

I want to make a quick follow up with you following our meeting last Wednesday November 28th. But first, I want to thank you again for your work and openness to reach a solution for sustainability of our plant.

We will, in the coming days, meet Rio Tinto people involved into business evaluation and development in order to analyze your offer. As you know, we were very troubled when we saw the 2013 BREC Draft Budget, showing huge rate increase up to ~60\$/MWh. Then we worked on our side to evaluate a "Cost of service" approach and proposed a "Sebree Solution" at ~43\$/MWh to you. What you presented last week is, as we mentioned during the meeting, not what we need for long term sustainability. But we definitely recognize that is an important step to find a solution for both organizations.

Our meeting for scenarios evaluation will be next week. We will then update our headquarters and try to get direction to finally update you formely.

With Christmas coming soon, I hope we will be able to come back to you with formal feedback in 2012. Otherwise, it will be very early 2013.

Thanks again.

Regards,

Serge

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ALCAN

ALCAN PRIMARY PRODUCTS CORPORATION

January 31, 2013

Mr. Gregory Starheim
President and CEO
Kenergy Corp.
Post Office Box 18
Henderson, Kentucky 42419

Mr. Mark Bailey
President and CEO
Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420

Re: Retail Electric Service Agreement
NOTICE OF TERMINATION

Gentlemen:

This letter constitutes written Notice of Termination, in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("Agreement"), between Alcan Primary Products Corporation ("APPC"), a wholly-owned subsidiary of Alcan Corporation, and Kenergy Corp. ("Kenergy"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "Sebree Smelter").

On January 15, 2013, Big Rivers Electric Corporation ("Big Rivers") filed an Application with the Kentucky Public Service Commission (the "KPSC") for an increase in base rates (the "Application"). According to Big Rivers, the Application, if approved, would result in a rate increase of nearly 16%. There is already substantial doubt that the Sebree Smelter is sustainable at the current rate being charged to APPC. The increase contemplated by Application would remove all doubt whatsoever and ensure that the Sebree Smelter is unprofitable and therefore unsustainable. Under the circumstances, APPC has no choice but to furnish this Notice of Termination.

As you are aware, Section 7.3.1 of the Agreement requires the President of Alcan Corporation, the corporate parent of APPC, to represent and warrant that (i) the decision to give this Notice of Termination reflects a business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter, and (ii) it has no current intention of re-commencing smelting operations at the Sebree Smelter. Under the present

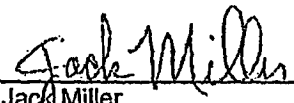
circumstances, Mr. Timothy Guerra, the President of Alcan Corporation, makes those representations and warranties in the Certificate attached hereto.

I am advised that, notwithstanding the notice of Century Aluminum of Kentucky ("Century") on August 20, 2012 to terminate its Retail Electric Service Agreement, dated July 1, 2009, Big Rivers and Kenergy have entered into negotiations with Century to waive the obligations of Section 7.3.1 of the Agreement and to otherwise assist Century to access market power in order to keep Century's Hawesville, Kentucky smelter open beyond August 20, 2013. Big Rivers and Kenergy have consistently and routinely indicated that they would keep the Sebree Smelter and Century's Hawesville smelter on equal footing in terms of their respective agreements. Therefore, in the event APPC decides in the future that market power might be an option to keep the Sebree Smelter operational, APPC would expect the same accommodations from Big Rivers and Kenergy on terms no less favorable than those offered to Century.

APPC appreciates the recent efforts of Big Rivers in offering proposals that would restructure the rate formula and other basic terms and conditions of the Agreement. While we are not in agreement at the present time, we welcome continuation of those discussions during the pendency of the rate case in hopes of reaching a mutually acceptable accord. We believe that further discussions would not be inconsistent with this Notice of Termination and indeed are appropriate in order to find ways to retain the jobs and preserve the economic benefits of those jobs for the Commonwealth of Kentucky.

Should you have any questions about this Notice of Termination, please do not hesitate to contact me or any of my colleagues listed below.

ALCAN PRIMARY PRODUCTS CORPORATION

By: 

Jack Miller
President

cc: Mr. Serge Gosselin
Mr. Donald P. Seberger

ALCAN CORPORATION

8770 West Bryn Mawr Avenue
Chicago, Illinois 60631

Office of the President

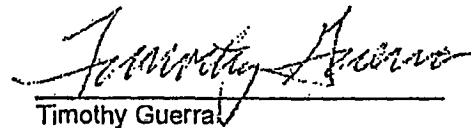
CERTIFICATE

The undersigned, Timothy Guerra, a resident of the State of Illinois, hereby represents and warrants that:

1. He is the duly elected President of Alcan Corporation, a Texas corporation (the "Company");
2. The Company is the owner of 100% of the issued and outstanding stock of Alcan Primary Products Corporation, a Texas corporation ("APPC"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "Sebree Smelter").
3. By letter dated and delivered concurrently herewith, APPC has furnished written Notice of Termination in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("Agreement"), between APPC and Kenergy Corp. (the "Notice of Termination").
4. The decision to furnish the Notice of Termination reflects APPC's and the Company's business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter and that they have no current intention of recommencing operations at that location.

Dated as of the 31st day of January, 2013.

By:



Timothy Guerra
President
ALCAN CORPORATION

Greg Starheim

From: Seberger, Donald (RTSS) <donald.seberger@riotinto.com>
Sent: Tuesday, February 05, 2013 7:18 PM
To: Greg Starheim
Cc: Gosselin, Serge (RTA)
Subject: This Morning's Meeting

Hello Greg.

It was a pleasure seeing you this morning. Thank you for spending time with our group.

Permit me to emphasize our desire to obtain from you as soon as possible (a) the form of reimbursement agreement, and (b) the term sheet. An organization the size of Rio Tinto requires that a lot of gates be passed and the sooner we can get at least a general idea of the structure and the needs and expectations of Kenergy, the sooner we can begin discussions with you and better evaluate our options and pursue the best course of action.

We much appreciate your candor and your efforts.

Best regards.

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Greg Starheim

From: Gosselin, Serge (RTA) <Serge.Gosselin@riotinto.com>
Sent: Wednesday, February 27, 2013 4:29 PM
To: Mark Bailey; Greg Starheim
Subject: RE: Negotiations

Good evening,

I just talk with my colleagues (Jack, Don, Benoit, Jeremy, Chuck, David) and everybody sees this mail below as great news for Sebree.

As mentioned earlier, we will wait to receive the proposed/draft documents before scheduling our first call all together. On Sebree's side, Chuck Coney, Jeremy Jenkins, David Brown and Benoit Pepin will be the negotiating team.

Just to make it sure and clear, because it was the nature of the discussion we had since last January 31st: We should receive from you the propose Reimbursement agreement AND the draft term sheet. On the mail below, there is no mention of the draft term sheet.

I believe it's very important to have both. Having an idea before going committing into a reimbursement agreement

If I'm wrong, please let me know and let's talk.

Have a good evening,

Serge

From: Mark Bailey [<mailto:Mark.Bailey@bigrivers.com>]
Sent: Wednesday, February 27, 2013 1:18 PM
To: Gosselin, Serge (RTA)
Cc: Greg Starheim
Subject: Negotiations

Good Afternoon Serge:

Big Rivers and Kenergy would be pleased to engage with RTA Sebree officials concerning the possibility of RTA Sebree buying your power on the market. Greg Starheim and I have asked a member of our legal team who has been in negotiations with Century to soon send you a draft Cost Reimbursement and Escrow Agreement. Presuming RTA is still interested in having discussions, please let Greg Starheim and me know how you would like to proceed. Our negotiating team will likely include Greg Starheim, Bob Berry, Jim Miller, Chris Hopgood and Kyle Drefke. It's also possible Greg may wish to include Kenergy's David Hamilton as well.

Greg and I look forward to hearing from you and/or a member of your team soon.

**Regards,
Mark**

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Greg Starheim

From: Mark Bailey <Mark.Bailey@bigrivers.com>
Sent: Monday, March 04, 2013 6:02 AM
To: Serge Gosselin E-mail
Cc: Greg Starheim
Subject: Fwd: Draft Alcan Documents
Attachments: 753282427(2)_Big Rivers - Escrow Agreement (Alcan).DOCX; ATT00001.htm;
753282087(2)_Big Rivers - Reimbursement Agreement (Alcan).DOCX; ATT00002.htm;
753286044(1)_Alcan Confidentiality Agreement.DOCX; ATT00003.htm; image001.gif;
ATT00004.htm

FYI. Please let Greg and I know what steps you wish to take next. Thanks, Mark

Sent from my iPhone

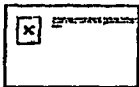
Begin forwarded message:

From: "Drefke, Kyle W." <kdrefke@orrick.com>
Date: March 3, 2013 10:16:28 PM CST
To: "Brown, David" <dbrown@orrick.com>
Cc: Mark Bailey <Mark.Bailey@bigrivers.com>, Greg Starheim <GStarheim@kenegycorp.com>, Jim Miller <jmiller@smsmlaw.com>, Bob Berry <Bob.Berry@bigrivers.com>, Chris Hopgood <chopgood@dkgnlaw.com>, "Lyon, Carl F." <cflyon@orrick.com>
Subject: Draft Alcan Documents

David, attached please find initial drafts of a reimbursement agreement, an escrow agreement and a confidentiality agreement. Please direct the drafts to the appropriate persons at Alcan for their review and comment.

Let us know if you have any comments or questions.

Best regards,
Kyle



KYLE W. DREFKE
partner
ORRICK, HERRINGTON & SUTCLIFFE LLP
1152 15TH STREET, N.W.
WASHINGTON, DC 20005
tel 202.339.9434
fax 202.339.8500
e-mail kdrefke@orrick.com
www.orrick.com

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Greg Starheim

From: Coney, Chuck (RTA) <chuck.coney@riotinto.com>
Sent: Tuesday, March 26, 2013 2:21 PM
To: Greg Starheim; bob.berry@bigrivers.com
Cc: Pepin, Benoit (RTA); Jenkins, Jeremy (RTA); Brown, David; Seberger, Donald (RTSS)
Subject: Proposed Agenda
Attachments: Kick-Off Agenda for Meeting 28March2013.doc

Greg and Bob,

Attached is a proposed agenda for this Thursday's meeting. Could you please review and offer any comments or suggestions? Also, please tell me if you want to discuss other topics at this initial meeting.

Thanks,

Charles Coney, P.E.
Manager - Strategic Projects

Sebree Works / Rio Tinto
9404 State Route 2096, Robards, KY, 42452, USA

T: +1 (270) 521 7429 F: +1 (270) 521 7305
chuck.coney@riotinto.com <http://www.sebreeworks.com>

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Alcan Primary Products Corporation
9404 State Route 2096
Robards, KY 42452-9735
USA
T +1 (270) 521 7811
F +1 (270) 521 7305

Date: March 26, 2013
Subject: Post Termination Power Supply Arrangements
Proposed Agenda
Kick-Off Meeting – March 28, 2013

Dear Mr. Starhelm and Mr. Berry,

We propose the following Agenda for Thursday's initial meeting regarding Post-Termination Power Supply Arrangements for Sebree Works. The Agenda focuses primarily on defining roles and responsibilities, clarifications regarding the Terms Sheet and prioritizes short term activities. It is aggressive for a 3-hour meeting, but hopefully we have time to discuss most of the topics. We welcome feedback as well as other items you wish to add to the Agenda.

1. Roles of each participant in the transaction; duties and financial responsibilities
 - a. Alcan
 - b. Kenergy
 - c. BREC
 - d. ACES
 - e. Financial Market Participant
 - f. Generator
 - g. MISO
2. Immediate activities and risks
 - a. Must-run condition
 - i. Filing Y2 attachment
 - ii. Cost (\$???)
 - iii. Timing (60-90 days)
 - b. Sebree node
 - i. Filing (June 15)
 - ii. Cost (\$70k)
 - c. Market Participant registration
 - d. Other steps and costs?
3. Flexibility of Load and Scheduling
4. Tax Status
5. MISO membership
6. Charges to Alcan (Section 4C)
7. Other matters (Section 4O)
8. Monthly Bill (Section 5A)

Sincerely,

Chuck Coney
Manager – Strategic Projects



Greg Starheim

From: Coney, Chuck (RTA) <chuck.coney@riotinto.com>
Sent: Thursday, April 04, 2013 11:40 AM
To: Jenkins, Jeremy (RTA); Pepin, Benoit (RTA); Greg Starheim; Bob Berry
Subject: Agenda for tomorrow's conference call
Attachments: Agenda for Meeting 05April2013R1.doc

Attached is a proposed Agenda for tomorrow's conference call. Please review and if you have any comments or recommendations, get them back to me and I will add to the Agenda.

Bob – I have a check for \$70k made out to BREC to compensate for filing the Attachment Y-2. I was hoping to bring it by BREC and give it to you on my way home from work today. What time would be convenient to drop it off?

Thanks,

Charles Coney, P.E.
Manager - Strategic Projects & Business Improvement

Sebree Works / Rio Tinto
9404 State Route 2096, Robards, KY, 42452, USA

T: +1 (270) 521 7429 F: +1 (270) 521 7305
chuck.coney@riotinto.com <http://www.sebreeworks.com>

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Sebree, KY



COMING SOON

Monthly Results of Sebree's Key Performance Indicators

DECEMBER 2012

NOVEMBER KPI

Monthly results neither turkey nor feast

Sebree's production departments had a pretty good month in November in terms of creating their respective products, enough so that they fall on firm footing for the sixth period bonus. Really, the downside that you'll notice in the newsletter has to do with underlying indicators such as the costs to produce metal.

All three departments had one very good indicator and one not-so-good. Starting with Potlines, employees here helped produce the most amount of metal in one month this year. The 566.9 tonnes per day average was four percent better than its rival month of July. There has only been one month this year where the hot metal produced KPI was below 100 percent. (KPI stands for Key Performance Indicator.)

The department's other KPI – the same one it shares with Electrode – is net carbon consumption. This one was considerably lower when compared to October, finishing at just 60 percent of



the monthly goal. In fact, only two other months had lower scores, June and August.

Electrode's other KPI, good-rodDED anode production, finished November at 188 percent of the monthly goal. That

was the third best showing this year, behind only May's 192 percent and January's 200 percent scores. Like Potlines, only once this year has this KPI finished below 100 percent.

Casting, too, had one strong KPI – profit earned – and one middle-of-the-road indicator. The profit KPI finished November at 128 percent of the monthly goal, which was below October's high amount. The department's billet production picked up from October, but still only accounted for just 51 percent of the goal.

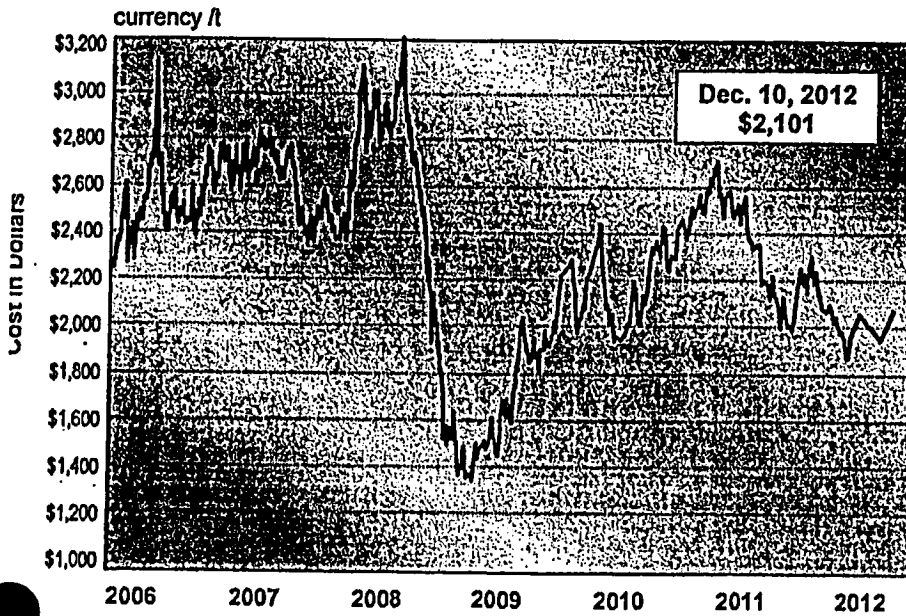
Maintenance, which takes the combined average of Casting, Electrode and Potlines, finished with a strong 109 percent.

From the plant's perspective, it wasn't that great of a month for total operating costs or hot metal cash costs as both KPI recorded their highest number this year. The plant, however, did manage to sneak out a profit for the month, though it was well below October's number.

Globally, the best news was a rise in the price of aluminum – which jumped more than \$100 per tonne. The aluminum inventory, though, remained well above the 5 million mark.

Metal Price & Inventory Key Performance Indicators

Aluminum (LME) Price



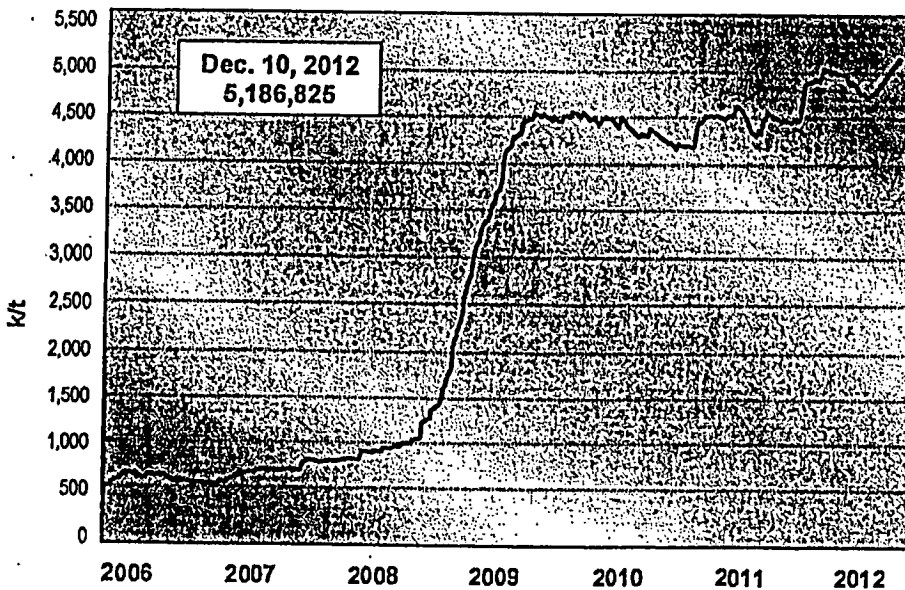
ALUMINUM (LME) PRICE

NOVEMBER Green

There was definitely an improvement in the price of aluminum during the past month — \$112 to be exact.

That's one of the best jumps all year on a month-to-month basis. Obviously, that makes this indicator green.

Aluminum Inventory



ALUMINUM INVENTORY

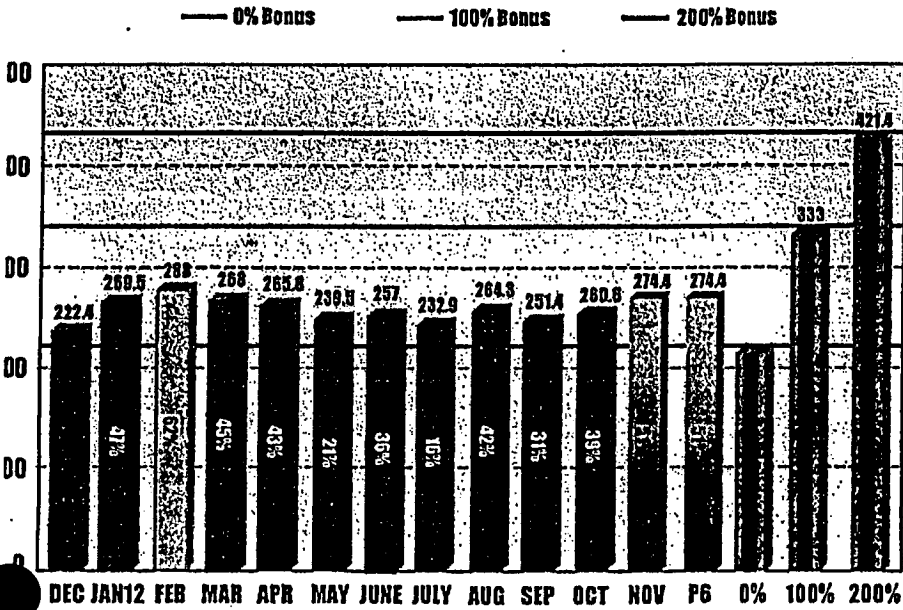
NOVEMBER Red

The amount of aluminum sitting in warehouses is picking back up again, which is not the greatest of news.

From November 10 to December 10, the LME inventory climbed by about 100,000 tonnes. Right now, analysts aren't predicting a major decline for a while.

Casting Department Key Performance Indicators

2012 Billet Tonnes Produced (daily average)



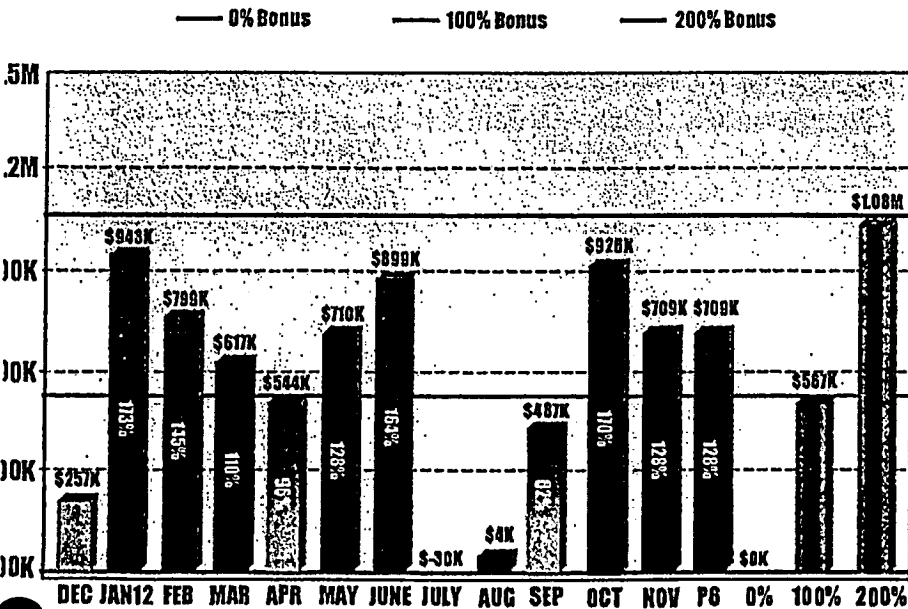
BILLET TONNES PRODUCED (daily average)

NOVEMBER: Green

For second month in a row, Seaboard's billet production picked up, meaning this indicator is green for November.

Actually, this is the first time since February that Casting was able to push this KPI above 50 percent on the monthly goal. Good job!

2012 Casting Monthly Profit (compared to T-bar)



CASTING PROFIT (monthly average)

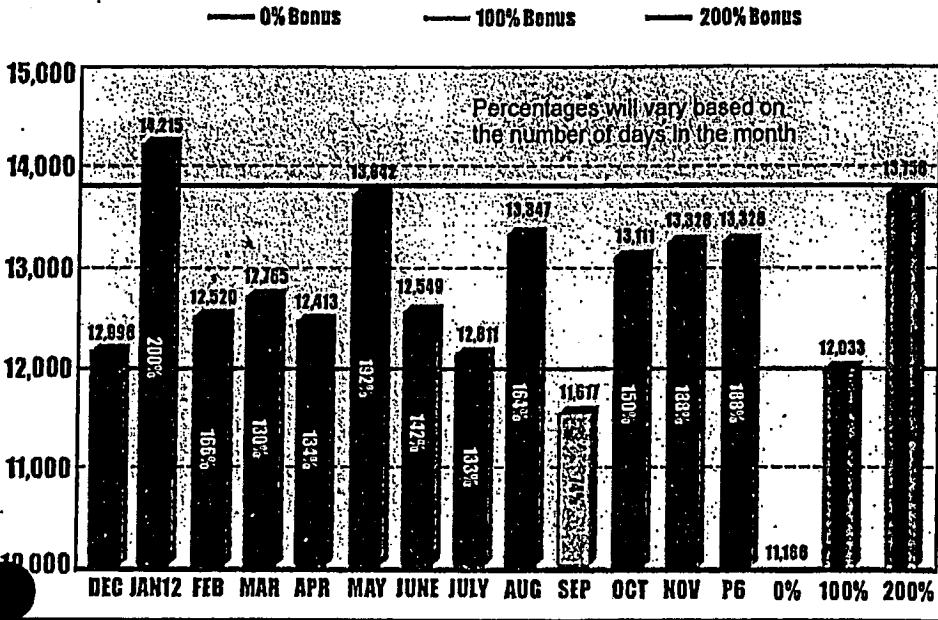
NOVEMBER: Red

The indicator again fell for November, falling 20% away from the overall goal of casting profit for the month.

The department must do more to improve its performance in this area.

Electrode Department Key Performance Indicators

2012 Good Rodded Anodes (monthly average)



GOOD RODDED ANODES (monthly average)

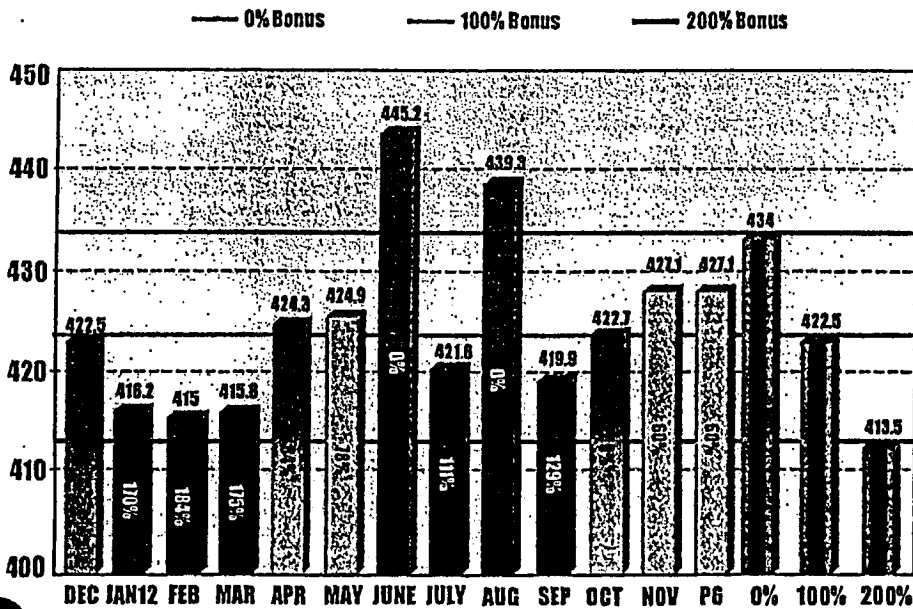
NOVEMBER - Green

It was another solid month for Electrode in regards to production of good rodded anodes.

The department produced 13,328 blocks, which equates to 188 percent on the monthly bonus scale. That is the fourth highest total this year.

It also puts the department in good position for the 6th period bonus.

2012 Net Carbon Consumption



NET CARBON CONSUMPTION

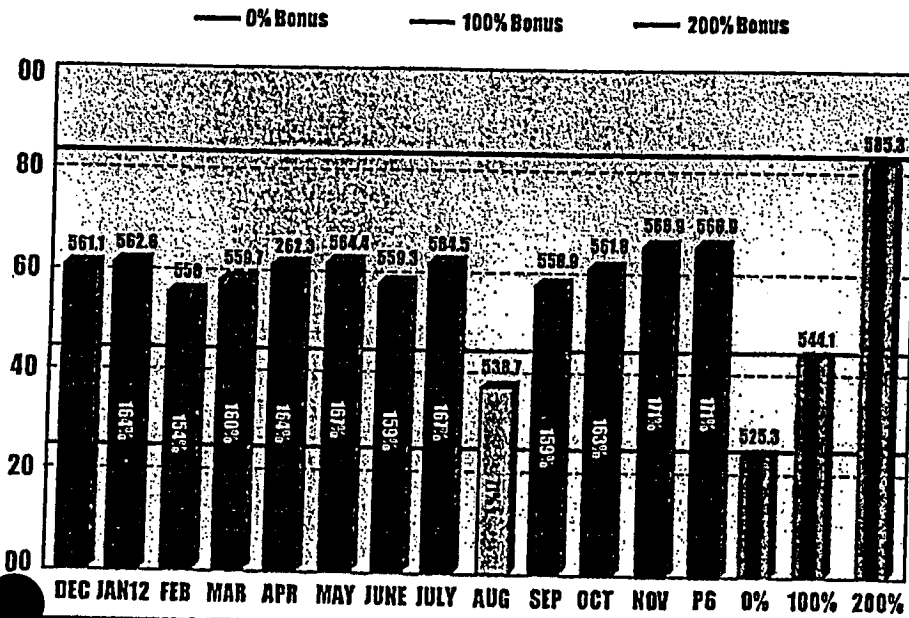
NOVEMBER - Red

It wasn't the greatest of months for the net carbon consumption KPI as the department managed to reach only 60 percent on the monthly bonus scale.

This makes the second straight month where this indicator has ended in the red.

Potlines Department Key Performance Indicators

2012 Hot Metal Production (daily average)



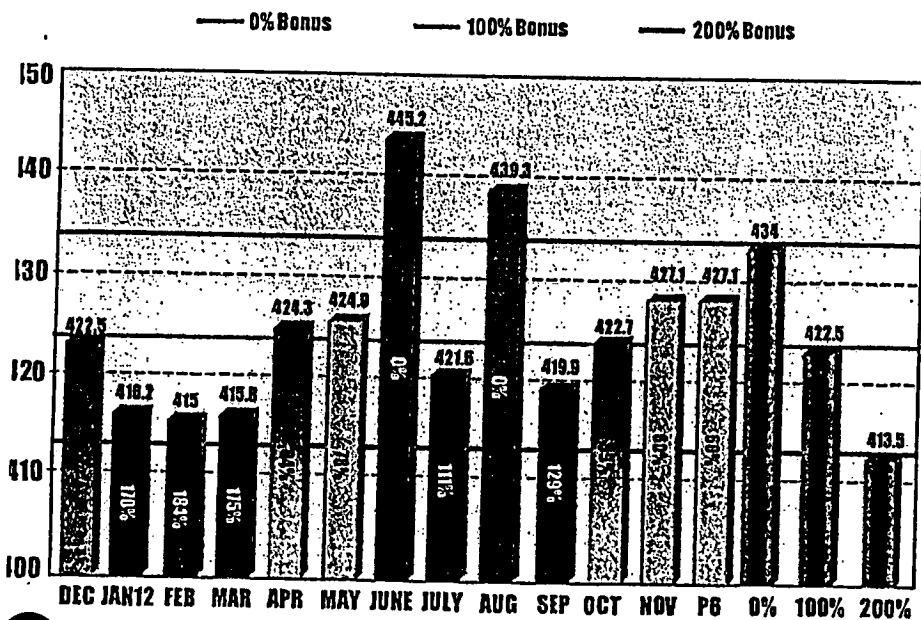
HOT METAL PRODUCTION (daily average)

NOVEMBER: Green

Potlines just completed a month in which employees there created more aluminum on average per day than any other month this year.

That makes this indicator green and puts the department in prime position for a good bi-monthly bonus payout.

2012 Net Carbon Consumption



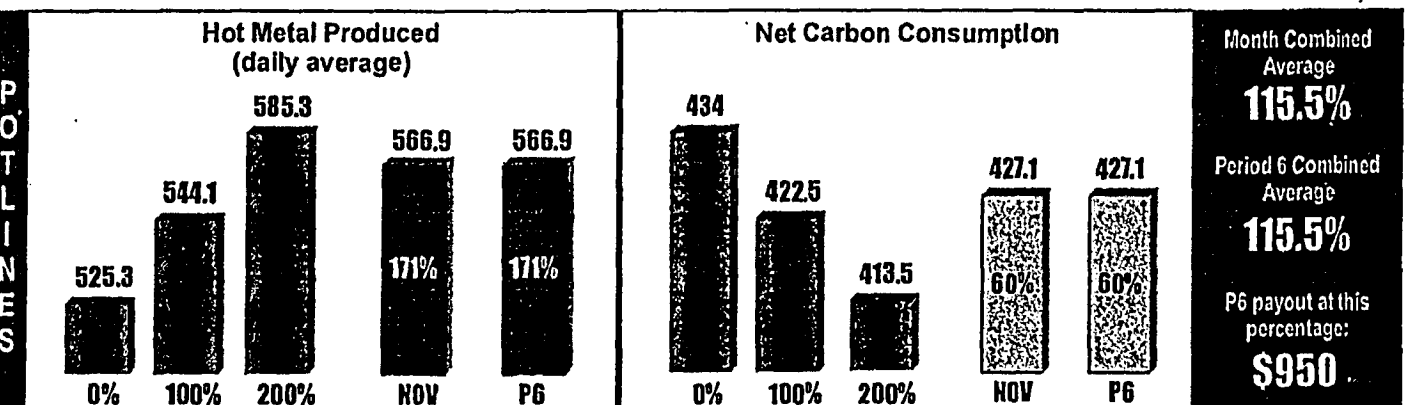
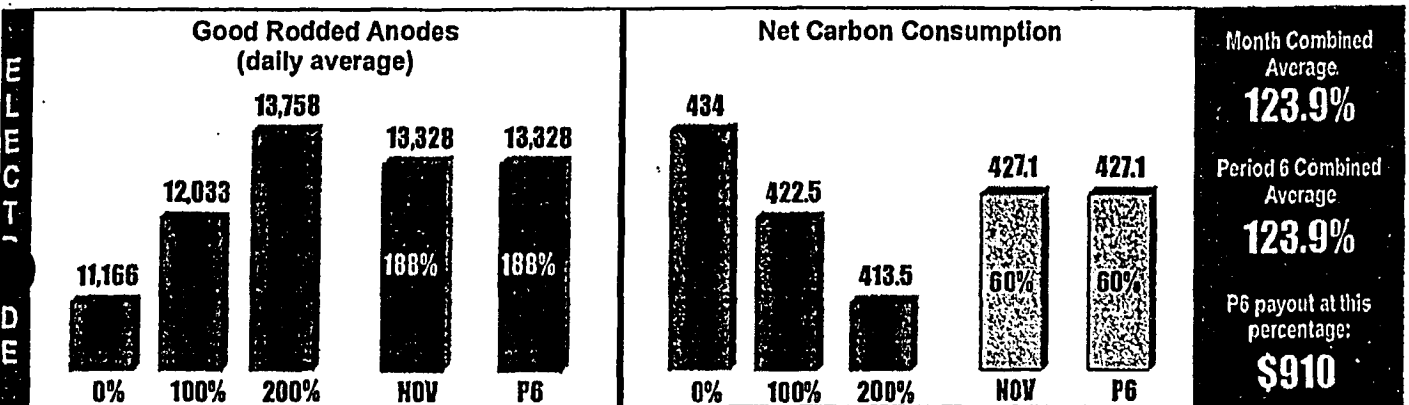
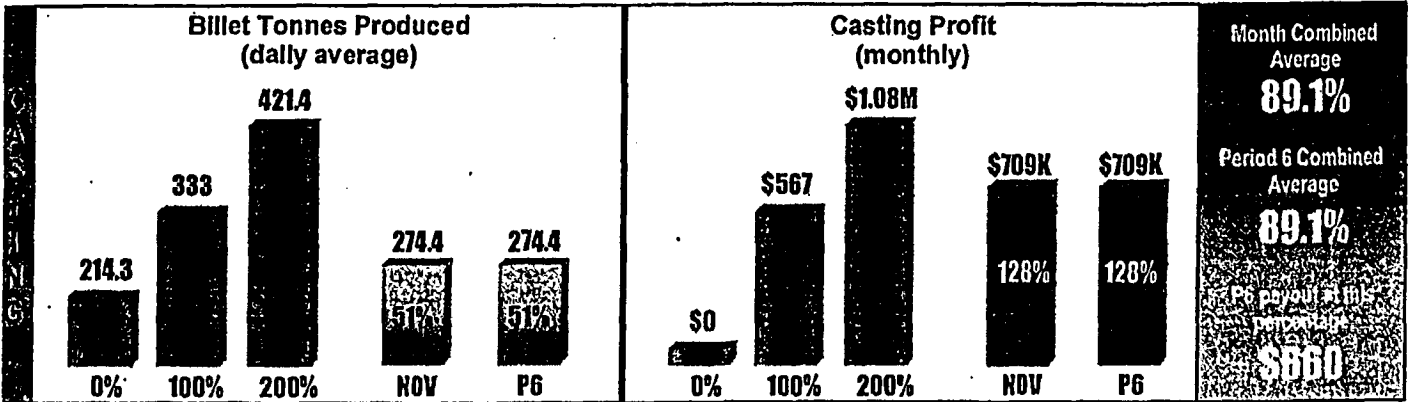
NET CARBON CONSUMPTION

NOVEMBER: Red

It was not the greatest of months for the net carbon consumption. KPI as the department managed to reach only 60 percent of the monthly bonus scale.

This makes the second straight month where this indicator has ended in the red.

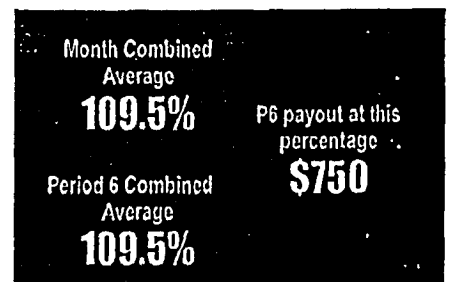
Summary of Department Key Performance Indicators



Total Maintenance Score =

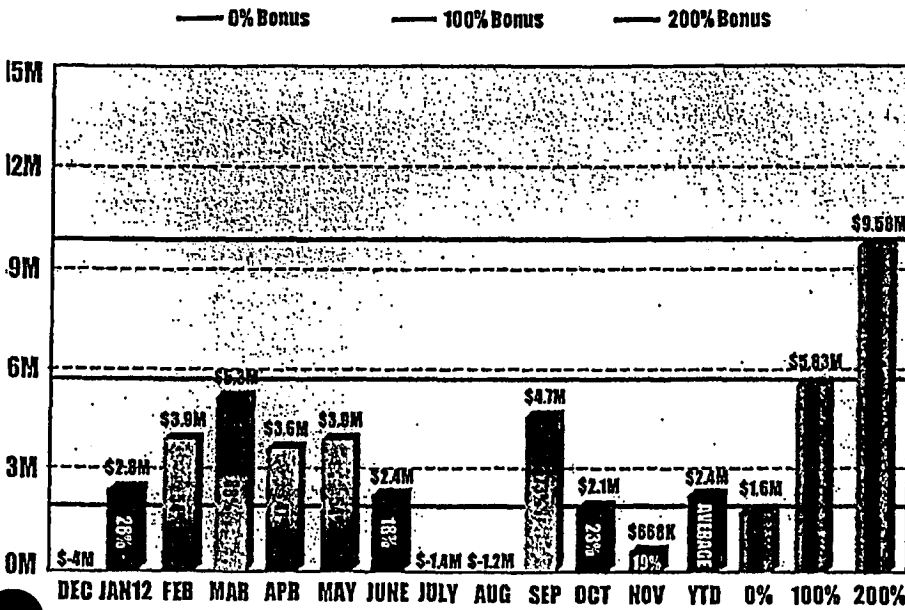
Maintenance bonus payout percentage is based on the combined average of Casting, Electrode, and Potlines.

Note: The average payout by area is estimated and does not include the effect of overtime premium or vacation hours.



Sebree Smelter Key Performance Indicator

2012 Plant Profit (monthly average)



PLANT PROFIT

NOVEMBER Results

The good news - Sebree made a profit in November. The not so good news - that it was only \$1 million.

The plant made \$684,000 which was lower than October so that makes this indicator red for the month.

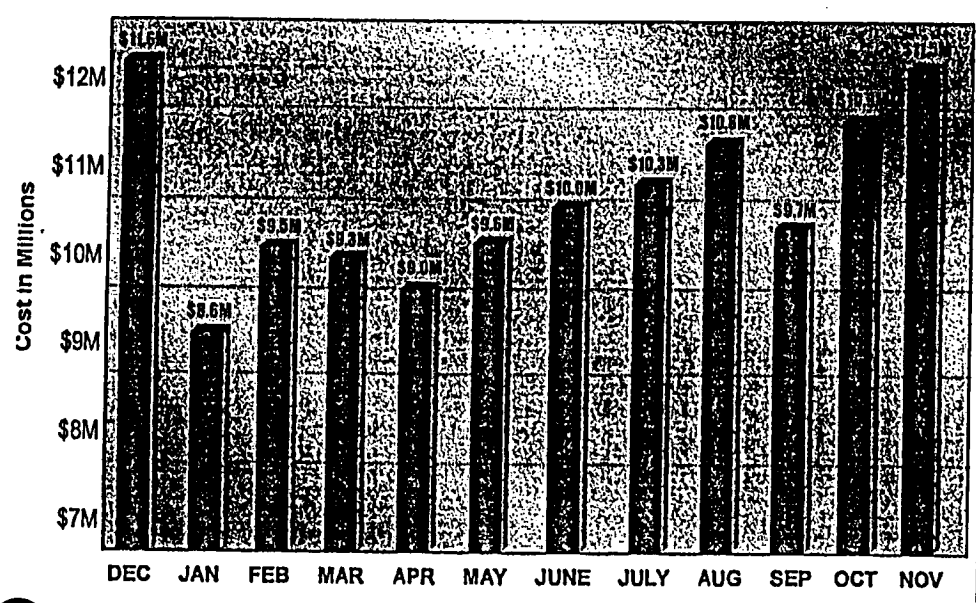
2012 estimated annual bonus payout rate this percentage will be

\$220

CASTING	ELECTRODE	POTLINES	MAINTENANCE	SAFETY						
<p>MONTH Billet Tonnes</p>	<p>MONTH Rodded Anodes</p>	<p>MONTH Metal Produced</p>	<p>MONTH Combined</p>	<p>MEDICAL TREATMENT CASES (MTC/LTII)</p> <table border="1"> <tr> <td>BMP1 0 JAN-FEB</td> <td>BMP1 1 MAR-APR</td> <td>BMP1 2 MAY-JUN</td> </tr> <tr> <td>BMP1 1 JUL-AUG</td> <td>BMP1 1 SEP-OCT</td> <td>BMP1 0 NOV-DEC</td> </tr> </table> <p>(BMP) Bi-Monthly Period HOURLY</p>	BMP1 0 JAN-FEB	BMP1 1 MAR-APR	BMP1 2 MAY-JUN	BMP1 1 JUL-AUG	BMP1 1 SEP-OCT	BMP1 0 NOV-DEC
BMP1 0 JAN-FEB	BMP1 1 MAR-APR	BMP1 2 MAY-JUN								
BMP1 1 JUL-AUG	BMP1 1 SEP-OCT	BMP1 0 NOV-DEC								
<p>MONTH Profit</p>	<p>MONTH Net Carbon</p>	<p>MONTH Net Carbon</p>								

Sebree Smelter Key Performance Indicators

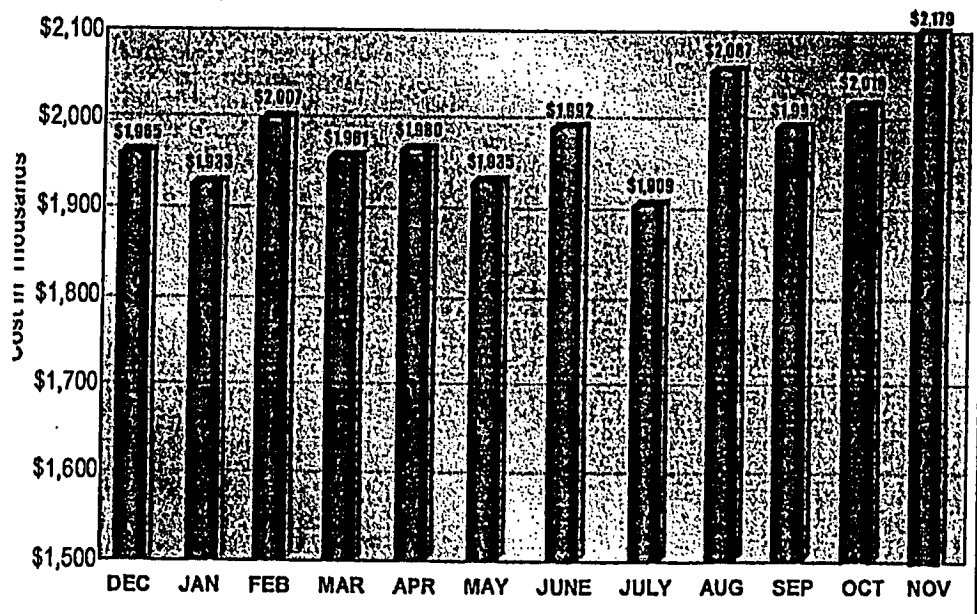
2012 Plant Total Operating Costs



TOTAL OPERATING COSTS

NOVEMBER: Red
 November marks the 10th straight month in which Sebree's total operational costs have increased.
 In fact, there were only four months this year where this indicator was green -- the last in September.

2012 Hot Metal Cash Costs



HOT METAL CASH COSTS

NOVEMBER: Red
 It wasn't a very good month for Sebree's hot metal cash cost indicator.
 November's final number of \$2,179 was the worst this year -- nearly \$100 higher than the previous high month in August.

CONVEYOR



EVERYTHING IS LINKED

MAY 2013

DEPARTMENT RESULTS

APRIL

CASTING

Billet Production: 288 (38%)
 Net Remelt: 197 (153%)

ELECTRODE

Operating Costs: \$1.22M (200%)
 Anode Resistivity: 60 (118%)

MAINTENANCE

Cost (routine): \$863K (200%)
 Production Average: 145%

POTLINES

Iron Level: 068% (200%)
 Fl Emission: 643 (0%)

SWEET RESULTS!

Employees will see very nice bonus

Another month, another strong effort by Sebree's production departments. That might be the best way to describe April's key performance indicators as most areas either improved or were near where they were in March. The best news, though, is that hourly employees will see a large payout for their second period bonus.

April's shining star was Electrode where both of its KPI showed improvement over March. In fact, the 2013 operating costs KPI was at 200 percent of the goal for the second straight month. On top of that, the anode resistivity KPI also increased from March to end at 118 percent. Adding in the third KPI (hot metal production, which all departments share for their third KPI), Electrode completed the second period bonus at 170.8 percent. That amounts to a bonus payout base of \$1,410.

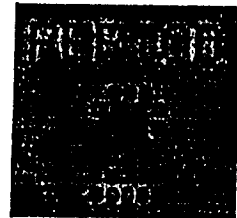
Maintenance employees will see a very good bonus as well (\$1,350) after the department's three KPI finished at 178.6 percent. Breaking it down, the routine plant maintenance costs KPI once again finished at 200 percent of the monthly goal while the department average KPI increased to 145 percent.

Potlines had a weak month in its fluoride emissions KPI as the rate wasn't good enough to break the 0 percent barrier. On the flip side, however, the iron level KPI finished at 200 percent. With a strong March combined with a good April, the second period bonus ended at 152.9 percent – and that equates to a bonus payout of \$1,260.

Casting's April numbers were pretty good, when combined with the hot metal production KPI. The billet tonnes produced KPI finished at 38 percent but the net remelt number was at 153 percent of the monthly goal. The second period bonus for Casting employees was 83.3 percent, which makes a payout of \$590.

Plant wide results were slightly lower in April – but still relatively good. The best KPI was hot metal production where Potlines breached the 200 percent target for the second straight month. Plant EBITDA was lower in April, though still in positive territory.

The biggest culprit for Sebree, as well as all aluminum smelters, is the pesky LME price. It is now hovering in the lower \$1,800s per tonne, well shy of the break even point for many of the world's smelters.



PLANT RESULTS

HOT METAL PRODUCTION PER DAY AVERAGE

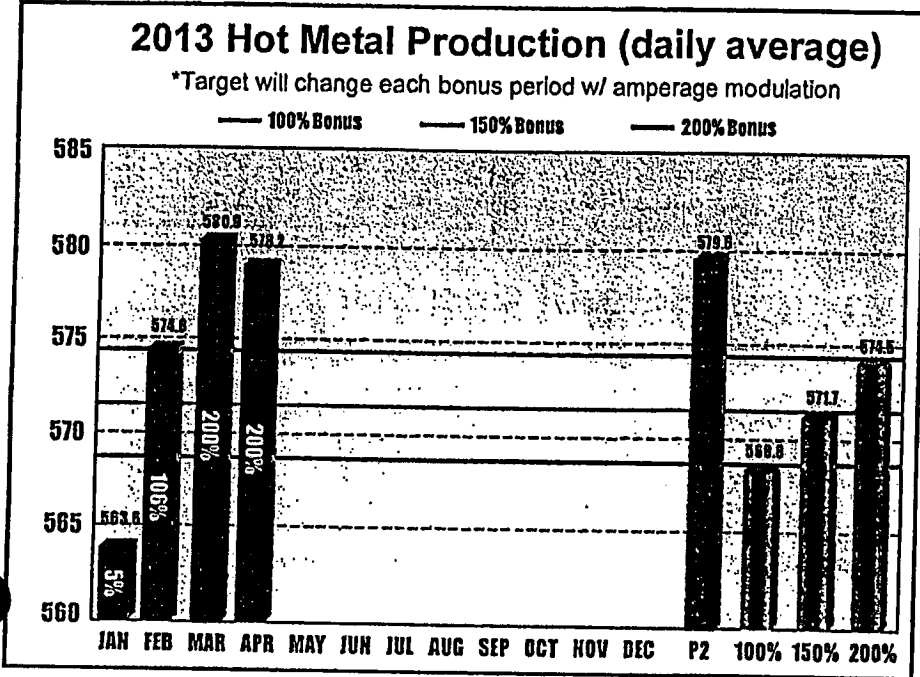
578.2 200% of goal

COSTS

Operating: \$10.9 M
 Hot Metal Cash: \$2,226 MT

Annual Bonus Reminder: To be eligible for the annual bonus, each employee is required to participate and interact in two Leadership in Action tours during the year: one before June 30 and one between July 1 and December 31.

Hot Metal Production and LME Price KPIs



HOT METAL PRODUCTION

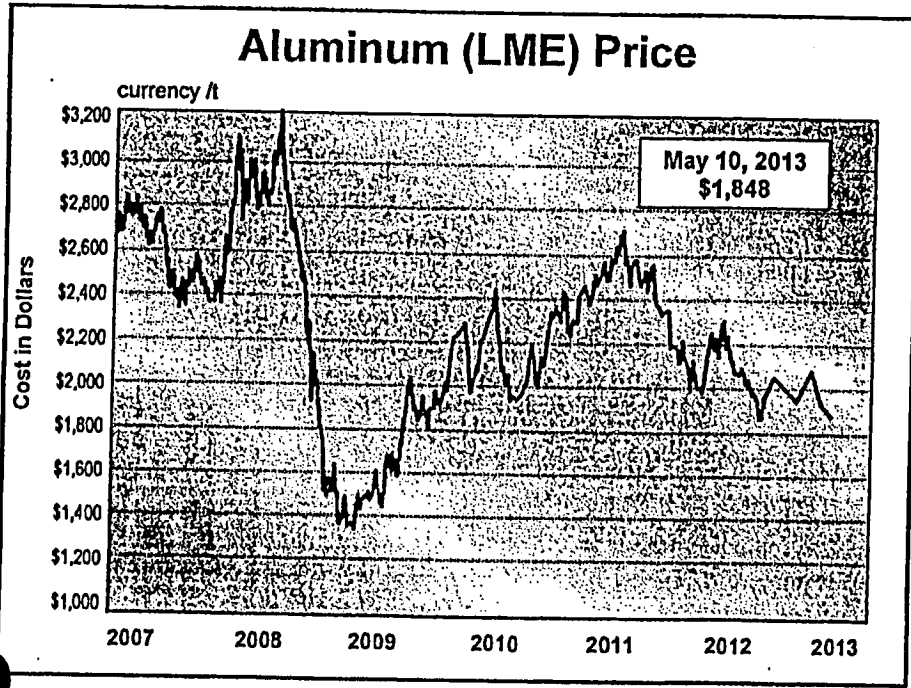
APRIL: Red

For the second consecutive month, the hot metal production KPI finished at the 200 percent level, which helps all of the departments' bonus payout.

The indicator happens to be red because the total is slightly lower than March.

Note: the goal changes each bonus period because of amperage modulation. Thus, there may be some months with numbers that don't correlate with the percentages.

The Hot Metal Production KPI serves as the third KPI for all four departments.



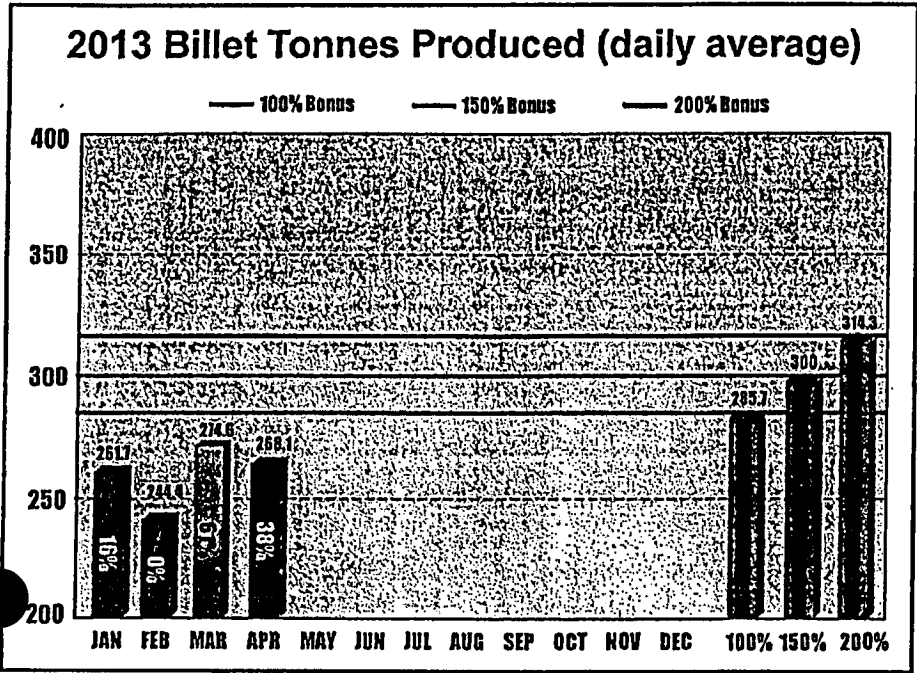
ALUMINUM (LME) PRICE

APRIL: Red

The price of aluminum isn't running in our favor this year, and April was no different.

The price actually dropped by \$30 per tonne over the past month.

Casting Department Key Performance Indicators

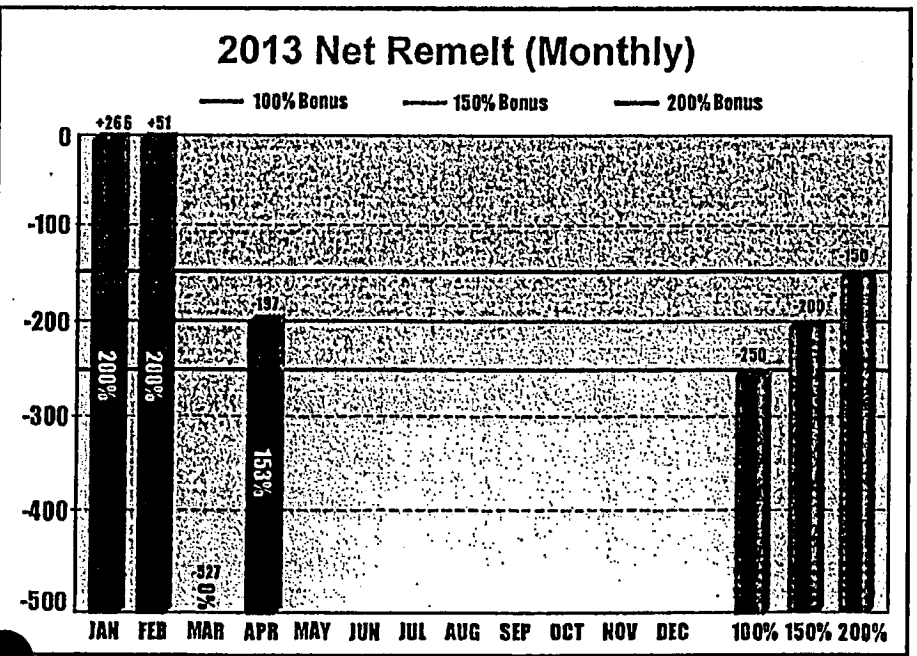


BILLET TONNES PRODUCED (daily average)

APRIL - Red

The amount of billet produced was well below expectations in April, finishing at just 38 percent of the monthly goal.

This also dropped the second bonus period to just 38 percent.

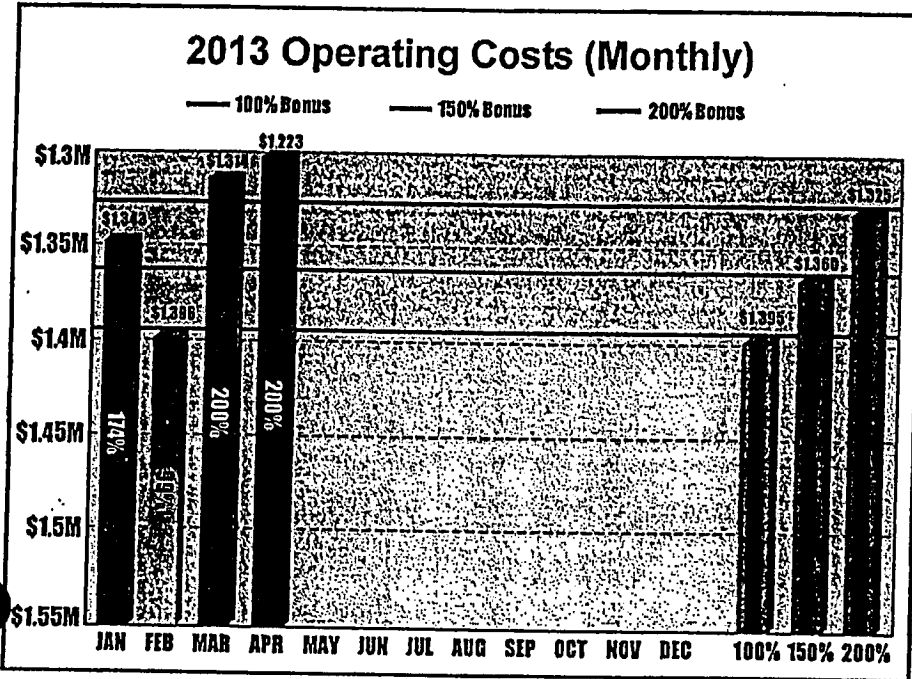


NET REMELT

APRIL - Green

There was a nice jump in the net remelt number for casting. The department finished the KPI at 197, which was good enough for a 153 percent score on the monthly bonus scale.

Electrode Department Key Performance Indicators

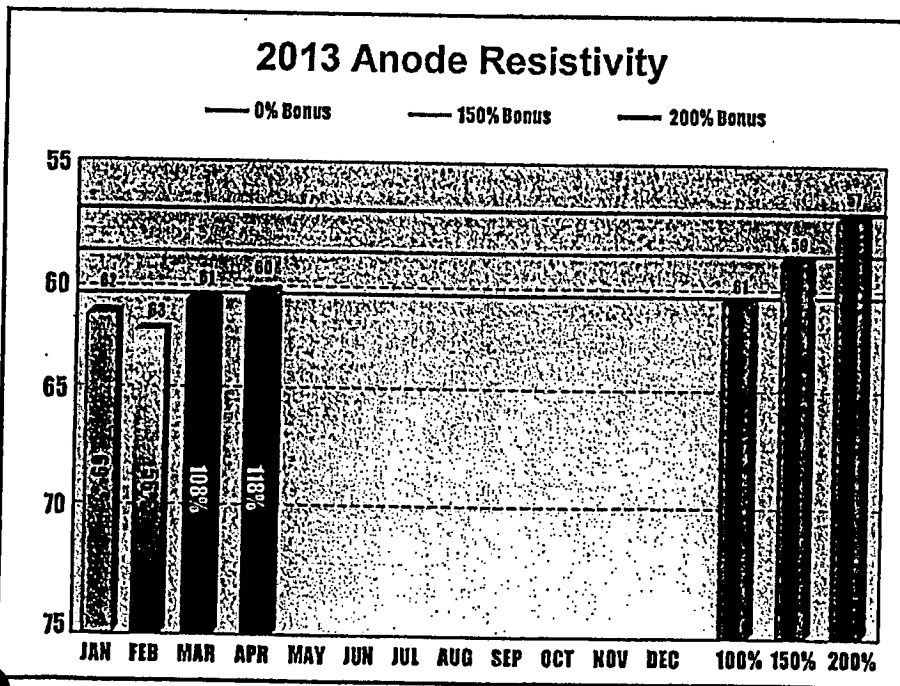


OPERATING COSTS

APRIL: Green

Just when you think it couldn't get much better than March, along comes April's operating costs number that fell to almost \$1.2 million.

That amount was obviously good enough to score 200 percent on the monthly bonus scale.



ANODE RESISTIVITY

APRIL: Green

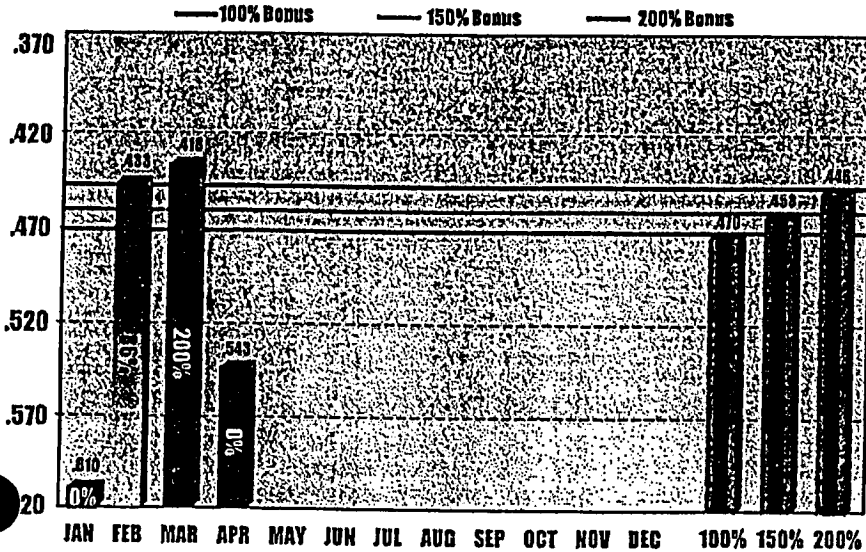
It was the best month this year for Electrode's resistivity rate, as the number ended at 60.

The latest figure was good enough to finish at a 188 percent on the monthly bonus scale. It also improved the second period payout to 112 percent.

Potlines Department Key Performance Indicators

2013 Fluoride Emissions Rate

*Target will change each bonus period due to seasonal effects



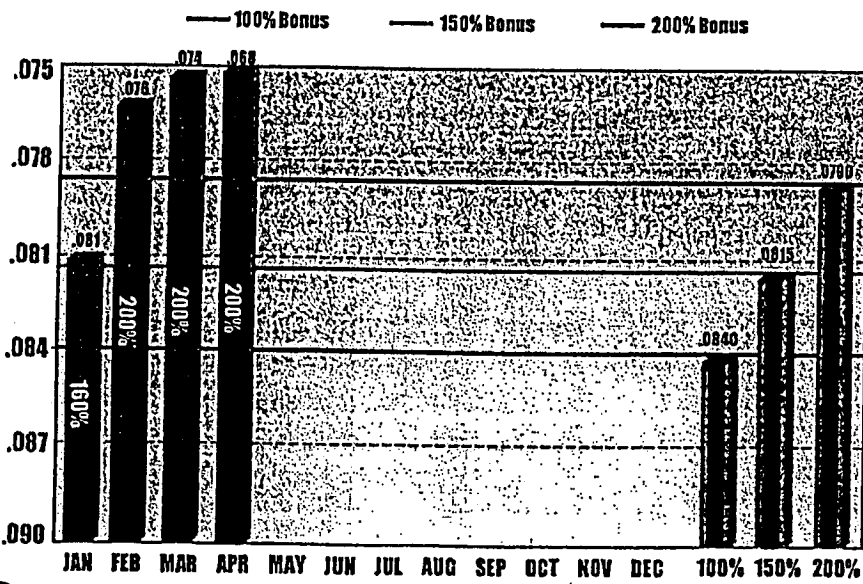
FLUORIDE EMISSIONS RATE

APRIL Red

Well thank you for the...
 Just as the fluoride emissions rate hit the 200 percent mark in March, it fell back to 100 percent in April. This may make a big indicator red.

Note: the goal changes each bonus period because of seasonal effects. Thus, there may be some months with numbers that don't correlate with the percentages.

2013 Iron Level

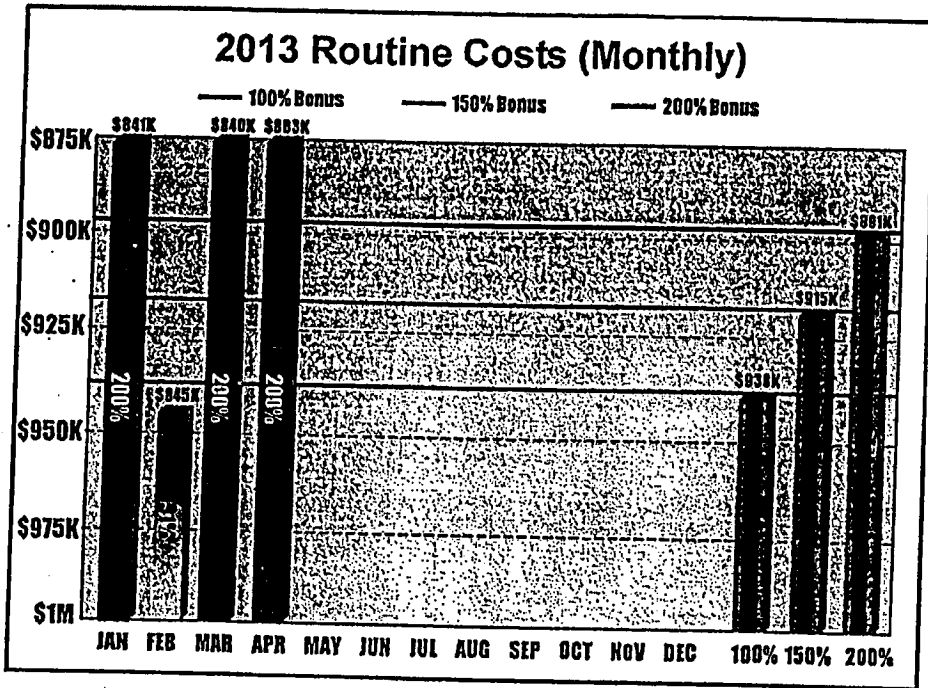


IRON LEVEL

APRIL Green

Potlines seems to have the iron level KPI figured out this year. The latest number once again hit the 200 percent mark - the third consecutive month. That helps offset the fluoride emissions number above.

Maintenance Department Key Performance Indicators

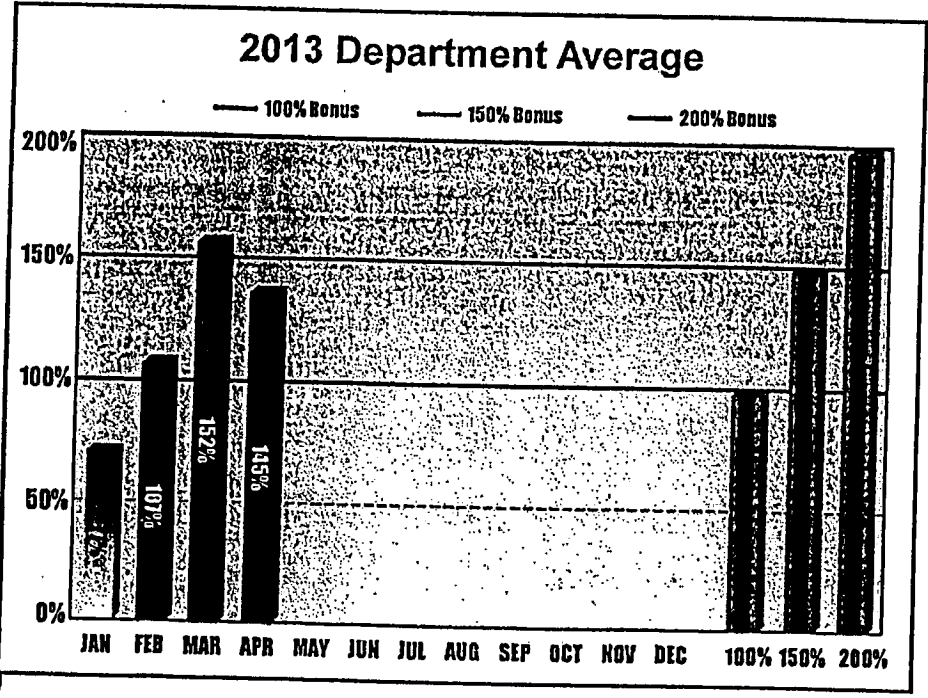


ROUTINE COSTS

APRIL - Red

Sabres' Maintenance department recorded another fantastic month in April with costs at \$881K, finishing a 200% bonus.

This is the second month in a row and the fourth of four where the KPI has maxed out. The only reason the indicator is red is because April was slightly higher than March.



DEPARTMENT AVERAGE

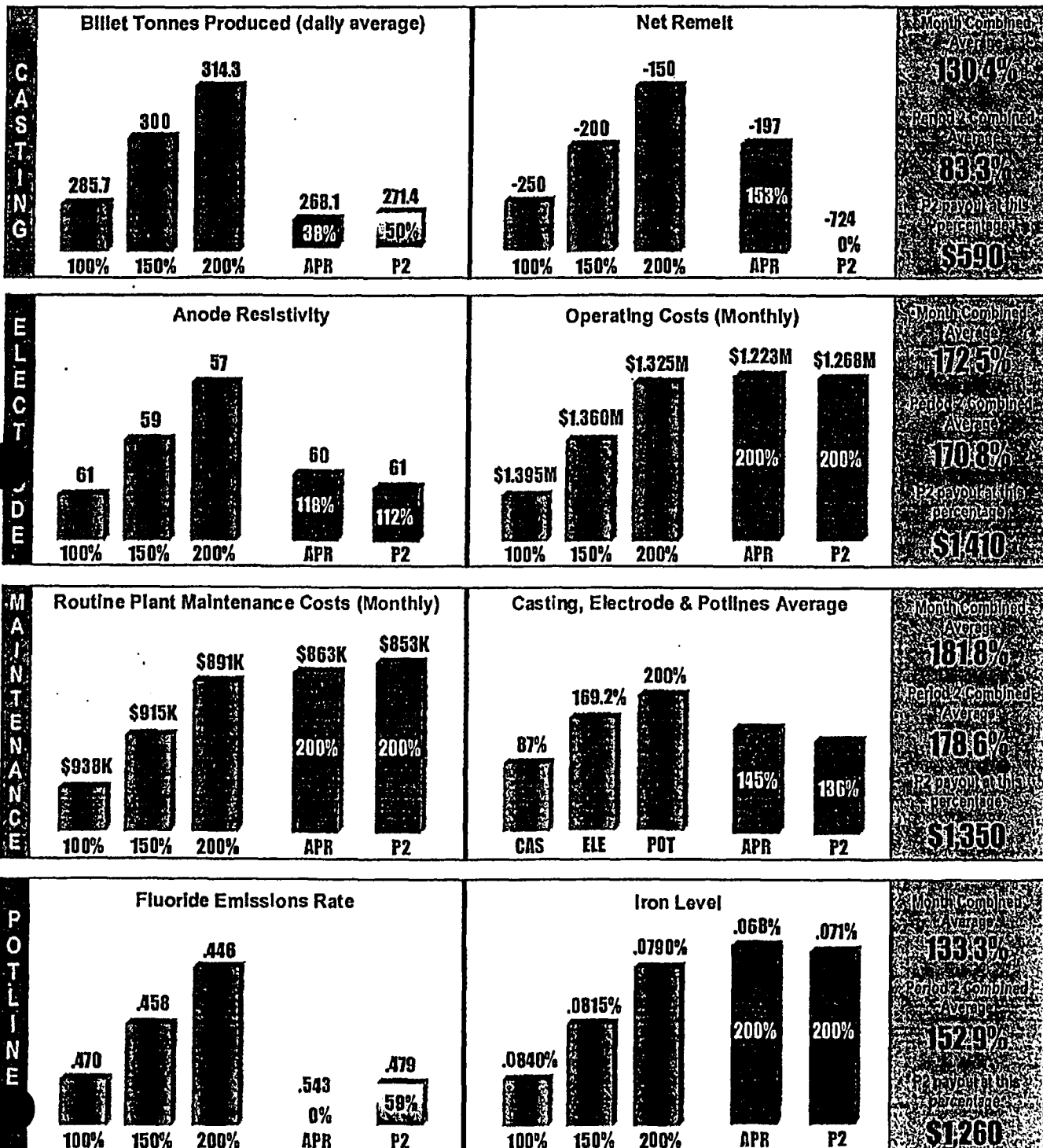
APRIL - Red

Sabres' department average dropped slightly in April which makes this indicator red.

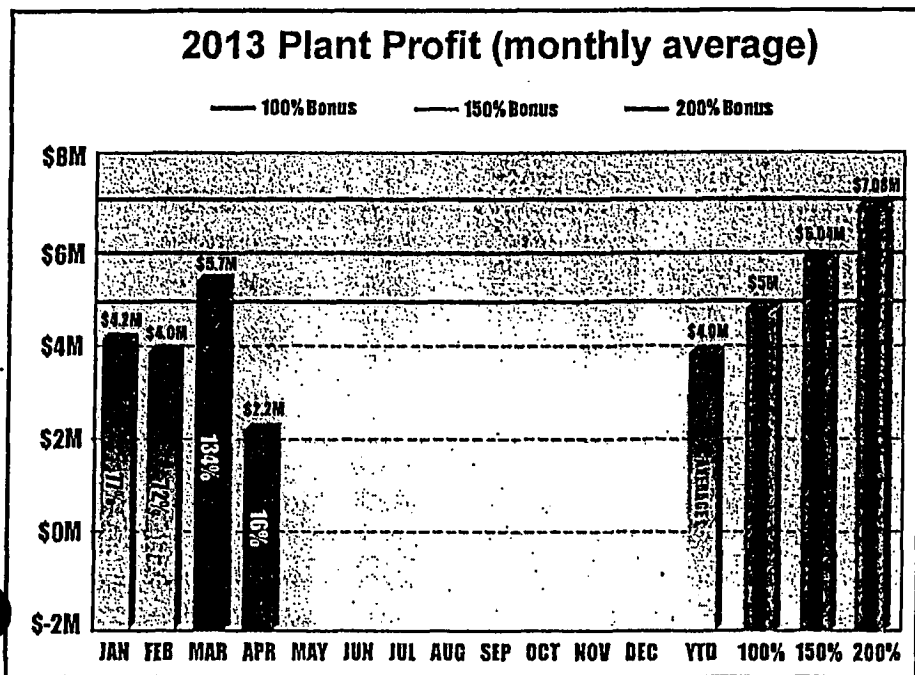
However, the latest number finished at 155%.

Summary of Department Key Performance Indicators

Percentages for all departments reflect their third KPI — Hot Metal Production



Sebree Smelter Key Performance Indicator



PLANT PROFIT

APRIL (Red)

After a solid month in March, Sebree's profit for April dipped to its lowest level of the year.

The lower number can be attributed to a weak LME price for aluminum.

2013 estimated annual bonus payout at this percentage:

\$740

CASTING	ELECTRODE	MAINTENANCE	POTLINES	SAFETY						
<p>MONTH Billet Tonnes</p>	<p>MONTH Operating Costs</p>	<p>MONTH Routine Costs</p>	<p>MONTH Fluoride Emissions</p>	<p>MEDICAL TREATMENT CASES (MTC/LTII)</p> <table border="1"> <tr> <td>BMP1 1 JAN-FEB</td> <td>BMP2 1 MAR-APR</td> <td>BMP3 0 MAY-JUN</td> </tr> <tr> <td>BMP4 0 JUL-AUG</td> <td>BMP5 0 SEP-OCT</td> <td>BMP6 0 NOV-DEC</td> </tr> </table> <p>(BMP) Bi-Monthly Period</p> <p>HOURLY</p>	BMP1 1 JAN-FEB	BMP2 1 MAR-APR	BMP3 0 MAY-JUN	BMP4 0 JUL-AUG	BMP5 0 SEP-OCT	BMP6 0 NOV-DEC
BMP1 1 JAN-FEB	BMP2 1 MAR-APR	BMP3 0 MAY-JUN								
BMP4 0 JUL-AUG	BMP5 0 SEP-OCT	BMP6 0 NOV-DEC								
<p>MONTH Net Remelt</p>	<p>MONTH Anode Resistivity</p>	<p>MONTH Production Average</p>	<p>MONTH Iron Level</p>							

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
dated December 4, 2013

December 13, 2013

1 Item 13) [THERE WAS NO REQUEST NUMBER 13.]

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 Item 14) *Refer to page 20 of Mr. Starheim’s Direct Testimony wherein he states that*
2 *“Kenergy’s board of directors has approved the Century Sebree Transaction.” Please provide*
3 *a copy of all correspondence, all materials, and all other documents provided to the Kenergy*
4 *Board of Directors in conjunction with the negotiations with Century and the approval of the*
5 *Century Sebree Transactions, as well as the approval of the final documents filed in this*
6 *proceeding.*

7
8 Response) Kenergy objects to the extent that this request seeks information that is protected
9 by the attorney client and attorney work product privileges. Notwithstanding that objection, but
10 without waiving it, Kenergy states as follows. See the attached documentation.

11

12 Witness) Gregory J. Starheim

Greg Starheim

From: Greg Starheim
Sent: Monday, December 09, 2013 7:33 AM
To: Greg Starheim
Subject: FW: Century Aluminum of Hawesville

From: Gosselin, Serge (RTA) [mailto:Serge.Gosselin@riotinto.com]
Sent: Monday, September 03, 2012 10:18 AM
To: 'Mark Bailey'
Cc: Jim Miller e-mail; Bob Berry; Greg Starheim
Subject: RE: Century Aluminum of Hawesville

Hello Mark.

Thank you for your note and the accompanying copy of John Hoerner's letter to you.

Permit me to state the position of Rio Tinto and its Sebree Smelter (collectively, RT) --- a position that has been uniformly consistent throughout.

1. RT requires a long term solution to the high energy costs it is experiencing. Without a long term solution and access to a reliable source of electricity at a faire and competitive rate , the Sebree Smelter is not sustainable and its premature closure is inevitable.
2. RT believes that its need for access to a reliable source of electricity at rates at a faire and competitive rate is consistent with the needs of Century and its Hawesville smelter. To that extent, the goals of RT and Century are and remain substantially aligned.
3. As we have discussed, while the long term goals and needs of RT and Century are and remain substantially aligned, the approach that RT has adopted differs from that of Century. Our differences in approach, however, should not be interpreted as a lack of either need or commitment on the part of RT.
4. There is at least one reason why John Hoerner's letter does not address RT or purport to speak on behalf of RT. That is because RT has requested Century to not mention RT or the Sebree Smelter in its public relations campaign. There is a second possible reason and that is Century has provided its notice of termination under its Retail Electric Service Agreement and RT has not provided any such notice. This distinction also places RT and Century in different positions vis-a-vis Blg Rivers and as such must speak more directly to its own needs than that of both smelters.

In short, the omission of RT and the Sebree Smelter from John Hoerner's letter should not be interpreted as (i) anything other than Century respecting the wishes of RT that Century not purport to speak on behalf of RT, or (ii) an abandonment of RT's demand and need for a long term solution and access to a reliable competitive source of electricity.

I am happy to discuss this further but I hope that this clarifies RT's position and corrects any misunderstanding you may have.

Best regards.

Serge

From: Mark Bailey [<mailto:Mark.Bailey@bigrivers.com>]
Sent: Friday, August 31, 2012 3:34 PM
To: Gosselin, Serge (RTA)
Cc: Jim Miller e-mail; Bob Berry; Greg Starheim
Subject: Fwd: Century Aluminum of Hawesville

Hello Serge,

Please see the attached. Mr. Hoerner appears to be cutting RTA out of this matter, but I have received no indication from you or any of your colleagues that is OK with you. As your representatives may have related from the last meeting they attended jointly with Holly Spade of the Kentucky Department of Economic Development, a couple of our Member CEO's along with our legal counsel Jim Miller, Big Rivers' VP Production Bob Berry and me in June, the smelter representatives presented a multiple point demand that included \$110 million for both smelters. Is it correct as Mr. Hoerner suggests now that RTA is no longer seeking any rate relief and would be OK if Big Rivers were to agree to relief exclusively for Century?

Regards,
Mark

Sent from my iPhone

Begin forwarded message:

From: "Hoerner, John" <JHoerner@centuryky.com>
Date: August 31, 2012 4:07:12 PM EDT
To: Mark Bailey <Mark.Bailey@bigrivers.com>
Subject: Century Aluminum of Hawesville

Please see attached.

John Hoerner

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Greg Starheim

From: Greg Starheim
Sent: Wednesday, November 20, 2013 10:41 AM
To: Renee Jones (RJones@kenergycorp.com)
Cc: David Hamilton (DHamilton@kenergycorp.com); Debbie Hayden (DHayden@kenergycorp.com); Doug Hoyt (DHoyt@kenergycorp.com); Greg Starheim (gstarheim@kenergycorp.com); John Newland (JNewland@kenergycorp.com); Keith Ellis (KEllis@kenergycorp.com); Ken Stock (KStock@kenergycorp.com); Steve Thompson (SThompson@kenergycorp.com)
Subject: FW: Sebree filing

Renee,

See below – we're ok with Century issuing the release this afternoon. Transaction docs submitted to PSC this am. Pls coordinate with Marty & Sharla on local communications.

Greg

Begin forwarded message:

From: "Early, Michael" <Michael.Early@centuryaluminum.com>
Date: November 20, 2013 at 9:40:42 AM CST
To: Bob Berry <Bob.Berry@bigrivers.com>
Cc: "DeZee, John" <John.DeZee@centuryaluminum.com>
Subject: RE: Sebree filing

Thanks

Our intent is to put out the press release at 4pm Eastern after the markets close

From: Bob Berry [<mailto:Bob.Berry@blgrivers.com>]
Sent: Wednesday, November 20, 2013 9:33 AM
To: Early, Michael
Subject: Re: Sebree filing

I am checking, I will update you soon.

On Nov 20, 2013, at 9:00 AM, "Early, Michael" <Michael.Early@centuryaluminum.com> wrote:

Bob

What's the status of the filing?

Michael

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Century Term Sheet (Market Access) Negotiations

Summary of Key Issues

March 12, 2013

1. Dispute over definition and extent of cost responsibility:
 - “Solely and directly” vs. “to the extent directly related to”.
 - “Committed to” costs – i.e. contractually obligated to and/or encumbered with obligation to mitigate.
 - Responsibility of (currently) identified or unanticipated future costs.
 - Use of KPSC to determine appropriate costs
2. Involvement in MISO process: Century requiring direct involvement in all discussions/negotiations and consent rights for decisions.
3. Market Participation:
 - BREC to serve initially as MP – ok. Kenergy requiring right to assume that responsibility at unilaterally.
 - Century rejecting responsibility to indemnify Kenergy in the event that MP results in Kenergy losing its tax-exempt status (i.e. 85-15 issue). Century indicating their interest to become MP instead – probably ok.
4. Transmission Capital Costs: Century not willing to accept all costs/risks associated with transmission capital project(s) that may be required by MISO including eliminating the “must run” status of Coleman Station. Century only willing to accept those charges that are assigned to their load node by MISO.
5. Coleman “must run” capital costs: Century not accepting a requirement to upfront funding and cost responsibility for Coleman “must run” status as may be required by MISO. Century made be willing to accept costs beyond those assigned by MISO to their load node IF they receive credit for “avoided revenues” associated with the transmission services that BREC would lose in the event of plant shutdown. Further dispute over allocation methodology (life of plant vs. investment depreciation schedule) relative to any capital expenditure made at Coleman during the “must run” period.
6. Century unwilling to accept any incremental cost/risk they may accept in the event of a BREC future decision to leave MISO.
7. Century requests assurances that, in the event contract negotiations or approvals are not secured by 8/20/13 that Ken/BREC would support a backstop legislative action that would kick-in.
8. Responsibility for future Environmental (including RPS) regulations.
9. Termination Rights/responsibilities
10. Arbitration
11. Assignment rights - ?

Smelter "De-Regulation" Legislation

Summary of Key Issues

March 12, 2013

1. The bill makes Kenergy, Big Rivers, and every customer on the Big Rivers system except a smelter an involuntarily participant in the aluminum commodity market, and supporter of unlimited profits for the smelters.
2. There is no end date for the subsidization of the smelters.
3. Increases in the costs of fuel, purchased power and environmental compliance (emission controls, carbon taxes, etc.) for the 70% of the Big Rivers generation used by the smelters must be paid by every customer except the smelters.
4. The bill will have a chilling effect on economic development in Western Kentucky because Big Rivers' member cooperatives will have no ability to mitigate the high rates caused by the smelter subsidy through industrial development, or selling the smelter power into the wholesale market when prices recover. [I recognize that there are gaps in this comment.]
5. The bill gives the Public Service Commission no discretion to limit the smelter subsidy, even if the smelters are making large profits.
6. The bill, in Section 4(1)(a), gives no definition of how the "shortfall" is calculated.
7. Cash flow issues that could cause major financial problems for Big Rivers are not addressed in the bill.
8. The bill provides no security for payment of the tens of millions of dollars in power purchases that the smelters will make each month, exposing Big Rivers and its members to crippling financial risks.



Management Report
April 2013

POWER SUPPLY

Big Rivers Electric (BREC):

Smelter Update:

- Alcan is anxious to complete a "Market Access" deal, but admitted that it could be de-railed at any time if Rio Tinto (London) decides to accept a firm offer that Century has made for the Seabee Smelter. A 45-day budget estimate to cover our costs of future discussions provided as basis for the Reimbursement Agreement that should be in-place in the near future. We are scheduled to meet with them again on April 5 to continue dialogue (negotiations) on the Term Sheet – not anticipating any significant issues.



Management Report

May 2013

POWER SUPPLY / SMELTER NEGOTIATIONS

Smelter Update:

- Sebree Acquisition: As expected, Century and Alcan have finally announced an agreement whereby Century will acquire the assets Sebree Smelter for a ridiculously low price. The purchase price, \$61M + \$4M in assumed liabilities, is well below the \$211M offer that Alcan had previously received in 2011. It seems that Rio Tinto wants to quickly shed this (and other coal-based smelter) assets quickly. Based on this news, Alcan has terminated negotiations with us for "market access". Further, Century has provided a draft consent document to us to allow the assignment of the remaining term of our power supply contract with Sebree (through 1/31/14) – under legal review and agenda item for May Board meeting. Creditor and PSC approval may be required.
- Century "Market Access": On 4/26, the BREC/Kenergy team reached a tentative agreement with Century on the "Market Access" Term Sheet. Terms to be reviewed with each board during May meetings for approval – BOARD AGENDA ITEM. Definitive contract documents have been drafted by Orrick and are under review now by BREC/Kenergy negotiations teams with team meeting planned for 5/13-14 to conform a draft contract that would be sent to Century on 5/15. In light of the time constraints associated with PSC and RUS approval, agreement on contract must be complete no later than late-May to ensure un-interrupted supply after 8/2013. Negotiations expected to be fairly intense over next couple (few?) weeks.



Management Report

June 2013

POWER SUPPLY / SMELTER NEGOTIATIONS

Smelter Update:

- Sebree Acquisition: Based on 5/20/13 Board approval, Kenergy and BREC has consented to the assignments of Alcan contracts to Century. Century and Alcan have announced closure of the acquisition. Negotiations for providing the Sebree "market power" supply on-hold pending completion of negotiations with Century on the Hawesville Smelter.
- Century "Market Access": High level of effort continues on conforming contract documents after reaching agreement on a non-binding Term Sheet. Kenergy Board approval pending. Details to be discussed as agenda item.

Management Report

July 2013

SMELTER UPDATE:

Century Hawesville Smelter - "Market Power Supply":

- Negotiated contract submitted to PSC for approval along with "Alternative Service Agreement" which would allow Kenergy to serve non-smelting loads at the Hawesville Smelter after 8/19 if the "Market Power Supply agreement does not go into effect. PSC has opened case and has set procedural schedule – SEE BELOW.

Century Sebree Smelter:

- Since the acquisition of the smelter by Century, no negotiations have occurred to provide "market power" to the smelter after the 1/31/14 termination date since all parties are focused on obtaining regulatory approvals for the Hawesville agreement. The only exception is the extension of the agreement to provide Alcan (now Century) up to 10 MW of "market power" from July 1st through January 31st through the termination date which has now received PSC approval – SEE BELOW. If/when the Hawesville contract is approved, a duplicate effort for Sebree is expected to occur.



Management Report
August 2013

SMELTER UPDATE

Century Hawesville Smelter - "Market Power Supply":

- See below update under Legislative & Regulatory Affairs.

Century Sebree Smelter:

- *** No activity over last month. No further discussions have occurred to provide "market power" to the smelter after the 1/31/14 termination date since the Century acquisition. Century has been advised of the need to begin discussions as soon as possible in light of the deadline being only 5 months away and the need for MISO analysis to occur as was done for the Hawesville Smelter.

Smelter Coordinating Committee Meeting:

- The next quarterly Coordinating Committee Meeting, as required under the Unwind Agreement, is scheduled for 8/15.

FINANCE & ACCOUNTING



Management Report
September 2013

SMELTER UPDATE

Century Hawesville Smelter - "Market Power Supply":

- See below update under Legislative & Regulatory Affairs.

Century Sebree Smelter:

- Draft Reimbursement Agreement (modeled off of the Century Hawesville RA) distributed for review/comment. Expecting to finalize in near future and work to begin shortly on drafting a similar agreement as has been approved by the PSC for the Hawesville Smelter. Efforts will also include an application by BREC to MISO to determine "must run" conditions on the Wilson Station and other possible considerations.



Management Report

October 2013

SMELTER UPDATE

(GREG)

Century Hawesville Smelter - "Market Power Supply":

- Power supply continuing to come from MISO "day-ahead" market. Several inquiries from 3rd-party power suppliers have been received offering fixed-price, multi-year products and have been passed on to Century to determine interest. BREC continuing to serve as Market Participant in

MISCO on our behalf. Discussions ongoing between BREC, MISO and Century regarding the "SSR" contract regarding the Coleman Station.

- Also see below "Legislative & Regulatory Affairs".

Century Sebree Smelter:

- Reimbursement Agreement (modeled off of the Century Hawesville RA) has been executed by all parties providing reimbursement of costs to Kenergy and BREC for discussing a "market power supply" agreement for the Sebree Smelter. Orrick has drafted contract documents and have been distributed for review. It is expected that contract negotiations will proceed smoothly and quickly with agreements to various boards for approval, and subsequent filing with the PSC, in Oct/Nov. Discussions between BREC and Century underway regarding MISO review of any SSR requirements relating to the idling of the Wilson Station.



Management Report
November 2013

SMELTER UPDATE

Century Sebree Smelter:

- "Market Power Supply Agreement", modeled off of the Hawesville agreement, has been drafted and sent to Century for review/approval. Kenergy and BREC are recovering external costs under the Sebree Reimbursement Agreement. BREC intends to seek approval by the BREC board during their upcoming meeting on 11/15. The Kenergy board approved during October meeting. Assuming approval by the BREC Board, the un-signed contract will be submitted to the PSC the week of 11/18 with the expectation that a formal hearing will occur the week of 12/16 (based on the required time for the PSC to take action for the agreement to become effective by the 2/1/14 deadline). Testimony of Kenergy CEO has been drafted and resembles closely that provided in the Hawesville case.

- Century has issued a WARN notice to its employees at the Sebree Smelter as a contingency in the event that the PSC fails to approve the (market) power supply agreement. As part of this procedure, Century has sent a letter to local officials advising them of the possible layoffs.
- Based on the termination of supply from BREC to the Sebree Smelter on 1/31, BREC proceeding with plans to idle the Wilson Station effective 2/1/14. It appears that the MISO will not require the Wilson Station to run for reliability purposes like they are requiring with Coleman. BREC intending to issue a WARN (Worker Adjustment and Retraining Notification) notice to potentially affected employees in the near future.

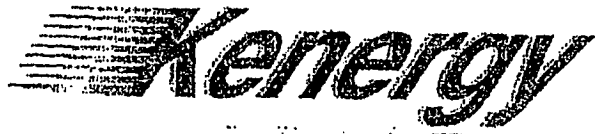
Century Hawesville Smelter - "Market Power Supply":

- Power supply to the Hawesville Smelter continuing to come from MISO "day-ahead" market. To date, Century has not expressed interest in firming up pricing through bilateral contract(s). Over the last month, Century has experience 2 occurrences (including Coleman outages) where market prices have spiked in the MISO. Century claims that they have suffered significant losses during these periods and has filed a complaint to the MISO against BREC and has mustered legislative support for complaints about BREC. BREC has responded to a letter from Rep. Thompson and Gooch and Sen. Bowen addressing (correcting) statements they made in the letter implying BREC's inappropriate actions leading to the price spikes.
- Discussions continuing between BREC and the MISO (and SERC) on finalizing an SSR (System Support Resource) agreement relating to Coleman's continued operation until such time that Century can secure approval for and complete installation of protective relay scheme that allows them to operate at full capacity but subject to load curtailment by MISO. Century continues to pay BREC for operating costs of Coleman until an SSR agreement goes into effect. A Load Curtailment agreement between Kenergy, BREC and Century has been drafted and provided to Century which confirms the risk of load curtailment to Century and reinforces indemnification of Kenergy and BREC for any action relating to curtailment.
- KIUC has filed an appeal in Franklin Circuit Court objecting with the PSC approval of the Century Hawesville (market power supply) agreement. KIUC argues that the PSC ruling should include provisions that require Century to pay a "termination charge" based on the profitability of the Century Hawesville Smelter. Legal proceedings ongoing which are expected to result in a court decision by year-end.
- Due to the appeal by KIUC and ongoing dialogue relative to the Coleman SSR and Load Curtailment agreement, the Reimbursement Agreement with Century on the Hawesville contract has been continued to cover any legal (or other) costs incurred by Kenergy and BREC.
- Century has extended the WARN notice to employee another 60 days.
- Also see below "Legislative & Regulatory Affairs".

Century / Earnings Call - 3Q13:

- Century prominently discussed the Hawesville and Sebree market power supply during their call. Reported \$10M loss for 3Q, \$31M YTD. During call the indicated they would look for power deal that would trade at Indiana Hub when/if they decide to hedge power supply.

FINANCE & ACCOUNTING



Management Report
December 2013

JF

SMELTER UPDATE

Century Sebree "Market Power Supply":

- Contract documents, modeled off of the Hawesville agreement, have been completed and filed with the PSC. PSC procedural schedule ongoing as follows:
 - Intervener Data Requests Rec'd
 - Responses to Intervener Data Requests 12/13
 - Intervener Testimony due 12/20
 - BGREC/Kenergy Rebuttal Testimony 12/30
 - BREC/Kenergy Witness Prep for Hearing 1/2
 - PSC Hearing 1/6
 - Deadline for Contract Approval 1/31

Century Hawesville Smelter - "Market Power Supply":

- Power supply to the Hawesville Smelter continuing to come from MISO "day-ahead" market. Century has indicated that they would like to explore alternative Market Participants (other than BREC) and bi-lateral contract agreements sometime after the Sebree Market Power Supply contract is complete.
- Discussions ongoing relative to the BREC SSR agreement of Coleman. The MISO will require BREC to operate Coleman until such time that Century reduces their load and/or completes installation of protective relays. As a condition to approving the SPS, Century must sign the Load Curtailment Agreement with BREC and Kenergy which, to date, they have not. Century has been clear of their objectives of establishing getting the SPS in-place asap so that they are not responsible for paying the costs of operating Coleman.
- KIUC has withdrawn their appeal to the PSC ruling approving the contract.

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Request for Information
dated December 4, 2013

December 13, 2013

1 **Item 15)** *Refer to pages 22-23 of Mr. Starheim’s Direct Testimony wherein he makes the*
2 *following statement:*

3 *As noted above, the Century Sebree Transaction provides Century Sebree with*
4 *the market-priced power supply it says it needs to keep the Sebree smelter in*
5 *operation. Helping Century Sebree achieve this result is beneficial to Kenergy,*
6 *its members, and in a broader sense, the regional economy of Western*
7 *Kentucky.*

8
9 a. *Please provide a copy of all materials, all documents, and all analyses*
10 *prepared by or for Century and/or Kenergy and/or Big Rivers that*
11 *quantifies the Century Sebree Smelter’s profitability and/or the effects of*
12 *replacing the currently effective Smelter rates with “the market-priced*
13 *power supply it says it needs to keep the Sebree smelter in operation.”*

14
15 **Response)**

16 a. Neither Kenergy nor Big Rivers has materials, documents or analyses
17 prepared by or for them to quantify the profitability of the Sebree smelter if it
18 obtains market-priced power. Please also refer to the responses to KIUC 1-8
19 and KIUC 1-12.

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

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December 13, 2013

1 **Witnesses)** Gregory J. Starheim – Kenergy
2 Robert W. Berry - Big Rivers

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Requests for Information
dated December 4, 2013

December 13, 2013

- 1 **Item 16)** *Refer to pages 4-5 of Mr. Berry’s Direct Testimony wherein he describes his*
2 *role as the “principal negotiator” in both the Century Hawesville Transaction and the Century*
3 *Sebree Transaction.*
- 4 *a. Please describe all efforts by Big Rivers to require Century to pay a*
5 *stranded cost fee or market access fee in addition to the direct costs to*
6 *serve Sebree under the new market transaction structure. Provide a copy*
7 *of all correspondence, all other documents, and all analyses in*
8 *conjunction with such efforts.*
- 9 *b. Please describe all efforts by Big Rivers to determine the profitability of*
10 *the Sebree smelter and/or its ability to pay a stranded cost fee or market*
11 *access fee in addition to the direct costs to serve them under the new*
12 *market transaction structure. Provide a copy of all correspondence, all*
13 *other documents, and all analyses in conjunction with such efforts.*
- 14 *c. Please describe all analyses by, prepared on behalf of, or otherwise*
15 *provided or otherwise available to, Big Rivers to quantify the savings that*
16 *Alcan and/or Century would achieve by terminating the currently effective*

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
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Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 *contract and instead acquiring the power requirements for the Sebree*
2 *smelter in the market.*

3
4 **Response)**

5 a. Big Rivers agreed to allow the smelter to obtain market priced power as a
6 result of the termination notice delivered by the smelter. Big Rivers' guiding
7 principal was that Big Rivers' Members would not incur any additional costs
8 as a result of the smelter transaction other than those costs it would have
9 incurred had the smelter closed its facility. The documents associated with
10 this filing have achieved this goal. Big Rivers considered access through
11 Kenergy to market-based pricing to be an incentive for Century to continue its
12 smelting operations in Sebree, as was the case with respect to Century
13 Hawesville. Big Rivers did not seek an exit fee in the negotiation of the
14 contracts submitted for approval in this matter because it saw no prospect for
15 negotiation of a fee that had not been sought or required in the existing Alcan
16 agreements.

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

- 1 b. For the reasons stated above, Big Rivers did not try to determine the ability of
2 Century Sebree to pay a stranded cost or exit fee.
- 3 c. No analyses have been performed to quantify the potential savings the owner
4 of the Sebree smelter might experience by allowing the Sebree smelter to
5 obtain market priced power on the terms provided in the Century Sebree
6 transaction. Please find attached a market price power estimate Big Rivers
7 provided to APPC on March 12, 2013.

8

9 **Witness)** Robert W. Berry

Big Rivers Electric Corporation
Case No. 2013-00413
Potential Savings

	2014	2015	2016	2017	2018	Average
Indiana Hub ATC	32.75	34.10	35.85	38.54	41.43	36.53
Capacity	.50/ kW Mo.	.75/ kW Mo.	1.00/ kW Mo.	1.50/ kW Mo.	2.00/ kW Mo.	
\$/MWh	0.68	1.03	1.37	2.05	2.74	1.58
Other MISO (not 26A)	2.79	2.87	2.96	3.05	3.14	2.96
Schedule 26A	0.35	0.60	0.95	1.08	1.23	0.84
Total	36.58	38.60	41.13	44.72	48.54	41.91
Potential Must Run Green Station	5.63	7.49	8.15			
Worst Case (\$/MWh)	42.21	46.09	49.28			

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
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FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 17)** *Other than the public filings made in this case, please provide a copy of all*
2 *correspondence and all other that documents comprising communications with any*
3 *governmental official at the state or local level addressing the termination of the currently*
4 *effective Sebree power contract.*

5
6 **Response)** Big River objects to the extent that this request seeks information that is protected
7 by the attorney-client and attorney work product privileges. Notwithstanding that objection, and
8 without waiving it, Big Rivers produces the attached correspondence regarding the Sebree power
9 contract. Kenergy has no responsive documentation.

10

11 **Witnesses)** Robert W. Berry – Big Rivers

12 Gregory J. Starheim - Kenergy



CABINET FOR ECONOMIC DEVELOPMENT

*Mianke Hui
C. Jim Mills
Bob Boring
Al Yockey
Marti, Lott*

Steven L. Beshear
Governor

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601
ThinkKentucky.com
February 15, 2012

Larry M. Hayes
Secretary

Mr. John Cooper
Capital Link Consultants
225 Capital Drive
Frankfort, Kentucky 40601



Re: Request for Information

Dear Mr. Cooper:

As a result of several meetings we have had with representatives of Century Aluminum Company and Rio Tinto Alcan, we are very aware of the concerns raised regarding the rise in electric rates for the smelters in the Western part of the state. We have also been in meetings that included representatives of Big Rivers and the legislators who represent that part of the state, so we are aware of their concerns as well. After hearing all sides of the situation, it seems that no possible resolution can be determined without some firm dollar figures.

Your clients have indicated that electricity on the global market falls within the price range of \$26 to \$28 per megawatt hour right now. It is our understanding that the smelters are currently paying \$52 or more per megawatt hour in Kentucky right now. While noting that average industrial electric prices in Kentucky are still low for the United States, we understand that it is high compared to the global market relevant to your other facilities. We are also aware that the price of aluminum is market based and tends to fluctuate. There are, however, other costs of business that affect your facility's bottom line profit margins. The Cabinet and all others interested in resolving this cannot do so without knowing a price that will get these facilities where they need to be to survive the current low market rates for aluminum.

We have asked for this information verbally in several of our meetings, but the Cabinet felt it might be helpful to formalize the request and the explanation behind it. The sooner you can get this information to the Cabinet and to the other parties interested in resolving this, the sooner we can evaluate the possibilities that may be available. Any backup documentation for the pricing you propose would be helpful as well.

We look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Erik Dunnigan', written over the word 'Sincerely,'.

Erik Dunnigan
Commissioner

Cc: Secretary Larry Hayes
Senator Jerry Rhoads
John Talbert

Larry Baronowsky

Subject: FW: Big Rivers, Kenergy & Century Agreement

From: John Talbert
Sent: Monday, April 29, 2013 8:18 AM
To: Bell, Stephanie (PSC)
Subject: RE: Big Rivers, Kenergy & Century Agreement

You know Century is buying the Sebree smelter from Alcan, right

Sent from my Windows Phone

From: Bell, Stephanie (PSC)
Sent: 4/29/2013 9:14 AM
To: John Talbert
Subject: RE: Big Rivers, Kenergy & Century Agreement

Thank you John.

From: John Talbert [mailto:John.Talbert@blgrivers.com]
Sent: Monday, April 29, 2013 9:04 AM
To: Bell, Stephanie (PSC)
Subject: FW: Big Rivers, Kenergy & Century Agreement

FYI-John

Sent from my Windows Phone

From: Paula Mitchell
Sent: 4/29/2013 9:01 AM
To: All Big Rivers HQ; All Coleman; All ETand S; All Reid Green; All Wilson
Subject: FW: Big Rivers, Kenergy & Century Agreement

All Big Rivers Employees:

Attached is an important joint announcement by Big Rivers, Kenergy and Century. After months of negotiations, both parties have come to a framework for an agreement that will allow Century Aluminum to access market power. There is still a lot of work and specifics to be accomplished over the coming weeks as many approvals from various parties will be required.

This agreement will not negate the need for an increase in wholesale electric rates. This arrangement is intended to have no impact to Big Rivers' current rate proposal. All along, our main objective has been to help Century remain open but

make sure our customers would not experience an even higher rate increase if Century remained open and bought power from the market.

We'll keep you abreast of the situation as more details unfold in the coming weeks.

Thank you,
Marty

MARTY LITTREL
Director Communications & Community Relations
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Direct (270)844-6153
Marty.Littrel@bgrivers.com

Larry Baronowsky

Subject: FW: Fair Rates Kentucky - Home

From: John Talbert
Sent: Wednesday, May 15, 2013 10:33 AM
To: Bell, Stephanie (PSC)
Subject: Fair Rates Kentucky - Home

<http://www.fairratesky.com/>

Sent from my Windows Phone

Larry Baronowsky

Subject: FW: Todays Messenger and Inquirer
Attachments: Page 1.pdf; ATT00001.htm; Page 2.pdf; ATT00002.htm

From: John Talbert
Sent: Monday, September 23, 2013 7:39 AM
To: stephanie.bell@ky.gov
Subject: FW: Todays Messenger and Inquirer

Good article - John

From: Bob Berry <Bob.Berry@bigrivers.com>
Date: September 21, 2013, 9:19:23 AM CDT
To: Mark Bailey <Mark.Bailey@bigrivers.com>, Marty Littrel <Marty.Littrel@bigrivers.com>
Cc: Sharla Austin-Darnell <Sharla.Austin-Darnell@bigrivers.com>
Subject: Todays Messenger and Inquirer

Mark and Marty, the article that Joy Campbell interviewed Marty and I was in today's Messenger and Inquirer. I have attached the document for your convenience. Sorry about the quality my home equipment is not as advanced as what we have at work.

Bob

BIG RIVERS ELECTRIC CORP.

Officials: Plan could lead to drop in rates



BY JOY CAMPBELL

Two aluminum smelters in the greater Owensboro area are planning to stay globally competitive with depressed metal prices and much higher financial market prices for electricity, officials decided last year to how out of their long-term need to enhance energy contracts with

Big Rivers Electric Corp. and three companies could not reach a new rate agreement. Both smelters threatened to shut down their plants without a cheap power rate, leaving about 2,000 employees at a crossroads and claiming hundreds of jobs and claims.

One of the smelters, Century Aluminum in Hawesville, already shows a capacity to be a whole plant and a 30 percent annual rate of \$612 million per year. Other smaller Century System Center of the power transmission system covers all parts of U.S. states and the Canadian province of

Circle

RATES PAGE 2

RATES

BY THE FRONT PAGE

GenCorp's new rates will be...
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MISO...
The agreement...



Larry Baronowsky

Subject: FW: Officials: Plan could lead to drop in rates
Attachments: Officials - Plan could lead to drop in rates.pdf

From: John Talbert
Sent: Monday, September 23, 2013 10:21 AM
To: stephanie.bell@ky.gov
Subject: FW: Officials: Plan could lead to drop in rates

Better version should you wish to share.

From: Angela Ackerman
Sent: Monday, September 23, 2013 10:08 AM
To: Marty Littrel; Sharla Austin-Darnell; John Talbert
Cc: Paula Mitchell
Subject: Officials: Plan could lead to drop in rates

Officials: Plan could lead to drop in rates

http://www.messenger-inquirer.com/news/local/article_02850dd7-5dad-5fb7-940b-096a97b25c4c.html?mode=print

Posted: Saturday, September 21, 2013 12:00 am | Updated: 1:15 am, Sat Sep 21, 2013.
By Joy Campbell Messenger-Inquirer

Two aluminum smelters in the greater Owensboro area — struggling to stay globally competitive with depressed metal prices and a much-higher-than-market contract price for electricity — decided last year to bow out of their long-term, negotiated energy contracts with Big Rivers Electric Corp. after the three companies could not reach a new rate agreement.

Both smelters threatened to shut down their plants without a cheaper power rate, leaving about 700 employees in Hawesville and 500 in Sebree jobless and causing an economic ripple in the region certain to claim hundreds more jobs.

One of the smelters, Century Aluminum-Hawesville, is already buying electricity at a cheaper rate on the open wholesale market and will realize a 30 percent annual rate reduction, or \$61.2 million per year. The other smelter, Century-Sebree, expects to follow a similar path to cheaper power after Jan. 31.

But the long and painful turn of events has left Big Rivers with a \$360 million annual revenue loss and with 65 percent of its generating capacity unclaimed.

And 112,000 remaining customers in the Big Rivers retail system will pay significantly more for electricity.

So, where does this leave the Henderson-based, private, not-for-profit utility?

"These are challenging times, no doubt," said Bob Berry, Big Rivers' chief operating officer. "But we think we'll be successful in our mitigation efforts."

He's talking about the plans to lessen the sting of higher rates.

Big Rivers benchmarks its rates against other coal-fired plants, and that analysis shows that the utility is a low-cost producer, Berry said. The generating units dispatch into the regional grid economically, which means Big Rivers' cost to generate power is less than what the utility paid for it, creating a profit, he said.

"We have high dispatch rates even in a depressed market," Berry said. "Our units are valuable and will be valuable to our customers in the near future. We expect to lower our rates to levels more consistent to where they were in the past (before the smelters left)."

But first, Big Rivers has had to make immediate changes with more in the works.

Big Rivers expects to cut \$244 million from its costs — some of the cuts already have been made and others will come later. The budget slicing is coming from refinancing debt, negotiating for plant efficiencies, changing employee benefits and holding off on filling several job vacancies.

And if the utility gets regulatory approval, it will idle two of its power plants — the Kenneth C. Coleman Plant in Hawesville and the D.B. Wilson Plant near Centertown. The go-ahead to take those plants off line must come from MISO (Midcontinent Independent System Operators), the organization that manages reliability of the bulk power transmission system covering all or parts of 15 U.S. states and the Canadian province of Manitoba.

"If it doesn't impact reliability, we will idle both plants," Berry said. "We're still waiting for that approval. Century is installing some equipment that should help with reliability."

The target date for halting operations at the Wilson plant is Feb. 1, 2014. The Coleman plant's idling will occur in May 2014 at the latest, Berry said.

Century is paying Big Rivers' costs to keep it going during the transition to market-based power transmission.

Century officials have said they want to get out from under that "system support resource," or SSR, which is a mandate from MISO.

In the new power agreement, Big Rivers, as the market participant with MISO, is buying electricity on the "day ahead" market and selling it to Kenergy, which sells and distributes it to Century.

That agreement will run through 2023 unless Century requests a new market participant, Berry said. The smelter is not required to use Big Rivers, but the process would be the same for a new provider, he said.

Idling both plants will mean that about 190 Big Rivers employees will lose their jobs. That news already has been shared with employees, Berry said.

"Anticipating this reduction, we have deferred backfilling any position," Berry said. "We're down about 40 now which could reduce the 190 by that amount."

Short- and long-term strategy in place

During rate negotiations with Century, the Hawesville smelter asked for concessions that would result in residential rates rising by 37 percent permanently with Industrial rates rising 56 percent permanently, Big Rivers officials said.

The utility contends its goal has been to look out for all of its customers, and there was no guarantee that the smelters would not come back for more concessions at additional risk to other ratepayers.

The rate increases — planned to be temporary — are set to go into effect as the smelters leave the system. Those two rate increases together, if the KPSC approves the full amounts, would generate \$115 million.

One increase already has shown up on monthly bills for Kenergy, Jackson Purchase Electric and Meade County Rural Electric Cooperative customers — Big Rivers' retail distributors. Customers in those co-ops are paying a system-wide average of 19 percent more, which could be reduced once the Kentucky Public Service Commission sets the final rates.

A second rate hike has been filed with the KPSC, and it is in the discovery stage with no public meetings or hearings yet announced. That increase would boost rates system-wide by 21 percent.

But customers may not have to pay this one until at least April 2015. The utility wants to use reserve funds that were earmarked for such contingencies to delay implementing the rate hike.

"We don't like rate increases," Berry said. "This is only our third request in 21 years."

Some of the company's mitigation plans are longer term.

The main part of the utility's long-term mitigation strategy is to find customers to buy the estimated 850 megawatts that have been serving the Hawesville and Sebree smelters. To that end, Big Rivers is trying to sell to other utilities by responding to a number of Requests for Proposals from utilities and cities for 2016-17 contracts.

Just in Kentucky, RFPs have gone out for 1,500 megawatts, and Big Rivers is not restricted to Kentucky, Berry said.

"Not a day goes by that we don't look at mitigating this," said Marty Littrel, Big Rivers' director of community relations and communications. "We didn't ask for this. It's a situation that couldn't be avoided. We're a not-for-profit electric utility, and we're doing our best to keep costs down to lessen the impact."

Big Rivers also will pursue off-system sales into MISO if the market is high enough to recover fixed, variable costs. "We will need to see about \$2 to \$3 increase in price from where it is today," Berry said two weeks ago. "I will say that reports indicate the market is strengthening. In fact, it could rebound by 2015. And we could bring back our plants by 2016-17."

Berry said a number of power plants will be decommissioned when new federal environmental regulations are out in April 2015 — another reason to anticipate bringing back Big Rivers' idled plants in 2016-17.

The utility also is working with state and local officials to attract new industries.

Employees already feeling impact

About 350 of Big Rivers' employees are union-represented with a contract that expires in September 2015. The remaining 300 or so will see benefit changes as part of the company's cost-cutting measures.

Some post-retirement medical benefits changes start in January 2014. Presently, starting at age 55 and continuing to age 62, the company pays a small premium for post-retirement medical. Next year, under the changes, eligibility for that benefit starts at age 62 and eligible employees will pay a larger percentage.

Kenergy has 148 employees and does not expect any layoffs from the loss of the two aluminum smelters.

More changes to come

The KPSC has not yet ruled on Big Rivers' second rate increase request. Spokesman Andrew Melnykovich said about a week ago that a decision is expected "in weeks rather than months or days."

The second increase is still in what is called the discovery stage. The public will have opportunities to provide input at meetings and hearings that will be scheduled at some point.

Three large industries — Aleris and Domtar in Hancock County and Kimberly-Clark in Daviess County — have appealed the KPSC's approval of Big Rivers' and Century-Hawesville's open market power plan in Franklin Circuit Court. The companies, represented by the Kentucky Industrial Utility Customers group, want the court to nullify that ruling. They believe the ruling is unfair and want Century to help pay for the "stranded costs" the company's departure from the system created.

The industry representatives have said they don't oppose market-based power agreements for the smelters.

"We want a balanced approach so that customers don't feel the full impact of the rate increases," Domtar's Hawesville plant manager Steve Henry said when the lawsuit was filed. "What we proposed to the PSC was that, if at some point in the future, Century finds itself in a better financial position, we want them to contribute to the solution."

If both rate increases are approved, large industrial customers will incur a 110 percent increase by July 2014, Henry said.

Century-Sebree also is expected to negotiate a new agreement with Big Rivers allowing the company to buy market-priced power.

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October 15, 2012



The Honorable Dorsey Ridley
Senate of the Commonwealth of Kentucky
702 Capitol Ave
Annex Room 255
Frankfort, Kentucky 40601

Dear Senator Ridley:

We address this letter to you as the member of the Kentucky Senate representing the 4th District and as a member of the Interim Joint Committee on Natural Resources and Environment. The 4th District is the home of the Sebree Smelter and encompasses the area in which so many of our employees reside.

As you know, on October 4th Christenson Associates Energy Consulting LLC (the "Consultant") issued and presented to the Interim Joint Committee its report, dated September 30, 2012, on *Energy Rate Impacts on Kentucky Industry* (the "Report"). In the intervening days we have reviewed carefully the contents of the Report. It is an understatement to say that we are very disturbed and disappointed with the Report. We are especially disturbed by a number of the underlying premises, both expressed and implied, in the Report and the implications and conclusions that the Report draws from them. These include, among others, that:

- the aluminum industry in the United States in general, and the Commonwealth of Kentucky in particular, is doomed to failure and that nothing can or should be done to save it;
- the future of the aluminum industry in the United States is foretold by the substantial decline in the number of aluminum smelters in the United States that has occurred over the past 30 years and not the success of those that have continued to survive and which afford substantial benefits to the local and broader communities;
- in order to survive, the aluminum industry in the United States requires electricity prices that compete with the world average for aluminum smelters of \$26 per megawatt hour;
- the cost of any solution resulting in the survival of the aluminum industry will be borne solely by the other customers and ratepayers of Big Rivers and by the taxpayers of the Commonwealth of Kentucky; and
- the data provided by the Sebree Smelter regarding employee compensation and the direct and indirect contribution to larger economy is inflated and have no value.



We believe the Report either ignores completely, or merely glosses over, a number of points that deserve attention. These include the following:

- o While the number of aluminum smelters in the United States has declined substantially over the past 3 decades, there are smelters currently thriving in other parts of the country. They survive and thrive because of a combination of factors, including continuous efforts to improve efficiencies and in some instances the support of state and local government. It is noteworthy that of the nine remaining aluminum smelters in operation in the United States, five are receiving some form of relief from the utility (and by extension their other ratepayers). It is even more telling that of the four smelters that are receiving no relief, two are located in Kentucky. The Sebree Smelter, solely through internal initiatives and actions, has placed itself near the first quartile of all aluminum smelters worldwide in business operating costs. Moreover, the geographic location of the Sebree Smelter and that of its primary end-customers, the applicability of the Midwest Premium, and short lead times from order to delivery, further help to offset partially higher than average electricity costs. In reality, the fact that the Sebree Smelter does not receive any relief places it at an economic disadvantage when compared to those other smelters which do receive relief in one way, shape, or form.
- o In order to survive, it is not necessary that the Sebree Smelter obtain electricity at a price that competes with the world average for aluminum smelters of \$26 per megawatt hour. To suggest that the Sebree Smelter is seeking this degree of relief is incorrect and artificially increases the amount of relief that is necessary. As a consequence, it makes any suggestion that relief is appropriate immediately both unattractive and untenable to other ratepayers. The proposal of \$26 per megawatt hour was presented more than a year ago and then only in the context of creating up to 500 additional direct jobs in a downstream cluster adjacent to the plant. We understand that this is not currently an objective of the Commonwealth of Kentucky. The Sebree Smelter has made it clear that it does not require electricity at \$26 per megawatt hour for sustainability in the short to medium term. Indeed, it has never asserted that it requires electricity at even market price (which is substantially higher than \$26 per megawatt hour). We believe that the size of relief necessary can be both managed and mitigated.
- o The Report emphasizes that the entire cost of relief will be borne by the ratepayers and perhaps the taxpayers of the Commonwealth of Kentucky. The Report glosses over the fact that if one or both of the aluminum smelters in Kentucky closes, the ratepayers will still face a substantial rate increase to offset the loss of revenues faced by Big Rivers. To add further injury, closure of one or both of the aluminum smelters will have a devastating impact on the economy of the Commonwealth of Kentucky. The reality is that the ratepayers will face an increase in any event but with the aluminum smelters still in operation there are means of mitigating the amount and the impact of those rate increases.
- o With regard to the Report's contention that the employment compensation data and the direct and indirect contributions to the economy are overstated by the Sebree Smelter, the model used is accepted and used statewide and even internationally. In addition, we note that the testimony of Professor Paul Coomes, filed with the Kentucky Public Service Commission in May 2011,

Identified a loss of 4,733 jobs resulting from the closure of both smelters. Regardless, what is important, and what is undeniable, is that the closure of one or both of the aluminum smelters will have a damaging effect on direct, indirect, and induced employment, the tax base, and numerous other aspects of life in the Commonwealth of Kentucky.

We are especially distressed and disturbed by the overall tenor of the Report and its failure to offer, explore, or discuss creative approaches that have been and are being used in other jurisdictions, or that might be considered in the Commonwealth, to maintain and preserve the industrial base, including especially the aluminum industry. The Report is little more than a thinly veiled endorsement of the direction selected by Big Rivers and is more concerned with its survival than the survival of its two largest customers.

Even though Rio Tinto plc, the ultimate corporate parent of the Sebree Smelter, has indicated its intention to sell the Sebree Smelter, there remains a strong and continued commitment to, and interest in, the long term sustainability and success of the Sebree Smelter. In this regard, I note that in the past 5 years more than \$100 million has been invested in improvements to the Sebree Smelter, including a \$32 million bake furnace modernization project in 2011 and a \$20 million anode process project to increase production this year. Indeed, at this very moment work continues on a project that will allow the Sebree Smelter to increase its production capacity in the future.

Rio Tinto, and even more importantly, the employees of the Sebree Smelter believe in the future of the Sebree Smelter and its importance to the local community, the Commonwealth of Kentucky, and the industrial base of the United States. The Sebree Smelter is alone responsible for nearly 1,800 direct, indirect, and induced jobs in the region. Annual payroll and benefits to the employees of the Sebree Smelter exceeds \$50 million. The Sebree Smelter purchases annually goods and services from suppliers in Kentucky in excess of \$16 million and more than an additional \$100 million in electricity from Kenergy Corp. and its supplier, Big Rivers Electric Corporation. Annual contributions by the Sebree Smelter to local not-for-profit organizations exceed \$150,000. The economic impact on, and the importance of the Sebree Smelter to, the larger community is substantial.

The Report pays lip service to these economic impacts and then dismisses them with a wave of the hand. The Report concludes that it is better to spend money retraining employees for as yet undetermined and non-existent jobs rather than to offer or find any creative and innovative solution to preserve existing jobs, the existing tax base, and create an atmosphere and environment for enhancing and expanding the economic and industrial base in the Commonwealth of Kentucky. The Report fails to even intimate what that other work might be, especially at a time when there already exists double digit unemployment. The Report does not address how other businesses that have compensation comparable to those of the aluminum smelters can be attracted to the Commonwealth of Kentucky — especially after the failure of the Commonwealth to support the aluminum industry.

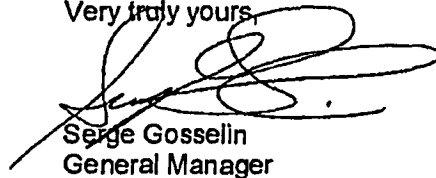
Despite the tone and conclusions of the Report, we remain convinced there is a solution that exists that will result in the long term survival and sustainability of the Sebree Smelter and the larger aluminum industry in Kentucky. That solution, which might involve a "market supply," "cost of service," or some other approach, can be structured in such a manner as to allow the aluminum smelters to survive and be

sustainable for the long term and at the same time reduce the impact on the other ratepayers. Finding the right solution and the right balance of interests requires creativity and the will and cooperation of everyone, including the Sebree Smelter, Big Rivers, and the Commonwealth of Kentucky (including the Governor, the Legislature, and the Public Service Commission).

We urge you and your colleagues to not be guided or influenced by the Report and its pessimism toward the future of the aluminum industry in Kentucky. Other states, including Ohio, Washington, and West Virginia, are struggling with the same issues and are working on creative solutions to maintain the presence of the aluminum industry and ensure its continued sustainability. While there can be no guarantee of success, the failure to even try carries with it the certainty of failure.

We stand ready and willing to work with you and your colleagues on this very important matter.

Very truly yours,



Serge Gosselin
General Manager

Copy:

The Honorable Steve Beshear, Governor of the Commonwealth of Kentucky

Mr. Larry Bond, Chief of Staff

Mr. Larry Hayes, Secretary, Cabinet for Economic Development

Dr. Len Peters, Secretary, Energy and Environment Cabinet

Senator David Williams, Kentucky Senate President

Senator Robert Stivers, Kentucky Senate Majority Leader

Representative Greg Stumbo, Kentucky House Speaker

Representative Rocky Adkins, Kentucky House Majority Leader

Senator Brandon Smith, Co-Chair of Interim Joint Committee on Natural Resources and Environment

Representative Jim Gooch, Jr., Co-Chair of Interim Joint Committee on Natural Resources and Environment

Ms. Tanya Monsanto, Staff Administrator of Interim Joint Committee on Natural Resources and Environment

Representative John A. Arnold

Representative David Watkins

Congressman Ed Whitfield, United States Congress

Mr. David L. Armstrong, Chairman, Kentucky Public Service Commission

Mr. James W. Gardner, Vice Chairman, Kentucky Public Service Commission

Ms. Linda Breathitt, Commissioner, Kentucky Public Service Commission

Mr. Jeff DeRouen, Kentucky Public Service Commission

Ms. Stephanie Bell, Kentucky Public Service Commission

Judge-Executive Hugh McCormick, Henderson County

Judge-Executive Jody Jenkins, Union County

Judge-Executive Jim Townsend, Webster County

Mr. Gregory Starhelm, Kenergy Corp.

Mr. Mark Bailey, Big Rivers Electric Corporation

Larry Baronowsky

Subject: FW: Transcript - 2013 Q3 Earnings Call
Attachments: 2013 Q3 Earnings Conf. Call (Transcript) (2013.11.04).docx; 2013 Q3 Earnings Call Slides.pdf; 2013 Q3 Century Press Release.pdf; 2013 Q3 Form 8K.pdf

-----Original Message-----

From: John Talbert
Sent: Thursday, November 07, 2013 11:28 AM
To: stephanie.bell@ky.gov
Subject: FW: Transcript - 2013 Q3 Earnings Call

Thought you might find the attached interesting. Bless certainly seems to be very positive on things going forward, at least that's his message to investors.

-----Original Message-----

From: Marty Littrel
Sent: Thursday, November 07, 2013 11:06 AM
To: John Talbert
Subject: Fwd: Transcript - 2013 Q3 Earnings Call

John, FYI. According to the Century Earnings call there is no concern regarding the WARN notice or the progress of the Sebree smelter agreement.

> Here is the complete transcript from Century's Q3 2013 earnings call that you requested. I've also attached the slides (referenced throughout the call), Century's official press release for Q3 2013, and their SEC filing (Form 8-K) for the quarter.

>

> Let me know if you have any questions or need anything else.

>

>

Executives

Michael A. Bless - President and CEO

Shelly Harrison - SVP, Finance and Treasurer

Peter Trpkovski - Senior Corporate Financial Analyst

Analysts

Brett Levy – Jefferies & Company

Sal Tharani - Goldman Sachs Group Inc.

Bruce Klein - Credit Suisse

Anthony Rizzuto - Cowen and Company

Timna Tanners - Bank of America

David Gagliano – Barclays

Century Aluminum Company (CENX) Q3 2013 Earnings Conference Call November 4, 2013
5:00 PM ET

Operator

Ladies and gentlemen, thanks for standing by and welcome to the Third Quarter 2013 Earnings Conference. At this time, all participants are in a listen-only mode. Later we will conduct the question-and-answer session and instructions will be given at that time (Operator Instructions) And as a reminder, today's conference is being recorded.

I'd now like to turn the conference over to our host, Peter Trpkovski. Please go ahead.

Peter Trpkovski - Senior Corporate Financial Analyst

Thank you very much, Gwenn. Good afternoon, everyone and welcome to today's conference call. Before we begin, I'd like to remind you that today's discussion will contain forward-looking statements related to future events and expectations, including our expected future financial performance, results of operations and financial conditions. These forward-looking statements involve important known and unknown risks and uncertainties, which could cause our actual results to differ materially from those expressed in our forward-looking statements.

Please review the forward-looking statements disclosure in today's slides and press release for a full discussion of these risks and uncertainties. In addition, we've included some non-GAAP financial measures in our discussion. Reconciliations to the most comparable GAAP financial

measures can be found in the appendix to today's presentation and on our website at www.centuryaluminum.com.

With that, I'd now like to introduce Mike Bless, Century's President and Chief Executive Officer.

Michael A. Bless - President and CEO

Thanks, Pete and thanks to all of you for joining us this afternoon. If we could just switch over to Slide 4 please, to give you a quick overview of the things we've been working on over the last couple of months.

The quarter that just ended and then we'll move on to talk about the industry and the operations. I will talk in the next slide in more details about the industry environment, but sufficed to say, we're finding it hard to call a trend at this point on many of the key issues that impact our industry. In that respect we're managing the Company in the near-term in this context with an eye towards the near-term downside.

That having been said, I will talk in a few minutes about the demand and supply trends we're seeing. Given these were become increasingly confident that we got more attractive at industry conditions on the horizon here the next year or two.

Moving along, we had a really good quarter in the operations. We are very proud of it and I will give you some more details in a few moments. Most importantly safety was good was good across the business generally. Sebree had a difficult to start to the summer in the safety area and in the production in key metrics area and I will detail this in a minute. The plant has come back very nicely over the last couple of months.

Very importantly, operating costs were down at Hawesville, down at Mt. Holly and down at Grundartangi. Before we go forward, I think it might be useful if we take a step back and look at the Company's cost structure here and how it's evolved over the last couple of years and I think importantly -- it's important to isolate Hawesville, because there we've had a dramatic improvement. So let me just give you a little bit of data here.

If you put power aside, I will come back and pick up power in a moment, obviously it being our most important cost. But if you put power aside and just look at the rest of the operating costs and we compare the third quarter at Hawesville to the same quarter two years ago, operating costs were down \$260 a tonne. And if you look at September in isolation, the plant continues to make improvement. Hawesville's costs are down \$300 a tonne versus two years ago.

Now picking up power, if you look at quarter to two years ago third quarter, Hawesville's operating costs were down \$325 a tonne. And in last to add it all up, if you look at the September run rate obviously that's a useful and relevant benchmark, because September as you know is the first month during which Hawesville operated under its new power arrangement for a full month. So if you compare September to two years ago, Hawesville's operating costs are down just shy of \$500 a tonne and obviously on a production base of 250,000 tonnes. That's a significant

improvement in the plant's cash flow. We are extraordinarily pleased with the improvement that the team has at Hawesville has made.

Grundartangi and Mt. Holly have also continued their consistent improvement. And now let me just bring a bottom line on the -- on a consolidated basis to give you a sense of how we've lowered the Company's cost, cost structure and break even.

If you look at the quarter we just ended Q3, and compare it to the same quarter last year, so Q3 over Q3. And you look at the adjusted operating income you will see those data -- the details in the back of the slides. Basically we define our adjusted operating income as equivalent, in effect to EBITDA. You will see that the two quarters had virtually identical results within a million dollars or two.

But of course this year the LME average during the quarter was \$140 lower than last year. So you would see the improvement we've made in the cost structure. We obviously got more improvement to come as this quarter will have a full quarter of Hawesville's new power arrangement and then Sebree beginning in February of next year.

Just to bottom line it all for you, after Sebree is also on market power, so beginning in essence in February of 2014, the Company's consolidated cash flow break even will be below the current cash metal price. When we use that figure or that term consolidated cash flow break even, we're talking about cash flow after average thing in essence, after SG&A, after interest expense, after maintenance CapEx, after everything other than the discretionary capital that we choose to invest in our business, some meaningful improvement here over the last couple of years.

Okay. Moving on during the quarter we made great progress as you saw mid quarter on Hawesville's power arrangement. You saw that the Kentucky Public Service Commission approved the new contract in the middle of August, exactly as it was submitted back in the spring. And we've been successfully purchasing power from the MISO market since the 20th of August.

Thus far the delivery cost to power the plant has been exactly as we forecasted and this includes as you may remember the net costs of Big Rivers power station that sits adjacent to Hawesville. Per the contract, we pick up those net costs in the short-term. And I will quantify the financial impact of that short come obligation here in a few moments.

Now we're working to complete the arrangements with the grid regulators to allow for sustainable operations, assuming that Big Rivers curtail this power station as they file to do. And again, I will give you some more detail on that in just a couple of minutes.

Lastly over the last 10 days the delivered price to the plant has been a bit higher than normal due to some local transmission issues and we're watching this development closely. We think it's just a short-term issue.

Moving along we're making good progress on the integration of Sebree. As you would suspect, we need to transition from the various Alcan operating and finance systems per agreement with

them. We are setting up the infrastructure required to access the new markets that came with this plant. That was one of the real benefits we saw in this business and we're making some very modest investments to do so. And we're finding really good ways for the two plants to work together.

Just moving along as a multi-year expansion project at Grundartangi is on track. As you know this is a complex multi-year project with many areas of plant requiring major upgrade in modernization. Project on budget thus far and importantly the estimates to complete the project is below budget. And as we normally do in February, we'll update you on all of this and give you all of our financial goals and objectives and metrics for the year.

Importantly the expansion is ahead of plan. As you will see Grundartangi produced in the third quarter at an annualized rate of 295,000 tonnes, so continued terrific performance there. And lastly, the project to restart the Vlissingen anode plant is nearing its successful conclusion. Again, I'll provide some comments on that at the end of my comments.

Okay. If we can move along to Slide 5, as I said some comments on the industry environment. First, the average cash metal price during the quarter was 1,700, \$81 a tonne. That's down 3% from Q2 when it was 1,835 a tonne. As you know that's the lowest average price we've seen since the second quarter of 2009.

LME inventories remain around their all-time high, by 5.4 million tonnes. I will talk about the fundamentals in a moment, but given increasing demand in the industry, the days of inventories have been falling. As you know the LME recently announced that they've taken a decision on the proposed changes in the warehousing rules, but we're yet to see any details of their plan yet. And obviously the future of both on and off exchange inventories will depend heavily on the specifics of any plan that they make permanent.

Regional premiums as expected fell through most of the quarter after the original announcement that the LME made that -- though they've recently stabilized and even firmed up a little bit in certain regions of the world. U.S., Midwest premium had a lower than \$0.98 during the quarter as now stands at \$0.010. As you recall that's down from a high of a \$0.118 before the LME made its original announcement.

The EU duty paid premium has been stable over the last couple of months at about \$245 a metric tonne. Obviously the future of premium depends heavily on a number of factors, including expectations for interest rates. But for now the (indiscernible) remains wide and favorable for financing.

Turning to fundamentals just for a few moments. Demand has remained reasonably good. Global consumption is up about 5% during the third quarter of this year. Excluding China, that's about 2% increase. EU is starting to see some stability in its demand and even some low growth and China had a decent quarter after a period of relative weakness earlier in the year. That said, key developing markets continue to be pretty weak, Brazil, India, South Korea, Indonesia and others. Bottom line, we expect demand to continue to grow at least a 6% annual pace here over the next couple of years.

On the supply side, we're finally starting to see some momentum, with curtailments in closures announced in Russia and the EU and in the U.S. These are beginning to add up slowly. We've also seen some announcements of delayed projects in Russia and Canada. In China the central government again is trying to get control over this industry through some new rules regarding new projects and regional power subsidies. But time will tell whether the central government again is able to get control over the regional development in this industry.

Bottom line global supply growth is also up about 5% this year. It's up about 1.5% excluding China. As you see, the industry is largely in balance. There have been slight deficit thus far this year and we expect this trend to continue and obviously these deficits need to grow in order to start and increase -- in order to start eating into those inventory balances.

Just a couple of comments on alumina before we move on here, the current index price stands just a little bit above \$320 a tonne. That represents just shy of 18% of the current three month metal price. And we've heard about recent deals on an LME index basis short-term deals, a year or less, going at about the same price. This trend is obviously a concern for us for watching it closely, given our short aluminum position.

Okay. If we can move along to Slide 6, to just round up the industry discussion. I won't spend a lot of time on this slide. We've shown you this cost curve before; we've just updated it here. So you know the basis of it and as you can see upwards of 40% maybe a little bit more of it at the current metal price at global capacity, it's currently operating at a cash loss.

Okay. If we can move along to Slide 7 please, some comments as I promised on the operations this quarter. As I said, we're really pleased with the performance at all the plants this quarter. We are very convinced, we've got the right teams in place and you can see that now through the tangible progress that they've been making. We will obviously add Sebree in this chart next quarter when we have a Q-over-Q comparison to make, but I will make a couple of comments here on Sebree as we move forward as appropriate.

First and foremost, safety. We are continuing the really good performance we've had after the reasonably rough start we had for the year as we have briefed to you before. Hawesville especially have had great improvement through this year. Sebree as I said had a really difficult June-July. The plant came into the hot summer weather unprepared. Obviously, this kind of hot weather can lead to difficult times in the plant from a health and safety standpoint.

Obviously there were some anxiety amongst the employee population about the transfer of ownership as we took control of the plant on the first of June. And early July we had a full stop of all discretionary activity at the plant. It's focused on getting the safety performance back to where we need it to be. And I'm pleased to say the performance has been good since about the middle of the summer.

Moving down to production volumes, as you can see really good across the board as I said before, Grundartangi producing at an annualized rate of 295,000 tonnes. And it's important to note that in these charts -- these data measured just hot metal production and therefore it ignores some other key statistics, for example Hawesville has been producing record amounts of high

purity metal over the last couple of months. And Sebree also has gone two months now of record weekly billet production. These as you know are premium products. So this kind of performance is key to this plant's profitability.

Production metrics as you can see have been good. Good efficiencies across the plants with Sebree exhibiting the same trend here as on safety. A poor beginning to the summer, but then the plant has come back strong since then.

Production costs, I will give you some details before over the longer term. This is just quarter-to-quarter Q3 over Q2. You see the good performance across the plants, let me just give you a little bit of detail behind each of these.

At Hawesville all the performance – all the improvement rather this quarter was from power as the plant spent half of the quarter on its new power contract. At Mt. Holly the quarter-to-quarter improvement came primarily from better power and carbon prices. And at Grundartangi the improvement came from all areas of the plant, as the management team here continues to turn in great performance. They're obviously leveraging their higher production volumes to absorb fixed costs better and they're attacking successfully costs on the department basis. We really couldn't be more proud of the team at Nordural.

And with that, I'll turn it over to Shelly to go through the financials. Shell?

Shelly Harrison - SVP, Finance and Treasurer

All right. Thanks, Mike. So if you could turn to Slide 8 please, I'll take you through the Company's financial performance for the quarter. Shipments were up 21% in Q3 and this was largely due to the Sebree acquisition in June. We also had a 15% increase in shipments at Hawesville as we reduced the surplus finished goods inventory that we built up in Q2 prior to receiving our approval to move the plant to market based power. Quarter-over-quarter the shipments were down about 5% at Mt. Holly were results of finished goods inventory.

In Iceland, we had direct shipments of approximately 1,200 tonnes and total volume for Iceland was up just slightly as a result of the additional volume for the ongoing capacity creep project. On one month lag basis, the average cash LME price was down about 3.5% from Q2 to Q3. When you look at our realized unit prices, they were down approximately 2% in the U.S and 4% in Iceland. They both pretty much in line with the change in LME.

We have seen some decline in the regional premiums, in reaction to the announcement of potential changes in the LME warehouse rule, but on one month lag basis, the impact on realized prices was minimal for Q3.

Moving on to the income statement data, net sales were up 20% Q3 over Q2 due to higher shipments from Sebree and Hawesville. But that volume benefit was partially offset by weaker metal prices in the quarter. Continuing down to the operating loss line, this quarter we had just our normal adjustments for depreciation and amortization and lower cost of market inventory

adjustments. After backing out these non-cash items, we had an operating loss of \$4.5 million in Q3, which is down \$6 million from Q2.

Lower LME prices in Q3 reduced revenues by about \$10 million. But lower cost of sales associated with our LME linked alumina and power contracts partially offset this impact by \$4 million.

We saw power costs at Hawesville improve by \$7 million in Q3 as a result of the new market based power arrangement that began in late August. The power costs at Sebree went up by almost \$4 million due to the pending rate increase that was imposed when Hawesville left the system. Just this last week, the Public Service Commission filed their ruling on the rate case approving about 75% of what was reflected by the power provider.

As a result, we expect to receive a credit on Sebree's next power invoice of about \$900,000 for excess amounts charged in Q3. The remaining decrease in operating income relates primarily to the additional two months of ownership at Sebree in Q3 as well as the reduction of finished goods inventory at Sebree in Q2 that did not recur in the third quarter.

Moving on to the EPS data, for Q3 we had an adjusted loss of \$27 million or \$0.28 per share. In calculating adjusted earnings we had only two adjustments this quarter. First, we backed out the lower cost in market inventory adjustments and then we also eliminated the \$11.7 million credit related to the amortization of the Sebree power contract liability. This is a remainder that liability was reported as part of the Sebree purchase accounting and will be amortized in full by the end of January 2014 when that power contract terminates.

So continuing down to the balance sheet info, you can see here we had a modest increase in cash quarter-over-quarter. As I mentioned on our last call, it was a \$22 million customer payment that was inadvertently paid late on the first business day after quarter end since month end fell on a weekend in Q2. So our Q3 ending cash reflected the benefit of this payment coming in. At the end of September we had \$70 million outstanding on our revolving credit facility. This balance was repaid subsequent to year-end, but we will likely draw on the facility again in Q4 as our U.S working capital requirements fluctuate throughout the quarter. As a result of this borrowing, our funded debt was up \$17 million from Q2, but ending net debt was relatively flat at a \$136 million.

Moving on to Slide 9, so here we show are normal cash flow waterfall within Q2 to Q3. Capital spending picked up this past quarter with \$5 million spend on the restart of our anode plants in the Netherlands. We also had \$60 million in CapEx at our smelter facilities and this includes the investment in the capacity creep project at Grundartangi as well as a full quarter for Sebree.

During Q3, we also paid about \$10 million of withholding taxes in Iceland. As we mentioned previously, these are temporary taxes and will be refunded to us in November of next year.

Moving on to the right, you can see the \$70 million revolver borrowing I mentioned as well as our \$31 million cash inflows for Morgan Capital. The main drivers of the inflow from working capital are the late customer payment we received in Q3 as well as their reduction in

Hawesville's finished goods inventory. The quarter-over-quarter cash was up \$30 million and we ended September with a \$141 million on the balance sheet.

While we're discussing cash flow, just a couple of items I want to mention to keep an eye out for in Q4. Just last Friday we received a refund of about \$22 million for temporary withholding taxes we paid in Iceland. To this point the remaining balance in withholding taxes is just the \$10 million we paid last quarter is due to be refunded at the end of next year.

We also have our first semiannual interest payments on our new 7.5% senior notes in December and that will be just over \$9 million. The last thing I wanted to point out for Q4 is that, this will be the heaviest capital spending quarter of the year. We expect to spend another roughly \$20 million to complete the first phase of the anode plant start up and most of that will go out in Q4 with a small amount carrying over to early 2014. We also plan to spend about \$15 million at our smelters in Q4, as we continue to progress the Grundartangi expansion project.

And with that, I'll hand it back to, Mike.

Michael A. Bless - President and CEO

Thanks, Shelly. If we could turn to Slide 10 please, as normal I would like to end here before we take your questions just to give you a sense of some of the major items that we're working on now and will be during the next couple of months.

First and foremost at Hawesville, we need as I briefed earlier -- we need to finish the discussions with the regulators that are required to ensure the stability of the grid and our ability to import energy reliably and cost effectively. These are technical procedures governing the mitigation of risk when transmission lines are down for maintenance either on a scheduled or unscheduled basis. We believe this process should be in place and completed by the early part of 2014. And as I said I've quantified this before just a bit under 10% of the current delivered power price we're paying at Hawesville that we've been paying since mid August will go away once this process is completed and Big Rivers' is able to shut its generation station.

Moving on to Sebree; we need to finalize the power contract with Big Rivers' and Cennergi and file that with the Kentucky Public Service Commission. As we said before this will essentially be the same arrangement as we have as Hawesville. In addition it shouldn't have the complicating factor of the transmission issues of that which we, I just spoke. We believe this will be approved before the termination of the existing contract on the 31st of January.

At Mt. Holly, just to remind you the current power arrangement with the off-system resource expires at the end of December, 2015. This is the deal as you may remember that we put in place in the middle of last year. Under the terms of this deal we need to provide notice by the end of this December, i.e. next month if we wish to terminate the master agreement with Santee Cooper for post 2015 service.

The various parties have been working on this for the better part of the year. We've already mutually extended that notice date a few times. We're working really hard with all the applicable

parties here including the State Government of South Carolina at its very highest levels. As you know this is a terrific plant but thus far the long-term power cost the utility has been showing us doesn't support the operations of any smelter and thus we have more work to do here.

As I said the year long restart project at Vlissingen is coming to an end as scheduled. We'll be restarting half of the plant's \$150,000 tonne per year capacity here soon. At Greenville we'll be restarting very soon and we expect to have anodes in the baking ovens in December for shipment of the Grundartangi in January. Project is on time, and is likely to come in nicely under budget. And next we'll need to decide when we'll spend the additional \$30 million that's required to restart the second half of this plant.

Moving along we're finalizing our replacements for some major commercial contracts that are expiring at the end of this year, there are two in particular. First, the original total contract at Grundartangi comes up at the end of this year. As you know that's for a 130,000 tonnes per year of metal and obviously the related amount of alumina, it's a totaling contract that's coming up. The second one is the multi-metal contract with Southwire at Hawesville; both of these processes are right where they should be at this time in November.

We continue to work very hard on the situation in West Virginia. We've had recent discussions with the state and the power company in fact those discussions are continuing this week. We are quite appreciative about the commitment of Governor Tomblin of West Virginia and the other key state leaders in helping us try to get this plant restarted. We're trying to find a way to get an appropriate power price with enough longevity to justify the investment required to restart this plant. We remain absolutely committed to getting Ravenswood back going again. There's absolutely no reason this plant shouldn't run with the right power arrangement.

And lastly at Helguvik, we continue to work to reach agreement with HS and OR and continue to do so as you know those are the two power companies with whom we have existing contracts. Given the state of those two companies, we've recently made a request to the National Power Company that's the third major power company in Iceland. We believe their involvement is necessary to get this project going in the near term.

In addition we understand that the Government of Iceland is reviewing its Energy Development Program over the next six months or so. We believe they're committed to take the steps required to get this project resumed, and thus realize the significant benefits it will bring.

And with that, Pete, Shelly, I think we can move to questions.

Peter Trpkovski - Senior Corporate Financial Analyst

Gwenn, if you could please take the first question on line.

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) And our first question comes from Brett Levy with Jefferies. Please go ahead.

Brett Levy - Jefferies & Company

Hi, guys excellent progress particularly on the cost front.

Michael A. Bless - President and CEO

Thanks, Brett.

Brett Levy - Jefferies & Company

Can you give us little bit more color around, like the steps that are going to happen for Helgavik; if you bring the National Power Company in, sort of what have they said? Will the other two guys potentially expand aside? I know it's sort of a sensitive point in the negotiations but, obviously having a second plant in Iceland is a key part of your long-term strategic plans. I just want to get a sense as to sort of, how optimistic you are that maybe someone can come in and restart these conversations in a constructive way because they've installed for so long.

Michael A. Bless - President and CEO

Yeah, it's good, thanks Brett, it's a good question. I would start by agreeing absolutely with your last comment about the importance of the project. Two, I'll take yours in reverse order if it's okay. Two, absolutely not on the other two guys stepping aside; they continue to tell us that they want to participate in some way. We continue to wish them to participate in a pragmatic and sensible way. The real point here is that, we want to get this project going in the near term, and we think in order to do that we need the national power company, it's called landsvirkjun of course to come in here. In answer to your first question, it's really too early to tell and as you would expect and hopefully appreciate Brett, this isn't something that we want to negotiate in the public domain like this. But we have had some very constructive discussions here over the last month or two and we'll see where those take us.

Brett Levy - Jefferies & Company

All right, and then the second question is, I mean you guys have given clear metrics that at current prices, at least the U.S. production is going to struggle after all of the CapEx and everything else to be breaking even. What is your level of hedging, and I ask this every quarter, what is your level of hedging for the current quarter and any future quarters to sort of stabilize cash flow to neutral for the U.S. operations?

Michael A. Bless - President and CEO

Sure. There is no hedges in place right now. There's some very minor premium hedges that are on the books, but they're de minimis and but there were no LME hedges spread on the books right now.

Brett Levy - Jefferies & Company

Any plans to put some on?

Michael A. Bless - President and CEO

Something that we look at all the time; I know that you'd probably prefer more precise answer. It's a complex analysis as you would expect and tough in this environment to consider putting on hedges with metal kind of bouncing around 1,800. But it's something that we do look at all the time and I might add just to expand a little bit, you didn't ask the question but perhaps it might be the next one that you ask. We're also looking to doing a quite a bit of analysis as you would hope on alternatives to hedge our power exposure as we move here to become a major market purchaser of power. So that's something that we'll be focusing on here over the next couple of months.

Brett Levy - Jefferies & Company

Thanks very much guys.

Michael A. Bless - President and CEO

Thanks, Brett.

Operator

Thank you. And our next question comes from Sal Tharani with Goldman Sachs. Please go ahead.

Sal Tharani - Goldman Sachs Group Inc.

Good afternoon, Mike.

Michael A. Bless - President and CEO

Hi, Sal.

Sal Tharani - Goldman Sachs Group Inc.

Mike, you had mentioned in the past also about your short position of alumina and that the contract, the index contracts certainly have gone up a lot 18% you mentioned. I was wondering if you are looking at the Ormet, Louisiana facility for any reason that you think it may fit in your portfolio.

Michael A. Bless - President and CEO

Yeah, it's a good question Sal. As you would hope -- as you know we look at everything and as you would hope we would take a look at this one. Based on our analysis of the cash cost of that facility even basis current natural gas prices as you know alumina refineries are sensitive to the value of natural gas. It's not an economic facility, even if you look at current index prices of alumina, if you look at current LME reference prices, even if you use that metric 18% which we do and in fact expect to do down here over the next year or two. It's just -- it's a long winded way of saying, it just doesn't dollar out.

Sal Tharani - Goldman Sachs Group Inc.

Okay. But you have done your math on this thing?

Michael A. Bless - President and CEO

Most certainly.

Sal Tharani - Goldman Sachs Group Inc.

Okay. Just quickly, you mentioned something about you're facing some higher transmission cost over the last 10 days; can you just elaborate a little bit more on that what's going on with it?

Michael A. Bless - President and CEO

Yeah, what happens is, and again we do think it's just a short-term issue. What happens is that the owners of the transmission apparatus in the region or in any region, it happens to be Big Rivers' as you would expect. They do most of their heavy maintenance in the so called shoulder seasons. So they don't, they try to leave maintenance undone if you will during the summer when power usage is at a high and take the lines down to maintain them in the fall as they call it the shoulder season, and we've seen some congestion in the area as they've done that. It's commenced at a time unfortunately where a generating unit or two went down in that plant, so you had kind of a double whammy there and that's what lead to a spike here for a couple of days over the last 10 days in prices. I don't want to overplay it here, I just -- it's top of mind for us right now and so it's something that we're watching. But again, we think it's a temporary situation.

Sal Tharani - Goldman Sachs Group Inc.

Yeah, how much of asset and transmission cost is of the total cost?

Michael A. Bless - President and CEO

What this really is, is that transmission, let me make sure I explain this; transmission itself is fixed, that's regulated tariff regulated by the FERC. This is simply the loss of some of that transmission that's a bit of a hysterical term, but the fact that the lines were down for maintenance driving up actual energy prices in the region. So, I use transmission as a

euphemism. What we're really talking about here it's just an increase in the market energy prices caused by some of the regional transmission being down.

Sal Tharani - Goldman Sachs Group Inc.

Great. Thank you very much.

Michael A. Bless - President and CEO

Sure thing.

Operator

And our next question comes from Bruce Klein with Credit Suisse. Please go ahead.

Bruce Klein - Credit Suisse

Hi, good afternoon.

Michael A. Bless - President and CEO

Hi, Bruce.

Bruce Klein - Credit Suisse

Hey, I wanted just some color on spot power sort of what you're -- what you're sort of seeing out there now? That would be helpful. Thanks.

Michael A. Bless - President and CEO

Yes, sure. The most liquid hub near Hawesville is the Indiana Hub, and that's where for example if we were to hedge that's where one would hedge. And the price of energy in the day ahead market, we always buy day ahead per our procedures with Big Rivers' [you might so] [ph], you never want to buy at the real time market because prices there can be much more variable both up and down, but right now the day ahead prices are in the high 20's between \$28 and \$30 per megawatt hour. And if you look out over five years there's quite a liquid forward market, it's reasonably flat. Last time I looked at it, it was last week. It was up in five years and maybe 2.5 to 3 bucks in five years. So it's reasonably flat forward curve at this point.

Shelly Harrison - SVP, Finance and Treasurer

Sorry, to make sure we're comparing apples-to-apples. The numbers Mike is referring to are undelivered numbers, so on top of that you would need to add transmission cost.

Michael A. Bless - President and CEO

Yeah.

Bruce Klein - Credit Suisse

Okay. I thought mid 30's was the -- or mid to high ...

Michael A. Bless - President and CEO

That got to be right. So, Shelly is got it right. To that energy price Bruce, you would add about five bucks of a combination of the FERC regulated transmission tariff, which I refer to a couple of minutes ago and then as we've detailed in our arrangement with Big Rivers' we pay a compendium of other fees, their fees for servicing us, a fee to Kenergy for actually providing the service and so the aggregate of the transmission and those other fees added by the roughly of about an 5 bucks or so per megawatt hour. So that's how you get into the mid 30's.

Bruce Klein - Credit Suisse

Okay, that's helpful. And then the premium, the store with the LME, any sort of bigger picture or thoughts you have on how that sort of gets resolved or what that means to the premium?

Michael A. Bless - President and CEO

No, I mean to be honest, no. We're waiting like the rest of the industry to see. As you may have seen the LME somewhat tantalizingly made an announcement, I think it was Shelly two Fridays ago they came out with it?

Shelly Harrison - SVP, Finance and Treasurer

Yes, (indiscernible).

Michael A. Bless - President and CEO

Yeah, I think it was a week and half ago now saying that their Board has made a decision but they put out nothing sense them, there's been -- you've seen a lot of our peers in the industry have commented publicly, sent letters into the LME. Some of the various people who look at the industry, so your peers, Bruce to your firm have made public comments. But so far the LME is being reasonably [ph] tight lifted. We don't have any, it's the amount of speculation about why they haven't, if they made a decision just gotten on with it and announced it, but it's a long vivid way of saying we don't know anything more than anybody else knows at this point.

Bruce Klein - Credit Suisse

Okay, I'll pass it on. Thanks guys.

Michael A. Bless - President and CEO

All right. See you.

Operator

Thank you. And our next question comes from Tony Rizzuto, Cowen and Company. Please go ahead.

Anthony Rizzuto - Cowen and Company

Thank very much. Hi, Mike and Shelly and congrats on the improvement in the cost, it looks good.

Michael A. Bless - President and CEO

Thanks, Tony.

Anthony Rizzuto - Cowen and Company

I just wanted to follow up a little bit because the comments such that you made in the press release about diminished volatility associated with the LME warehousing proposal. I was wondering, I was intrigued by that and I was wondering why those comments and if you could elaborate a little bit on what you meant there?

Michael A. Bless - President and CEO

Yeah, I mean, I think just picking up of the last comment made, we're not sure what the proposal was going to do. We had seen diminished volatility here over the last probably month and half, two months as you remember right after the LME made their original announcement there was quite a bit of volatility kind of the forward markets in all these various premium disappeared almost overnight. The stock prices, the cash prices on both came down pretty consistently for example the Midwest premium was at 11.8 and it came down to 9.8, I don't know if it was linearly Shelly, but pretty consistently over maybe 8 to 10 weeks give or take.

Shelly Harrison - SVP, Finance and Treasurer

Yes.

Michael A. Bless - President and CEO

And then it's firmed up since then, Tony as you know it kicked back up to 10 and it's kind of just the stabilize, same thing in Europe with the duty paid premium and so, we -- it's hard to tell whether that people are sort of beginning to re-price these premiums under what they expect in the regime is going to be or just a lack of sort of direction causing people to freeze. But all we were trying to do there is make an observation that that kind of volatility that seemed to have come out of it at least right now.

Anthony Rizzuto - Cowen and Company

Okay, thank you.

Michael A. Bless - President and CEO

Sure.

Anthony Rizzuto - Cowen and Company

Just a question on, you indicated that your fourth quarter CapEx will be a big quarter. I was wondering if you could give us any guidance at this point for '14 and do you talk about sustaining and growth in that year?

Michael A. Bless - President and CEO

Sure. We'll just think, do it at a high level at this point Tony and then ...

Anthony Rizzuto - Cowen and Company

It's fine.

Michael A. Bless - President and CEO

Yeah, yeah and then we'll give you all the details we usually do in February. But we'll continue along with the Grundartangi program. It won't be as big and not as it was in 2013, but it will be a happy amount I could see \$15 million to \$20 million easily, there Shelly is nodding her head up and down here. We're thinking that the big decision there will be when, it won't be if, but when we decide to spend the fund to start up the second baked oven there and that will be, it's \$10 million for the oven and another \$3 million for a bunch of ancillary related stuff. So that will be \$13 million at Vlissingen that either it will happen and just we haven't taken the decision yet Tony as to whether we'll do it in 2014 or towards the beginning of the year back after the year 2015 that one is kind of up in the air at this point. Other than that Shelly, you want to go through, I mean maintenance is yeah, go ahead.

Shelly Harrison - SVP, Finance and Treasurer

Yes, at Sebree now we're at about \$15 million to \$20 million annually for maintenance CapEx. I think you hit [ph] what they want, Mike.

Michael A. Bless - President and CEO

Yes.

Anthony Rizzuto - Cowen and Company

All right, guys. Thank you very much.

Michael A. Bless - President and CEO

Thank you, Tony.

Operator

Thank you. And next we have a question from Timna Tanners, Bank of America. Please go ahead.

Timna Tanners - Bank of America

Hi, good afternoon.

Michael A. Bless - President and CEO

Hi.

Timna Tanners - Bank of America

So since I just wanted to make sure – I'm sorry, if I missed it, but there was a one other (indiscernible) Friday for Sebree, was that the standard procedure then in terms with the process for getting your power contracts?

Michael A. Bless - President and CEO

Yes. Sorry, I never want to call one of those standards because they're very impactful when you do them, but as you may remember we did something similar at Hawesville. We were required to do it just because as the one notice itself said Timna, if for whatever reason if we weren't able to have a new power contract approved before the 31st of January we would be forced that we wouldn't have a choice. We would have no power. We would be forced to curtail the plant. That said, nothing is changed, you read -- you may have read I should say the order that the Kentucky PSC issued in August that even talked about Sebree as their expectation that it would be coming even though the order itself pertained only to Hawesville. The contract is virtually identical and frankly it's less complex, A; because we've already done it and B; because it doesn't have the issues of the generation station right next to Hawesville, there's no analogue at Sebree. And so we expect it to be approved in due course likely some time in the month, during the month of January.

Timna Tanners - Bank of America

Okay, great. Your confidence kind of answers that question I think. I think I was just a little confused, I'm sorry if you already talked to this, but I just want to make sure I understand it, what's the timeframe under which we should be expecting kind of the full benefits to flow through for both Hawesville and Sebree if you could? Thanks.

Michael A. Bless - President and CEO

Sure, no problem. So, for Hawesville the answer is, this quarter, and then I'll come back to this in a moment. Q4, this year for Sebree the full benefit won't be I suppose until the second quarter. So, I guess bottom line that's the answer to your question, it won't be until the second quarter of 2014 until both plants have a full quarter on market power. As Shelly detailed, you may remember we talked about the potentials of our expected benefit to Hawesville. So as you may have heard, she detailed that power cost went down at Hawesville 7 million bucks this quarter and the plant was on market power for just about half a quarter. So that kind of annual run rate it's something in the sort of mid \$50 million improvement we're right on that estimate that we've been making for the year-to-date.

Timna Tanners - Bank of America

Okay, great. Thanks a lot.

Michael A. Bless - President and CEO

Sure.

Operator

Thank you. And next we have a question from David Gagliano, Barclays. Please go ahead.

David Gagliano - Barclays

Okay, great. Thanks very much. My question is about the 2014 cash flow. I want to ask a question that, I know you require some assumptions, but I'm hoping we can hone in a bit on the cash flow situation for '14. Given the changes in the power cost at Hawesville, assuming you're successful with renegotiating the power contract at Sebree and based on what you know about 2014 capital spending needs. Can you give us a rough sense as to what realized aluminum price and I when I say realized aluminum price I mean including premiums. What realized aluminum price you think you need to be essentially cash flow breakeven in 2014?

Shelly Harrison - SVP, Finance and Treasurer

Yeah, Dave; so if we assume that both the Hawesville and the Sebree power contracts are on that market based power and power prices are around where they're trending right now, all is breakeven with everything other than investment type CapEx would be in the high 1,700 around 1,775.

David Gagliano - Barclays

And that's for next year too, correct? And that is reduction, right ...

Shelly Harrison - SVP, Finance and Treasurer

And again, no investment CapEx ...

Michael A. Bless - President and CEO

That's everything we know right now. So in essence, the answer is yes to the question. Other than as Shelly said, the discretionary go investment CapEx that we just detailed a couple of minutes ago.

David Gagliano - Barclays

Okay. All right, perfect. That's all I needed. Thanks.

Michael A. Bless - President and CEO

All right, David.

Operator

And there are no addition -- actually we just got a question from [ph] Tony Risotto, Cohen & Company. Please go ahead.

Unidentified Analyst

I like to be called Risotto.

Michael A. Bless - President and CEO

I like it too. You get me hungry, Tony.

Unidentified Analyst

I do like that. Actually I might try to have some tonight if I can.

Michael A. Bless - President and CEO

There you go.

Unidentified Analyst

I just want to follow up on David's question that 17 -- around 1,775; does that include -- that's just LME, now that -- what kind of assumption would you guys be making there in terms of the premium over LME?

Michael A. Bless - President and CEO

Yes.

Shelly Harrison - SVP, Finance and Treasurer

That's truly LME comparable. So that takes into account that benefit is at the premiums into our cost structure. So it's is the near cost Tony when we present cash cost, we present net cash cost and they're reduced by premiums above the LME. So, when we talk LME it's truly a comparable number.

Unidentified Analyst

Got it. Thank you very much.

Michael A. Bless - President and CEO

Thanks, Tony.

Operator

There are no questions at this time.

Michael A. Bless - President and CEO

Very good. Thanks everybody for participating this afternoon and we'll look forward to talking with you in, suppose it will be February, if not before.

Operator

And ladies and gentlemen that does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.

3rd Quarter 2013 Earnings
Conference Call

November 4, 2013

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Cautionary Statement

This presentation and comments made by Century Aluminum management on the quarterly conference call contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about future, not past, events and involve certain important risks and uncertainties, any of which could cause our actual results to differ materially from those expressed in our forward-looking statements, including, without limitation, declines in aluminum prices or increases in our operating costs; deterioration of financial and economic conditions; weakening of the company's U.S. customer markets; our ability to successfully obtain long-term competitive power arrangements for each of our U.S. plants; additional delays or other changes in our ability to complete our Helgøyvik, Iceland smelter; and our ability to successfully manage and/or improve performance at each of our operating smelters. Forward-looking statements in this presentation include, without limitation, statements regarding the Company's future revenues (including future aluminum prices and premiums), costs (including power, alumina, finished anodes, carbon and selling, general and administrative), tax position and production and shipment levels; the Company's anticipated capital programs and liquidity, including anticipated capital expenditures and debt service requirements; the Company's anticipated pension contributions; future global and local financial and economic conditions; our ability to complete our Helgøyvik, Iceland smelter, including securing a reliable power supply; our ability to restart operations at our Ravenswood, West Virginia smelter and our Vlissingen anode plant; our ability to successfully execute our key investment projects at our Grundartangi, Iceland smelter; our ability to successfully integrate the Sebree smelter operations and achieve the anticipated benefits of the Sebree acquisition; our ability to successfully finalize our wholesale power arrangement at our Hawesville smelter, achieve a similar wholesale power arrangement for our Sebree smelter and achieve an attractive long-term power solution for each of these plants; and our ability to control or reduce power costs at each of our U.S. plants. More information about these risks, uncertainties and assumptions can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings made with the Securities and Exchange Commission.

Information provided in this presentation and discussion is based on information available as of September 30, 2013. We believe the expectations reflected in these forward-looking statements are reasonable, based on information available to us on the date of this presentation. However, given the described uncertainties and risks, we cannot guarantee our future financial performance, results of operations or financial condition and you should not place undue reliance on these forward-looking statements. Century undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, actual events, future events or otherwise.

In addition, throughout this conference call, we will use non-GAAP financial measures. Reconciliations to the most comparable GAAP financial measures can be found in the Appendix of today's presentation and on our website at www.centuryaluminum.com.

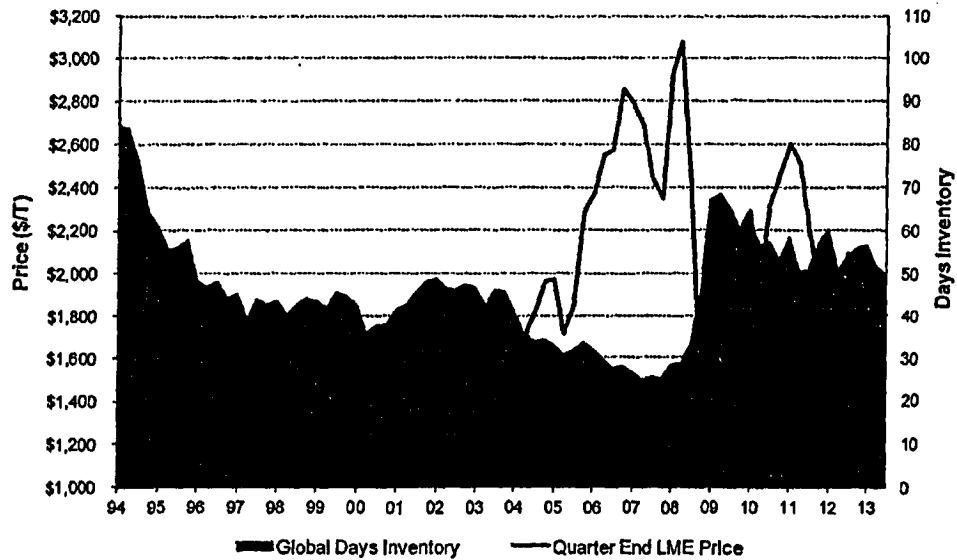
Speakers

- Mike Bless, President and Chief Executive Officer
- Shelly Harrison, Senior Vice President, Finance and Treasurer

Overview

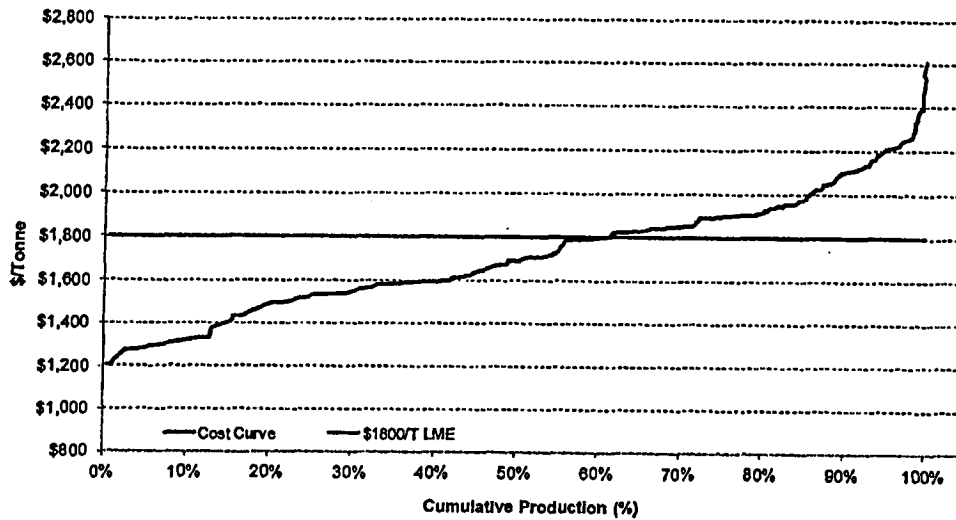
- Near-term industry environment remains uncertain
- Operations stable and conversion costs falling
- Hawesville - regulatory approval of contract and inception of market power purchase
- Sebree integration
- Iceland expansion projects on time and budget

Stocks vs. Aluminum Price



Note: Inventory includes TOCOM, Japanese port, NYMEX, Shanghai, LME & IAI unwrought stocks
 Source: CRU Group - www.crugroup.com

2013 Cost Curve



Source: CRU Group - www.crugroup.com

Q3 vs. Q2 Operations

	<u>Hawesville</u>	<u>Mt Holly</u>	<u>Grundartangi</u>
Safety	Flat	Flat	Flat
Production^(a)			
KPIs	Flat	Flat	Flat
Conversion cost			

^(a) Production on a tonnes per day basis.

Q3 2013 Summary Results

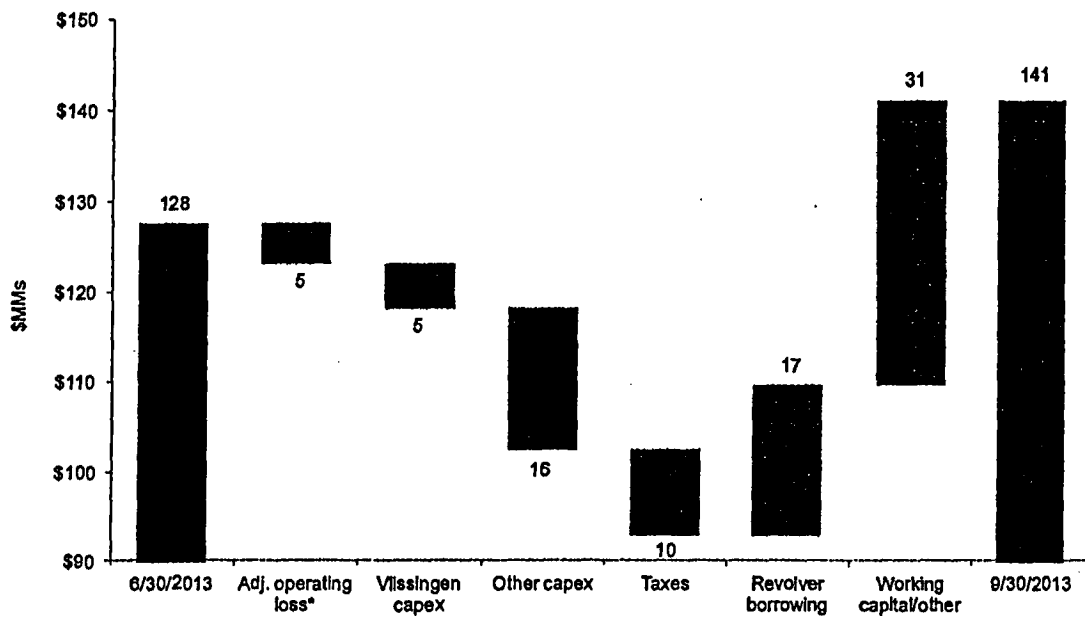
(\$MM, except per share and tonne amounts)

	<u>Q213</u>	<u>Q313</u>	<u>Comments</u>
Income statement			
Shipments (tonnes)	176,270	212,797	Full Q of Sebree
Net sales	\$332	\$400	Sebree impact; Lagged LME down 3.5%
Adjusted operating income (loss) ^(a)	1.5	(4.5)	
Adjusted net loss ^(a)	(22.2)	(27.0)	
Adjusted EPS ^(a)	(0.23)	(0.28)	
Balance sheet			
Cash	\$128	\$141	Late customer payment from Q2
Revolver availability	<u>64</u>	<u>44</u>	~\$17MM borrowing on revolver
Total liquidity	191	185	
Total debt ^(b)	260	277	Revolver repaid in October
Net debt	133	136	

^(a) See reconciliation in appendix

^(b) Principal amount

Q3 2013 Liquidity



*Adjusted to exclude certain non-cash or non-recurring items. See reconciliation in appendix.

Q4 Priorities

- Hawesville - finalize operating procedures with grid regulators
- Sebree - regulatory approval of contract and inception of market power purchase (February 2014)
- Mt Holly - post 2015 power contract
- Vlissingen - commence anode production and supply of finished blocks to Grundartangi
- Replacement of expiring commercial contracts
- Restart of curtailed facilities

Appendix

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Appendix

- The following slides contain financial measures which are not based upon generally accepted accounting principles, or GAAP. The non-GAAP measures utilized are adjusted operating income (loss) and adjusted net income (loss). The Company defines adjusted operating income (loss) as operating income (loss) adjusted for certain non-cash items from the statement of cash flows and certain non-recurring items. The Company defines adjusted net income (loss) as net income (loss) excluding the after-tax impact of items management believes to be significant and non-recurring or largely non-cash.
- The Company's calculations of adjusted operating income (loss) and adjusted net income (loss) may not be comparable to similarly titled measures reported by other companies due to differences in the components used in their calculations. The Company's management believes the presentation of adjusted operating income (loss) is a useful measure to help investors evaluate the Company's capacity to fund its ongoing cash operating requirements, including capital expenditures and debt service obligations. Adjusted operating income (loss) should not be considered as a substitute for operating income (loss) as determined in accordance with GAAP. The Company's management believes the presentation of adjusted net income (loss) is a useful measure that excludes significant and non-recurring or largely non-cash items that can display significant volatility. Management thus believes the measure of adjusted net income (loss) is representative of the current earnings of the Company. Adjusted net income (loss) should not be considered as a substitute for net income (loss) as determined in accordance with GAAP. The following slides include reconciliations of adjusted operating income (loss) and adjusted net income (loss) to their most comparable GAAP financial measures.

Q213 Adjusted Net Loss GAAP Reconciliation

	Q2 2013		
	\$MM	Shares ^(a)	EPS ^(a)
Net loss as reported ^(b)	\$ (29.4)	96.6	\$ (0.30)
LCM adjustment	10.2		0.11
Sebree power contract amortization	(2.7)		(0.03)
Gain on bargain purchase ^(b)	(5.3)		(0.05)
Extinguishment of debt	3.3		0.03
Corporate relocation	<u>1.7</u>		<u>0.02</u>
Adjusted net loss ^(b)	<u>\$ (22.2)</u>	96.6	<u>\$ (0.23)</u>

^(a) Based upon total shares (diluted common plus preferred)

^(b) Amounts differ from our reported second quarter results due to purchase price accounting adjustments related to the Sebree acquisition which were retroactively applied to Q2

Q313 Adjusted Net Loss GAAP Reconciliation

	Q3 2013		
	\$MM	Shares ^(a)	EPS ^(a)
Net loss as reported	\$ (9.5)	96.6	\$ (0.10)
LCM adjustment	(5.8)		(0.06)
Sebree power contract amortization	<u>(11.7)</u>		<u>(0.12)</u>
Adjusted net loss	<u>\$ (27.0)</u>	96.6	<u>\$ (0.28)</u>

^(a) Based upon total shares (diluted common plus preferred).

Adjusted Operating Income (Loss)

GAAP Reconciliation

(\$MM)

	<u>Q213</u>	<u>Q313</u>
Operating loss	\$ (23.9)	\$ (4.2)
Depreciation	16.2	17.2
Sebree power contract amortization	(2.7)	(11.7)
LCM adjustment	10.2	(5.8)
Corporate relocation	1.7	-
Adjusted operating income (loss)	<u>\$ 1.5</u>	<u>\$ (4.5)</u>

For Additional Information

Shelly Harrison
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November 4, 2013

Century Aluminum Reports Third Quarter 2013 Results

CHICAGO, IL -- (Marketwired) -- 11/04/13 -- Century Aluminum Company (NASDAQ: CENX) reported a net loss of \$9.5 million (\$0.11 per basic and diluted common share) for the third quarter of 2013. Cost of sales for the quarter included a \$5.8 million benefit for lower of cost or market inventory adjustments and an \$11.7 million benefit for deferred power contract liability amortization.

In the third quarter of 2012, Century reported a net loss of \$12.0 million (\$0.14 per basic and diluted share). Financial results were positively impacted by a net benefit of \$4.1 million related to certain litigation items. Cost of sales for the quarter included an \$8.2 million benefit for lower of cost or market inventory adjustments.

Sales for the third quarter of 2013 were \$399.9 million, compared with \$304.6 million for the third quarter of 2012. Shipments of primary aluminum for the 2013 third quarter were 212,797 tonnes, compared with 163,431 tonnes shipped in the year-ago quarter. Sales and shipments of primary aluminum for the third quarter of 2013 both benefited from the June 2013 acquisition of the Sebree, KY aluminum smelter. During the quarter, the Sebree acquisition added \$101.5 million in sales and 45,843 tonnes in primary aluminum shipments.

For the first nine months of 2013, Century reported a net loss of \$30.6 million (\$0.35 per basic and diluted share). These results were positively impacted by an unrealized gain of \$16.2 million primarily related to a LME-based contingent obligation, a gain on bargain purchase of \$5.3 million and deferred power contract liability amortization of \$14.5 million. Results were negatively impacted by a non-cash charge of \$3.3 million for the early extinguishment of our 8.0% Senior Notes and a charge of \$4.7 million for severance and other expenses related to our corporate headquarters relocation. Cost of sales in the first nine months of 2013 included a \$10.3 million charge for lower of cost or market inventory adjustments.

This result compares to a net loss of \$28.7 million (\$0.32 per basic and diluted share) for the first nine months of 2012. These results were negatively impacted by an unrealized net loss on forward contracts of \$3.2 million primarily related to the mark to market of aluminum price protection options. Results were positively impacted by a net benefit of \$4.1 million related to certain litigation items. Cost of sales in the first nine months of 2012 included a \$19.8 million benefit for lower of cost or market inventory adjustments.

Sales in the first nine months of 2013 were \$1,053.1 million compared with \$954.4 million in the same period of 2012. Shipments of primary aluminum for the first nine months of 2013 were 547,843 tonnes compared with 484,226 tonnes for the comparable 2012 period. Sales and shipments of primary aluminum for the first nine months were higher by \$140.3 million and 63,522 tonnes, respectively, as a result of the Sebree smelter acquisition.

"We continue to operate in an uncertain global environment," commented Michael A. Bless, President and Chief Executive Officer. "Widespread and consistent recovery in developed and developing economies has been elusive. China has not developed momentum in driving more robust consumer activity, and potential problems in the financial system remain a concern. In the U.S. and Europe, political instability has led to predictable uncertainty on the part of people making investment decisions. In our sector, we have seen some hopeful signs. Demand continues to be relatively strong in most markets. Supply closures, though each individually small in the context of the broader market, have continued to build. Volatility caused by the potential for changes in the LME's warehousing rules has diminished. On balance, however, we will continue to manage the company with a bias toward downside risk in broad market conditions.

"We believe we have made good progress managing those items under our control," continued Mr. Bless. "Safety performance improved throughout the quarter, after a rough start at Sebree. Key performance indicators have been uniformly good; recent high purity production at Hawesville and billet production at Sebree have been at record levels. Most importantly, production costs have improved. As previously announced, we received approval from the Kentucky Public Service Commission for Hawesville's new power contract, and have been successfully purchasing market-based power since late August. Grundartang's investment projects continue on track; we expect to produce finished anodes at our new plant in the Netherlands in December.

"We are focused on the important next steps for our power arrangements in Kentucky. For Hawesville, we are working with the regulators toward finalizing the procedures necessary for future grid stability and energy import capability; we expect to complete this process in late 2013 or early 2014. Century and Big Rivers plan to file the market-based power contract for Sebree soon, allowing for approval by the PSC before the termination of the current contract on January 31, 2014. We continue to work toward creating the conditions necessary for a restart of Ravenswood and of the Helguvik project; while there is not a solution at hand on either matter, discussions with the various parties remain active and we are committed to finding a

solution."

Century Aluminum Company owns primary aluminum capacity in the United States and Iceland. Century's corporate offices are located in Chicago, Illinois. More information can be found at www.centuryaluminum.com.

Century Aluminum's quarterly conference call is scheduled for 5:00 p.m. Eastern time today. To listen to the conference call and to view related presentation materials, visit www.centuryaluminum.com and click on the conference call link on the homepage. The webcast will be archived on our website and available for replay approximately two hours following the live call.

Cautionary Statement

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about future, not past, events and involve certain important risks and uncertainties, any of which could cause our actual results to differ materially from those expressed in our forward-looking statements. Such risks and uncertainties may include, without limitation, declines in aluminum prices or increases in our operating costs; worsening of global financial and economic conditions; increases in global aluminum inventories and the addition of new or restarted global aluminum production capacity; weakening of the company's U.S. customer markets; and our ability to successfully obtain long-term competitive power arrangements for our U.S. plants. Forward-looking statements in this press release include, without limitation, statements regarding our ability to successfully restart operations at our Vlissingen plant; our ability to finalize the wholesale power arrangement for our Hawesville smelter and achieve a similar arrangement at our Sebree smelter; and our ability to successfully progress the potential restart of our Ravenswood smelter and Helguvik project. More information about these risks, uncertainties and assumptions can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings made with the Securities and Exchange Commission. We do not undertake, and specifically disclaim, any obligation to revise any forward-looking statements to reflect the occurrence of future events or circumstances.

Certified Advisors for the First North market of the OMX Nordic Exchange Iceland hf. for Global Depositary Receipts in Iceland:

Atli B. Gudmundsson, Senior Manager -- Corporate Finance, Landsbankinn hf.
Steingrimur Helgason, Director -- Corporate Finance, Landsbankinn hf.

CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	<i>Three months ended</i> <i>September 30,</i>		<i>Nine months ended</i> <i>September 30,</i>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
NET SALES:				
Third-party customers	\$ 271,016	\$ 170,023	\$ 680,480	\$ 542,884
Related parties	<u>128,912</u>	<u>134,612</u>	<u>372,659</u>	<u>411,560</u>
	399,928	304,635	1,053,139	954,444
Cost of goods sold	<u>387,574</u>	<u>301,385</u>	<u>1,028,901</u>	<u>924,645</u>
Gross profit	12,354	3,250	24,238	29,799
Other operating expenses - net	2,174	7,388	6,288	14,926
Selling, general and administrative expenses	<u>14,422</u>	<u>9,182</u>	<u>45,875</u>	<u>24,792</u>
Operating loss	(4,242)	(13,320)	(27,925)	(9,919)
Interest expense - third party - net	(5,265)	(5,969)	(17,248)	(17,642)
Interest income - related parties	-	-	-	62
Net gain (loss) on forward and derivative contracts	440	(340)	16,151	(4,049)
Gain on bargain purchase	-	-	5,253	-
Loss on early extinguishment of debt	-	-	(3,272)	-
Other income (expense) - net	<u>213</u>	<u>7,648</u>	<u>(1,001)</u>	<u>8,115</u>
Loss before income taxes and equity in earnings of joint ventures	(8,854)	(11,981)	(28,042)	(23,433)
Income tax expense	<u>(1,384)</u>	<u>(1,168)</u>	<u>(4,714)</u>	<u>(7,384)</u>

Loss before equity in earnings of joint ventures	(10,238)	(13,149)	(32,756)	(30,817)
Equity in earnings of joint ventures	<u>731</u>	<u>1,126</u>	<u>2,118</u>	<u>2,116</u>
Net loss	<u>\$ (9,507)</u>	<u>\$ (12,023)</u>	<u>\$ (30,638)</u>	<u>\$ (28,701)</u>
Net loss allocated to common shareholders	\$ (9,507)	\$ (12,023)	\$ (30,638)	\$ (28,701)
LOSS PER COMMON SHARE				
Basic and Diluted	\$ (0.11)	\$ (0.14)	\$ (0.35)	\$ (0.32)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic and Diluted	88,611	88,468	88,588	88,549

CENTURY ALUMINUM COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

ASSETS	September 30, 2013	December 31, 2012
Cash and cash equivalents	\$ 140,801	\$ 183,976
Restricted cash	3,273	258
Accounts receivable - net	51,247	50,667
Due from affiliates	24,955	37,870
Inventories	231,505	159,925
Prepaid and other current assets	40,708	34,975
Deferred taxes - current portion	<u>19,720</u>	<u>19,726</u>
Total current assets	512,209	487,397
Property, plant and equipment - net	1,239,201	1,188,214
Other assets	<u>108,221</u>	<u>100,715</u>
TOTAL	<u>\$ 1,859,631</u>	<u>\$ 1,776,326</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable, trade	\$ 105,950	\$ 75,370
Due to affiliates	71,739	39,737
Accrued and other current liabilities	72,921	40,099
Accrued employee benefits costs	17,060	18,683
Industrial revenue bonds	7,815	7,815
Current portion of long-term debt	<u>2,603</u>	<u>-</u>
Total current liabilities	278,088	181,704
Senior notes payable	246,442	250,582
Revolving credit facility	16,725	-
Accrued pension benefits costs - less current portion	59,724	67,878
Accrued postretirement benefits costs - less current portion	144,025	143,105
Other liabilities	37,184	40,162
Deferred taxes	<u>111,922</u>	<u>110,252</u>
Total noncurrent liabilities	616,022	611,979
SHAREHOLDERS' EQUITY:		
Series A Preferred stock (one cent par value, 5,000,000 shares authorized; 79,734 and 80,283 issued and outstanding at September 30, 2013 and December 31, 2012, respectively)	1	1
Common stock (one cent par value, 195,000,000 shares authorized; 93,469,452 issued and 88,682,931 outstanding at September 30, 2013; 93,335,158 issued and 88,548,637 outstanding at December 31, 2012)	935	933
Additional paid-in capital	2,508,456	2,507,454
Treasury stock, at cost	(49,924)	(49,924)

Accumulated other comprehensive loss	(138,680)	(151,192)
Accumulated deficit	(1,355,267)	(1,324,629)
Total shareholders' equity	965,521	982,643
TOTAL	\$ 1,859,631	\$ 1,776,326

CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	<i>Nine months ended</i>	
	<i>September 30,</i>	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (30,638)	\$ (28,701)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Unrealized net (gain) loss on forward contracts	(762)	3,196
Gain on bargain purchase	(5,253)	-
Unrealized gain on E.ON contingent obligation	(16,428)	-
Accrued and other plant curtailment costs - net	3,380	4,025
Lower of cost or market inventory adjustment	10,286	(19,818)
Depreciation	49,082	46,925
Sebree power contract amortization	(14,461)	-
Debt discount amortization	586	791
Pension and other postretirement benefits	(2,674)	673
Stock-based compensation	961	412
Loss on early extinguishment of debt	3,272	-
Undistributed earnings of joint ventures	(2,118)	(2,116)
Change in operating assets and liabilities:		
Accounts receivable - net	(1,063)	3,320
Due from affiliates	12,915	317
Inventories	(22,848)	31,810
Prepaid and other current assets	(4,892)	(8,254)
Accounts payable, trade	26,547	(8,823)
Due to affiliates	32,002	761
Accrued and other current liabilities	2,209	8,743
Other - net	2,355	(12,176)
Net cash provided by operating activities	<u>42,458</u>	<u>21,085</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(31,994)	(10,399)
Nordural expansion - Helguvik	(2,855)	(5,474)
Purchase of carbon anode assets and improvements	(8,519)	(14,185)
Purchase of Sebree smelter	(48,058)	-
Investments in and advances to joint ventures	-	(275)
Dividends and payments received on advances from joint ventures	-	3,166
Proceeds from sale of property, plant and equipment	515	89
Restricted and other cash deposits	(3,015)	-
Net cash used in Investing activities	<u>(93,926)</u>	<u>(27,078)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	(249,604)	-
Proceeds from issuance of debt	246,330	-
Borrowings under revolving credit facility	16,725	18,076

Repayments under revolving credit facility	-	(18,076)
Debt issuance costs	(3,994)	-
Debt retirement costs	(1,208)	-
Repurchase of common stock	-	(4,033)
Issuance of common stock - net	44	-
Net cash provided by (used in) financing activities	8,293	(4,033)
CHANGE IN CASH AND CASH EQUIVALENTS	(43,175)	(10,026)
Cash and cash equivalents, beginning of period	183,976	183,401
Cash and cash equivalents, end of period	\$ 140,801	\$ 173,375

Century Aluminum Company
Selected Operating Data
(Unaudited)

SHIPMENTS - PRIMARY ALUMINUM

	<i>Direct (1)</i>			<i>Toll</i>		
	<i>Tonnes</i>	<i>(000) Pounds</i>	<i>\$/Pound</i>	<i>Tonnes</i>	<i>(000) Pounds</i>	<i>\$(000) Revenue</i>
2013						
3rd Quarter	140,120	308,911	\$ 0.96	72,677	160,225	\$ 101,381
2nd Quarter	106,284	234,316	0.98	69,986	154,293	101,290
1st Quarter	93,472	206,070	1.06	65,304	143,971	103,973
Total	339,876	749,297	\$ 0.99	207,967	458,489	\$ 306,644
2012						
3rd Quarter	95,747	211,086	\$ 0.98	67,684	149,217	\$ 97,939
2nd Quarter	93,831	206,862	1.05	66,997	147,704	105,756
1st Quarter	94,087	207,426	1.06	65,880	145,240	106,416
Total	283,665	625,374	\$ 1.03	200,561	442,161	\$ 310,111

(1) Does not include Toll shipments from Nordural Grundartangi

Century Aluminum Contacts:

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(media)
312-696-3142

Shelly Harrison
(Investors)
312-696-3140

Source: Century Aluminum Company

News Provided by Acquire Media

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 4, 2013

Century ALUMINUM

Century Aluminum Company

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

1-34474
(Commission File Number)

13-3070826
(IRS Employer Identification No.)

One South Wacker Drive
Suite 1000
Chicago, Illinois
(Address of Principal Executive Offices)

60606
(Zip Code)

(312) 696-3101

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On November 4, 2013, Century Aluminum Company (the "Company") issued a press release announcing its results of operations for the quarter ended September 30, 2013. A copy of the Company's press release is attached as Exhibit 99.1 and is incorporated herein by reference.

The Company will hold a follow-up conference call on Monday, November 4, 2013, at 5:00 p.m. Eastern Time. The earnings call will be webcast live on the Company's website, located at www.centuryaluminum.com. Anyone interested in listening to the live webcast should plan to begin the registration process for the webcast at least 10 minutes before the live call is scheduled to begin. A replay of the webcast will be archived and available for replay approximately two hours following the live call.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release dated November 4, 2013.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 4, 2013

CENTURY ALUMINUM COMPANY
By: /s/ Michelle M. Harrison
Name: Michelle M. Harrison
Title: Senior Vice President, Finance and Treasurer

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release dated November 4, 2013.

Exhibit 99.1**Century Aluminum Reports Third Quarter 2013 Results**

CHICAGO, IL -- 11/04/13 -- Century Aluminum Company (NASDAQ: CENX) reported a net loss of \$9.5 million (\$0.11 per basic and diluted common share) for the third quarter of 2013. Cost of sales for the quarter included a \$5.8 million benefit for lower of cost or market inventory adjustments and an \$11.7 million benefit for deferred power contract liability amortization.

In the third quarter of 2012, Century reported a net loss of \$12.0 million (\$0.14 per basic and diluted share). Financial results were positively impacted by a net benefit of \$4.1 million related to certain litigation items. Cost of sales for the quarter included an \$8.2 million benefit for lower of cost or market inventory adjustments.

Sales for the third quarter of 2013 were \$399.9 million, compared with \$304.6 million for the third quarter of 2012. Shipments of primary aluminum for the 2013 third quarter were 212,797 tonnes, compared with 163,431 tonnes shipped in the year-ago quarter. Sales and shipments of primary aluminum for the third quarter of 2013 both benefited from the June 2013 acquisition of the Sebree, KY aluminum smelter. During the quarter, the Sebree acquisition added \$101.5 million in sales and 45,843 tonnes in primary aluminum shipments.

For the first nine months of 2013, Century reported a net loss of \$30.6 million (\$0.35 per basic and diluted share). These results were positively impacted by an unrealized gain of \$16.2 million primarily related to a LME-based contingent obligation, a gain on bargain purchase of \$5.3 million and deferred power contract liability amortization of \$14.5 million. Results were negatively impacted by a non-cash charge of \$3.3 million for the early extinguishment of our 8.0% Senior Notes and a charge of \$4.7 million for severance and other expenses related to our corporate headquarters relocation. Cost of sales in the first nine months of 2013 included a \$10.3 million charge for lower of cost or market inventory adjustments.

This result compares to a net loss of \$28.7 million (\$0.32 per basic and diluted share) for the first nine months of 2012. These results were negatively impacted by an unrealized net loss on forward contracts of \$3.2 million primarily related to the mark to market of aluminum price protection options. Results were positively impacted by a net benefit of \$4.1 million related to certain litigation items. Cost of sales in the first nine months of 2012 included a \$19.8 million benefit for lower of cost or market inventory adjustments.

Sales in the first nine months of 2013 were \$1,053.1 million compared with \$954.4 million in the same period of 2012. Shipments of primary aluminum for the first nine months of 2013 were 547,843 tonnes compared with 484,226 tonnes for the comparable 2012 period. Sales and shipments of primary aluminum for the first nine months were higher by \$140.3 million and 63,522 tonnes, respectively, as a result of the Sebree smelter acquisition.

"We continue to operate in an uncertain global environment," commented Michael A. Bless, President and Chief Executive Officer. "Widespread and consistent recovery in developed and developing economies has been elusive. China has not developed momentum in driving more robust consumer activity, and potential problems in the financial system remain a concern. In the U.S. and Europe, political instability has led to predictable uncertainty on the part of people making investment decisions. In our sector, we have seen some hopeful signs. Demand continues to be relatively strong in most markets. Supply closures, though each individually small in the context of the broader market, have continued to build. Volatility caused by the potential for changes in the LME's warehousing rules has diminished. On balance, however, we will continue to manage the company with a bias toward downside risk in broad market conditions.

"We believe we have made good progress managing those items under our control," continued Mr. Bless. "Safety performance improved throughout the quarter, after a rough start at Sebree. Key performance indicators have been uniformly good; recent high purity production at Hawesville and billet production at Sebree have been at record levels. Most importantly, production costs have improved. As previously announced, we received approval from the Kentucky Public Service Commission for Hawesville's new power contract, and have been successfully purchasing market-based power since late August. Grundartangi's investment projects continue on track; we expect to produce finished anodes at our new plant in the Netherlands in December.

"We are focused on the important next steps for our power arrangements in Kentucky. For Hawesville, we are working with the regulators toward finalizing the procedures necessary for future grid stability and energy import capability; we expect to complete this process in late 2013 or early 2014. Century and Big Rivers plan to file the market-based power contract for

Sebree soon, allowing for approval by the PSC before the termination of the current contract on January 31, 2014. We continue to work toward creating the conditions necessary for a restart of Ravenswood and of the Helguvik project; while there is not a solution at hand on either matter, discussions with the various parties remain active and we are committed to finding a solution."

Century Aluminum Company owns primary aluminum capacity in the United States and Iceland. Century's corporate offices are located in Chicago, Illinois. More information can be found at www.centuryaluminum.com.

Century Aluminum's quarterly conference call is scheduled for 5:00 p.m. Eastern time today. To listen to the conference call and to view related presentation materials, visit www.centuryaluminum.com and click on the conference call link on the homepage. The webcast will be archived on our website and available for replay approximately two hours following the live call.

Cautionary Statement

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about future, not past, events and involve certain important risks and uncertainties, any of which could cause our actual results to differ materially from those expressed in our forward-looking statements. Such risks and uncertainties may include, without limitation, declines in aluminum prices or increases in our operating costs; worsening of global financial and economic conditions; increases in global aluminum inventories and the addition of new or restarted global aluminum production capacity; weakening of the company's U.S. customer markets; and our ability to successfully obtain long-term competitive power arrangements for our U.S. plants. Forward-looking statements in this press release include, without limitation, statements regarding our ability to successfully restart operations at our Vlissingen plant; our ability to finalize the wholesale power arrangement for our Hawesville smelter and achieve a similar arrangement at our Sebree smelter; and our ability to successfully progress the potential restart of our Ravenswood smelter and Helgavik project. More information about these risks, uncertainties and assumptions can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings made with the Securities and Exchange Commission. We do not undertake, and specifically disclaim, any obligation to revise any forward-looking statements to reflect the occurrence of future events or circumstances.

Certified Advisors for the First North market of the OMX Nordic Exchange Iceland hf. for Global Depositary Receipts in Iceland:

Atli B. Gudmundsson, Senior Manager -- Corporate Finance, Landsbankinn hf.
Steingrímur Helgason, Director -- Corporate Finance, Landsbankinn hf.

Century Aluminum Contacts:

Mike Dildine (media)	312-696-3142
Shelly Harrison (investors)	312-696-3140

CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
NET SALES:				
Third-party customers	\$ 271,016	\$ 170,023	\$ 680,480	\$ 542,884
Related parties	128,912	134,612	372,659	411,560
	<u>399,928</u>	<u>304,635</u>	<u>1,053,139</u>	<u>954,444</u>
Cost of goods sold	<u>387,574</u>	<u>301,385</u>	<u>1,028,901</u>	<u>924,645</u>
Gross profit	12,354	3,250	24,238	29,799
Other operating expenses – net	2,174	7,388	6,288	14,926
Selling, general and administrative expenses	14,422	9,182	45,875	24,792
Operating loss	<u>(4,242)</u>	<u>(13,320)</u>	<u>(27,925)</u>	<u>(9,919)</u>
Interest expense – third party – net	(5,265)	(5,969)	(17,248)	(17,642)
Interest income – related parties	—	—	—	62
Net gain (loss) on forward and derivative contracts	440	(340)	16,151	(4,049)
Gain on bargain purchase	—	—	5,253	—
Loss on early extinguishment of debt	—	—	(3,272)	—
Other income (expense) – net	213	7,648	(1,001)	8,115
Loss before income taxes and equity in earnings of joint ventures	<u>(8,854)</u>	<u>(11,981)</u>	<u>(28,042)</u>	<u>(23,433)</u>
Income tax expense	(1,384)	(1,168)	(4,714)	(7,384)
Loss before equity in earnings of joint ventures	<u>(10,238)</u>	<u>(13,149)</u>	<u>(32,756)</u>	<u>(30,817)</u>
Equity in earnings of joint ventures	731	1,126	2,118	2,116
Net loss	<u>\$ (9,507)</u>	<u>\$ (12,023)</u>	<u>\$ (30,638)</u>	<u>\$ (28,701)</u>
Net loss allocated to common shareholders	\$ (9,507)	\$ (12,023)	\$ (30,638)	\$ (28,701)
LOSS PER COMMON SHARE:				
Basic and Diluted	\$ (0.11)	\$ (0.14)	\$ (0.35)	\$ (0.32)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	88,611	88,468	88,588	88,549
Diluted	88,611	88,468	88,588	88,549

CENTURY ALUMINUM COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	\$ 140,801	\$ 183,976
Restricted cash	3,273	258
Accounts receivable — net	51,247	50,667
Due from affiliates	24,955	37,870
Inventories	231,505	159,925
Prepaid and other current assets	40,708	34,975
Deferred taxes - current portion	19,720	19,726
Total current assets	512,209	487,397
Property, plant and equipment — net	1,239,201	1,188,214
Other assets	108,221	100,715
TOTAL	\$ 1,859,631	\$ 1,776,326
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable, trade	\$ 105,950	\$ 75,370
Due to affiliates	71,739	39,737
Accrued and other current liabilities	72,921	40,099
Accrued employee benefits costs	17,060	18,683
Industrial revenue bonds	7,815	7,815
Current portion of long-term debt	2,603	—
Total current liabilities	278,088	181,704
Senior notes payable	246,442	250,582
Revolving credit facility	16,725	—
Accrued pension benefits costs — less current portion	59,724	67,878
Accrued postretirement benefits costs — less current portion	144,025	143,105
Other liabilities	37,184	40,162
Deferred taxes	111,922	110,252
Total noncurrent liabilities	616,022	611,979
SHAREHOLDERS' EQUITY:		
Series A Preferred stock (one cent par value, 5,000,000 shares authorized; 79,734 and 80,283 issued and outstanding at September 30, 2013 and December 31, 2012, respectively)	1	1
Common stock (one cent par value, 195,000,000 shares authorized; 93,469,452 issued and 88,682,931 outstanding at September 30, 2013; 93,335,158 issued and 88,548,637 outstanding at December 31, 2012)	935	933
Additional paid-in capital	2,508,456	2,507,454
Treasury stock, at cost	(49,924)	(49,924)
Accumulated other comprehensive loss	(138,680)	(151,192)
Accumulated deficit	(1,355,267)	(1,324,629)
Total shareholders' equity	965,521	982,643

TOTAL

\$ 1,859,631 \$ 1,776,326

CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)
(Unaudited)

	Nine months ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (30,638)	\$ (28,701)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Unrealized net (gain) loss on forward contracts	(762)	3,196
Gain on bargain purchase	(5,253)	—
Unrealized gain on E.ON contingent obligation	(16,428)	—
Accrued and other plant curtailment costs — net	3,380	4,025
Lower of cost or market inventory adjustment	10,286	(19,818)
Depreciation	49,082	46,925
Sebree power contract amortization	(14,461)	—
Debt discount amortization	586	791
Pension and other postretirement benefits	(2,674)	673
Stock-based compensation	961	412
Loss on early extinguishment of debt	3,272	—
Undistributed earnings of joint ventures	(2,118)	(2,116)
Change in operating assets and liabilities:		
Accounts receivable — net	(1,063)	3,320
Due from affiliates	12,915	317
Inventories	(22,848)	31,810
Prepaid and other current assets	(4,892)	(8,254)
Accounts payable, trade	26,547	(8,823)
Due to affiliates	32,002	761
Accrued and other current liabilities	2,209	8,743
Other — net	2,355	(12,176)
Net cash provided by operating activities	<u>42,458</u>	<u>21,085</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(31,994)	(10,399)
Nordural expansion — Helguvik	(2,855)	(5,474)
Purchase of carbon anode assets and improvements	(8,519)	(14,185)
Purchase of Sebree smelter	(48,058)	—
Investments in and advances to joint ventures	—	(275)
Dividends and payments received on advances from joint ventures	—	3,166
Proceeds from sale of property, plant and equipment	515	89
Restricted and other cash deposits	(3,015)	—
Net cash used in investing activities	<u>(93,926)</u>	<u>(27,078)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	(249,604)	—
Proceeds from issuance of debt	246,330	—
Borrowings under revolving credit facility	16,725	18,076
Repayments under revolving credit facility	—	(18,076)

Debt issuance costs	(3,994)	—
Debt retirement costs	(1,208)	—
Repurchase of common stock	—	(4,033)
Issuance of common stock — net	44	—

CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(in thousands)
(Unaudited)

	Nine months ended September 30,	
	2013	2012
Net cash provided by (used in) financing activities	8,293	(4,033)
CHANGE IN CASH AND CASH EQUIVALENTS	(43,175)	(10,026)
Cash and cash equivalents, beginning of the period	183,976	183,401
Cash and cash equivalents, end of the period	<u>\$ 140,801</u>	<u>\$ 173,375</u>

CENTURY ALUMINUM COMPANY
SELECTED OPERATING DATA
(Unaudited)

(1) Does not include Toll shipments from Nordural Grundartangi

	SHIPMENTS - PRIMARY ALUMINUM					
	Direct (1)			Toll		
	Tonnes	(000) Pounds	\$/Pound	Tonnes	(000) Pounds	\$ (000) Revenue
2013						
3rd Quarter	140,120	308,911	\$ 0.96	72,677	160,225	\$ 101,381
2nd Quarter	106,284	234,316	0.98	69,986	154,293	101,290
1st Quarter	93,472	206,070	1.06	65,304	143,971	103,973
Total	<u>339,876</u>	<u>749,297</u>	<u>\$ 0.99</u>	<u>207,967</u>	<u>458,489</u>	<u>\$ 306,644</u>
2012						
3rd Quarter	95,747	211,086	\$ 0.98	67,684	149,217	\$ 97,939
2nd Quarter	93,831	206,862	1.05	66,997	147,704	105,756
1st Quarter	94,087	207,426	1.06	65,880	145,240	106,416
Total	<u>283,665</u>	<u>625,374</u>	<u>\$ 1.03</u>	<u>200,561</u>	<u>442,161</u>	<u>\$ 310,111</u>

Mark Bailey

From: Bell, Stephanie (PSC) [mailto:Stephanie.Bell@ky.gov]
Sent: Thursday, June 28, 2012 9:18 AM
To: John Talbert
Subject: FW: Monday Meeting

From: Spade, Holland (CED)
Sent: Wednesday, June 27, 2012 6:57 PM
To: DeRouen, Jeff (PSC); Bell, Stephanie (PSC); Haydon, Mike (Gov Office)
Subject: Fw: Monday Meeting

From: Early, Michael [mailto:MEarly@centuryca.com]
Sent: Wednesday, June 27, 2012 05:16 PM
To: Spade, Holland (CED)
Cc: Schneider, Pam (RTA) <pam.schneider@riotinto.com>; DeZee, John <JDeZee@centuryca.com>; Hoerner, John <JHoerner@centuryky.com>
Subject: RE: Monday Meeting

Hollie

We are disappointed that Big Rivers has rejected out of hand the issues that you raised with us for discussion next Monday. As you know, we disagree with Big Rivers' contention that the utility cannot do more to close the gap between their proposal and the \$110 million that other customers will bear if the smelters are forced to close. While we recognize there will need to be a long term solution, our focus now needs to be on a near term rate reduction which must be greater than Big Rivers' proposal. In view of Big Rivers' position on the issues, a meeting at this time would not be productive. As we consider our next steps, we will be back in touch with you shortly.

Michael

From: Spade, Holland (CED) [mailto:Holland.Spade@ky.gov]
Sent: Wednesday, June 27, 2012 7:33 AM
To: pam.schneider@riotinto.com; Hoerner, John; Early, Michael
Subject: Monday Meeting

Good morning all.

I spoke with John Talbert and Jim Miller yesterday afternoon re the meeting on Monday. They indicate that Big Rivers is willing to attend the meeting on Monday to discuss any ideas that anyone may have. However, they do not want anyone to attend the meeting under false pretense. Big Rivers cannot close the gap between its last proposal and the

smelters' proposal. Big Rivers is not willing to inject this issue into the current rate case because the strategy suggested for using that proceeding cannot work, and attempting to use that proceeding has only a downside for Big Rivers. They also clarified that the two reserve funds to which Century referred today provide direct credits against charges to the large industrial and rural ratepayer classes in one instance, and the rural ratepayers only in the other. Any other use of those two reserve funds would absolutely create an unmet obligation to those for whom the reserves were intended.

We are still willing to set up and attend the meeting here, but we want to be sure that everybody understands where the parties stand before making a trip. As we pointed out to you on the call yesterday, you still have the smelter caucus engaged in this issue and we still think pursuit of a legislative long-term fix is a good option. The \$30 million proposal is a short-term fix and the session is just six months away at this point. The results of the study will be finalized at end of October. With their recommendations, we will all have an objective third party opinion as to a solution that can be used to garner support. A legislator can pre-file a bill even before January and it would be in everybody's best interest to begin drumming up the necessary support for that long-term solution now. With an emergency clause on the legislation, you could have a long-term solution in place in April of 2013.

We are all willing to attend a meeting on Monday for further discussion if you think that will be beneficial. I just wanted you to have all the facts before deciding whether to make the trip. Please share this with all the interested parties. I apologize that I only have a few of the email addresses.

Please let us know as soon as possible whether to proceed for Monday. It looks like an afternoon meeting will be best for Mike's schedule.

Hollie

Holland B. Spade
Executive Director
Office of Legal Services
Cabinet for Economic Development
300 W. Broadway
Frankfort, Kentucky 40601
(502)-564-7670
(502)-229-5679 (Blackberry)

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers'
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 18)** *Please provide a copy of all correspondence and all documents exchanged*
2 *between Big Rivers and the Rural Utilities Service relating to the termination of the currently*
3 *effective Sebree power contract, the development of a new electric rate for Sebree, or the*
4 *documents filed by Big Rivers in this proceeding.*

5
6 **Response)** Big Rivers objects to the extent that this request seeks duplicate copies of the
7 application and exhibits thereto. Notwithstanding that objection, and without waiving it, Big
8 Rivers states as follows. Please see the attached documents.

9
10 **Witness)** Billie J. Richert

Billie Richert

From: Billie Richert
Sent: Wednesday, November 20, 2013 4:39 PM
To: Victor.Vu@wdc.usda.gov
Cc: cheryl.black@wdc.usda.gov
Subject: FW: Big Rivers, Kenergy and Century Announcement
Attachments: SebreeAgreementFinal.pdf

FYI

Billie Richert, CPA, COTP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Century, Big Rivers and Kenergy File Definitive Energy Agreements for Sebree smelter with the Kentucky Public Service Commission

CHICAGO, IL -- (Marketwired) -- 11/20/13 -- Century Aluminum Sebree LLC, a wholly owned subsidiary of Century Aluminum Company (NASDAQ: CENX), Kenergy Corp. and Big Rivers Electric Corporation today announced that they have finalized and filed with the Kentucky Public Service Commission definitive agreements among the parties for a new power arrangement for the Sebree aluminum smelter, located in Henderson County, KY. These agreements and the filing are a first step in finalizing the arrangement. The agreement is subject to approvals from various third parties, including the Kentucky Public Service Commission and the USDA Rural Utilities Service. The parties will continue to move as expeditiously as possible to finalize the agreement in advance of the expiration of the current power contract on January 31, 2014.

The Sebree smelter has an annual production capacity of 205,000 tonnes of primary aluminum and employs approximately 480 men and women.

Century Aluminum Company owns primary aluminum capacity in the United States and Iceland. Century's corporate offices are located in Chicago, Illinois. More information can be found at www.centuryaluminum.com.

Big Rivers Electric Corporation is a member-owned, not-for-profit, wholesale electric generation and transmission cooperative headquartered in Henderson, Kentucky that is owned by three distribution cooperative members -- Jackson Purchase Energy Corporation, headquartered in Paducah; Kenergy Corp, headquartered in Henderson; and Meade County Rural Electric Cooperative Corporation, headquartered in Brandenburg. These member cooperatives deliver retail electric power and energy to over 113,000 residential, commercial, and industrial customers in portions of 22 western Kentucky counties.

Kenergy Corp. is a nonprofit electric cooperative that serves 55,282 members in 14 counties in western Kentucky, including Breckinridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union and Webster.

Cautionary Statement

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about future, not past, events and involve certain important risks and uncertainties, any of which could cause our actual results to differ materially from those expressed in our forward-looking statements. Such risks and uncertainties may include, without limitation, whether or not the parties are able to obtain all necessary approvals and consents and the market pass through arrangement can be completed prior to the expiration of the current power contract. Forward-looking statements in this press release include statements regarding the completion of an agreement to provide, and the ultimate provision of, market priced power to the Sebree smelter. More information about these risks, uncertainties and assumptions can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings made with the Securities and Exchange Commission. We do not undertake, and specifically disclaim, any obligation to revise any forward-looking statements to reflect the occurrence of future events or circumstances.

Certified Advisors for the First North market of the OMX Nordic Exchange Iceland hf. for Global Depositary Receipts
in Iceland:

Alli B. Gudmundsson, Senior Manager -- Corporate Finance, Landsbankinn hf.
Steingrímur Helgason, Director -- Corporate Finance, Landsbankinn hf.

Century Aluminum Contacts:

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312-696-3142

Shelly Harrison (Investors)
312-696-3140

Big Rivers Electric Corp. Contacts:

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Email Contact
270-827-2661

Marty Littrel
Email Contact
270-844-6153 (office)
270-577-5496 (cell)

Kenergy Corp. Contacts:

Gregory Starhelm
Email Contact
270-689-6104

Renee Beasley-Jones
Email Contact
270-689-6103

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC
ATTORNEYS AT LAW

November 20, 2013

Ronald M. Sullivan

Jesse T. Mountjoy

Frank Stainback

James M. Miller

Michael A. Fiorella

Allan W. Holbrook

R. Michael Sullivan

Bryan R. Reynolds*

Tyson A. Kamuf

Mark W. Starnes

C. Edsworth Mountjoy

Rural Utilities Service
United States Department of Agriculture
Room No. 5135-S
1400 Independence Avenue, S.W.
Stop 1510
Washington, D.C. 20250
Attention: Administrator

Rural Utilities Service
United States Department of Agriculture
Room No. 0270-S
1400 Independence Avenue, S.W.
Stop 1568
Washington, D.C. 20250
Attention: Power Supply Division

*Also Licensed in Indiana

Subject: KY 62 Big Rivers Electric Corporation
Transaction Involving Century Aluminum Sebree, LLC

Dear Sir or Madam:

We are counsel to Big Rivers Electric Corporation ("*Big Rivers*"). Big Rivers and Kenergy Corp. ("*Kenergy*"), a Big Rivers member, are proposing a transaction by which Kenergy will provide a retail aluminum smelter customer, Century Aluminum Sebree, LLC ("*Century Sebree*"), retail electric service with power acquired from the wholesale market that is priced based upon market pricing (the "*Century Sebree Transaction*"). The Century Sebree Transaction will commence on and after the termination date of the existing retail electric service agreement with Century Sebree and other related agreements at 11:00 p.m. CST on January 31, 2014 (the "*Termination Date*"). The purpose of this letter to the Rural Utilities Service ("*RUS*") is to submit documents Big Rivers proposes to enter into in connection with the Century Sebree Transaction to the RUS for review by it pursuant to the Amended and Consolidated Loan Contract between Big Rivers and United States of America dated as of July 16, 2009, (the "*Loan Contract*"), Sections 5.6 and 8.1.

Telephone (270) 926-4000
Telecopier (270) 683-6694

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727

www.westkylaw.com

You will note that the Century Sebree Transaction is substantively identical with the transaction with Century Aluminum of Kentucky General Partnership ("*Century Hawesville Transaction*") that Big Rivers submitted to you for review by letter dated June 12, 2013. RUS issued no objection to that transaction, and it closed on August 19, 2013.

Rural Utilities Service
November 20, 2013
Page 2

The documents Big Rivers submits with this letter for RUS review are described in detail in the joint application Big Rivers and Kenergy filed today with the Kentucky Public Service Commission seeking necessary state regulatory approvals for the Century Sebree Transaction (the "Application"). A copy of the Application is enclosed for reference purposes, and to provide you with the best available description of the Century Sebree Transaction and the documents Big Rivers submits for RUS review.

The documents submitted in draft form for RUS review are:

- Arrangement and Procurement Agreement between Big Rivers and Kenergy (Application Exhibit 7). This agreement is the basic wholesale power agreement between Big Rivers and Kenergy for the Century Sebree Transaction. A summary of this agreement can be found in the Application, at page 7. This agreement is further described in the testimony of Big Rivers' Chief Operating Officer, Robert W. Berry (Exhibit 4, pages 13, 14-16, and 21-36). Mr. Berry's testimony also contains details about the entire Century Sebree Transaction. The Arrangement and Procurement Agreement is a back-to-back agreement with the Electric Service Agreement, which is the retail service agreement between Kenergy and Century Sebree. The Electric Service Agreement is described in the testimony of Kenergy's President and CEO, Gregory J. Starheim (Exhibit 3, pages 8-15). A document comparing the proposed Arrangement and Procurement Agreement with the Arrangement and Procurement Agreement from the Century Hawesville Transaction is attached to the Application as Exhibit 8.
- Direct Agreement between Big Rivers and Century Sebree (Application Exhibit 9). This agreement provides for Century Sebree to pay Big Rivers certain expenses incurred by Big Rivers, even if Big Rivers is no longer the Market Participant under the Arrangement and Procurement Agreement and Kenergy is obtaining wholesale power for resale to Century Sebree from a source other than Big Rivers. A summary of this agreement can be found in the Application, at pages 7 and 8. This agreement is further described in the testimony of Mr. Berry (Exhibit 4, pages 16, 23-24, 30-33 and 41). A document comparing the proposed Direct Agreement with the Direct Agreement from the Century Hawesville Transaction is attached to the Application as Exhibit 10.

Rural Utilities Service
November 20, 2013
Page 3

- Wholesale Letter Agreement (Application Exhibit 20). The Wholesale Letter Agreement supplements the all-requirements wholesale power contract between Big Rivers and Kenergy in connection with Big Rivers' provision of wholesale electric service to Kenergy for delivery under the proposed Alternate Service Agreement with Century Sebree (Application Exhibit 19). The Alternate Service Agreement provides a reduced amount of retail electric service (10 MW) to the Century Sebree smelter facility if smelting operations cease. The Alternate Service Agreement and the Wholesale Letter Agreement are described in the Application (pages 6 and 11), the testimony of Mr. Starheim (Exhibit 3, pages 25-26) and in the testimony of Mr. Berry (Exhibit 4, page 20). The Alternate Service Agreement and the Wholesale Letter Agreement are forms of agreements that Kenergy and Big Rivers use regularly. A document comparing the proposed Wholesale Letter Agreement with the Wholesale Letter Agreement from the Century Hawesville Transaction is attached to the Application as Exhibit 22.

Enclosed with this letter are the following documents:

- Six certified counterparts of an excerpt from the minutes of the meeting of the Big Rivers board of directors on November 15, 2013, at which Big Rivers' management was authorized to negotiate and enter into documents in connection with the Century Sebree Transaction;
- Six certified counterparts of an excerpt from the minutes of the meeting of the Kenergy board of directors on October 8, 2013, at which Kenergy was authorized to sign the Wholesale Letter Agreement and the Arrangement and Procurement Agreement;
- Six draft copies of the Arrangement and Procurement Agreement;
- Six draft copies of the Direct Agreement;
- Six draft copies of the Wholesale Letter Agreement; and
- Three copies of the Application.

Please note that the RUS Administrator has been provided one copy of these documents, and the RUS Power Supply Division has been provided the multiple, original signed counterparts of the documents listed above.

Rural Utilities Service
November 20, 2013
Page 4

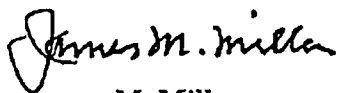
Timing is very critical in the Century Sebree Transaction. The three documents for which RUS review is sought must be approved and executed by the parties before the existing agreements under which Century Sebree is taking electric service expire at 11:00 p.m. CST on January 31, 2013. When the existing agreements terminate, if other agreements have not been approved and executed by the parties, neither Kenergy nor Big Rivers have any legal authority to continue providing electric service to Century Sebree, and by law service to Century Sebree's smelter must be disconnected.

Big Rivers understands that the documents presented for RUS review are part of a complex transaction. If at any point it would be helpful for representatives of Big Rivers to review those documents or the Century Sebree Transaction with RUS staff, Big Rivers will be pleased to do so.

Please note that Section 8.1 of the Loan Contract provides that the RUS has sixty (60) days (or such shorter period as the parties shall agree to in writing) after receipt of this notice letter in which to object to the proposed transaction and require Big Rivers not to complete the transaction without RUS approval. By our calculation, this notice letter will be received by RUS on Thursday, November 21, 2013, and the sixtieth day following delivery of this notice letter to RUS will expire no later than the end of the day on Tuesday, January 21, 2014.

Please contact me with any questions you have regarding this request.

Sincerely yours,



James M. Miller
Counsel for Big Rivers Electric Corporation

cc: Billie J. Richert, Big Rivers Electric Corporation
Robert Berry, Big Rivers Electric Corporation

**EXCERPT FROM THE MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF BIG RIVERS ELECTRIC CORPORATION
HELD IN HENDERSON, KENTUCKY, ON
NOVEMBER 15, 2013**

After considerable discussion, Director Butler moved adoption of the following resolutions:

WHEREAS, Big Rivers, Kenergy Corp. ("Kenergy"), Century Aluminum Sebree LLC ("Century Sebree") and Century Aluminum Company (together with Century Sebree, "Century") have reached non-binding agreement on most of definitive agreements to establish terms on which Kenergy will provide retail electric service to Century Sebree from the wholesale power market after the termination of Century Sebree's retail service agreement on January 31, 2014;

WHEREAS, management has described to the Board of Directors in detail certain issues critical to the transaction that remain to be resolved in at least one of the proposed transaction documents;

WHEREAS, Big Rivers is anticipated to participate in that structure as the transmission provider and, at least initially, as the Market Participant for Kenergy for wholesale power market transactions; and

WHEREAS, timing of completion and approval of the transactions necessary to implement retail service to Century under new agreements by January 31, 2014, is critical.

RESOLVED, that each of the following employees of the Corporation is an Authorized Representative: The President and Chief Executive Officer, the Chief Operating Officer and the Vice President Accounting, Rates and CFO, and any other officer or employee of the Corporation designated as an Authorized Representative in writing by an Authorized Representative listed above.

FURTHER RESOLVED, that the proposed transactions between and among Big Rivers, Kenergy and Century described in the presentation to the Board of Directors by Mr. Berry is approved in all respects, including but not limited to the alternate service arrangements, subject however, to resolution of outstanding contract issues in a manner that is found by the President and CEO, in his sole opinion, to be satisfactory and in the best interest of the Corporation.

FURTHER RESOLVED, that the Authorized Representatives of the Corporation be, and they hereby are, and each of them hereby is authorized and directed for, and on behalf of the Corporation, to negotiate and execute all such agreements, documents, instruments certificates,

**EXCERPT FROM THE MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF BIG RIVERS ELECTRIC CORPORATION
HELD IN HENDERSON, KENTUCKY, ON
NOVEMBER 15, 2013**

and other papers, and to do all such acts and things as may be necessary or desirable to complete the transactions authorized hereby substantially on the terms described in management's presentation, including, without limitation, an acceptable Load Curtailment Agreement, seeking and securing of all approvals or consents from the Kentucky Public Service Commission, and the carrying out of the terms of the various agreements and document authorized or approved in the foregoing resolutions.

FURTHER RESOLVED, that the Authorized Representatives of the Corporation be, and each of them hereby is authorized and directed for, and on behalf of the Corporation, to prepare for the possibility that agreement may not be reached on definitive documents, or that approvals of the definitive documents may not be obtained timely, including as part of that preparation, without limitation, the seeking and securing of all necessary approvals or consents from the Kentucky Public Service Commission to protect the interests of the Corporation, and to comply with the Corporation's legal obligations.

The motion was seconded, and adopted by unanimous vote.

I, Paula Mitchell, Executive Secretary of the Board of Directors of Big Rivers Electric Corporation, hereby certify that the above is a true and correct excerpt from the minutes of the Regular Meeting of the Board of Directors of said Corporation held on 11-15-13.

Paula Mitchell



EXCERPT FROM THE MINUTES OF A MEETING
OF THE KENERGY BOARD OF DIRECTORS
ON OCTOBER 8, 2013

The CEO reported that the contract for the Century Sebree Smelter "Market Power Supply" was being drafted and was being modeled after the contract for the Hawesville smelter. On the basis that there are no material differences between the Sebree agreement and the one previously approved for the Century Hawesville power supply, Director Allan Eyre moved, seconded by Director John Warren, that the CEO be authorized to execute the agreement. Motion carried by unanimous vote.

I, Debra Hayden, Assistant Secretary, certify that the foregoing is a true and correct excerpt from the minutes of a meeting of the board of directors of Kenergy Corp. on October 8, 2013.


Assistant Secretary



Copies of the transaction documents and the application in Case No. 2013-00413 were omitted from this production. Those documents are already in the record in this proceeding.

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 19)** *Refer to page 43 of Mr. Berry’s Direct Testimony wherein he states that “Big*
2 *Rivers’ board of directors has approved the Century Sebree Transaction, including the Letter*
3 *Agreement and seeking the declaratory relief requested in the application.” Please provide a*
4 *copy of all correspondence, all materials, and all documents provided to the Big Rivers Board*
5 *of Directors in conjunction with the negotiations with Century and the approval of the*
6 *Century Sebree Transactions, as well as the approval of the final documents filed in this*
7 *proceeding.*

8

9 **Response)** Please see the response to AG 1-2.

10

11 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 **Item 20) *Please refer to MISO’s April 7, 2010 Response to KIUC data request 1-8 in***
2 ***Case No. 2010-00043, MISO’s August 20, 2010 Supplemental data responses to Commission***
3 ***Staff in Case No. 2010-00043 and Big Rivers’ September 25, 2013 letter to the Commission***
4 ***docketed in Case No. 2010-00043.***

5 ***a. Please confirm that the Wholesale Power Contracts between Big Rivers and***
6 ***Kenergy, Jackson Purchase and Meade County for service to the Rural and***
7 ***Large Industrial customer classes are “grandfathered” and are therefore***
8 ***exempt from MISO charges for Multi-Value Projects (MVP) under***
9 ***Schedule 26A. If not, please explain.***

10 ***b. Please confirm that no Schedule 26A costs associated with service to the***
11 ***smelters are or will be collected in Rural or Large Industrial Rates. If not,***
12 ***please explain.***

13 ***c. Please confirm that the Wholesale Power Contracts between Big Rivers and***
14 ***Kenergy, Jackson Purchase and Meade County for service to the Rural and***
15 ***Large Industrial customer classes are “grandfathered” and are therefore***
16 ***exempt from MISO charges for Baseline Reliability Projects, Generation***

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 *Interconnection Projects, and Market Efficiency Projects (MTEP) under*
2 *Schedule 26. If not, please explain.*

3 *d. Please confirm that no Schedule 26 costs associated with service to the*
4 *smelters are or will be collected in Rural or Large Industrial Rates. If not,*
5 *please explain.*

6 *e. Please confirm that neither smelter contract is “grandfathered” and that*
7 *both smelters are therefore directly assigned all Schedule 26 and 26A costs*
8 *incurred by Big Rivers for service to the smelters. If not, please explain.*

9 *f. For the first year of the proposed Century Sebree Transaction please*
10 *identify all projected Schedule 26A costs that will be incurred by Big Rivers*
11 *and the amount that Century Sebree will pay. Please identify the amount of*
12 *Schedule 26A costs that Century Hawesville will pay over the same time*
13 *period.*

14 *g. For the first year of the proposed Century Sebree Transaction please*
15 *identify all projected Schedule 26 costs that will be incurred by Big Rivers*
16 *and the amount that Century Sebree will pay. Please identify the amount of*

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
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dated December 4, 2013

December 13, 2013

1 *Schedule 26 costs that Century Hawesville will pay over the same time*
2 *period.*

3 *h. Please identify the contractual provision(s) whereby Century will be directly*
4 *assigned the Schedule 26 and 26A costs it has caused.*

5 *i. Please confirm that Big Rivers does not view MTEP and/or MVP costs to be*
6 *system costs which should be allocated among the Rural, Large Industrial*
7 *and Smelter customers.*

8
9 **Response)** Big Rivers objects that the terms of the referenced data request responses and
10 agreements speak for themselves. Notwithstanding this objection, and without waiving it, Big
11 Rivers states as follows.

- 12 a. Confirmed.
- 13 b. No Schedule 26A costs associated with service to the smelters will be
14 collected in the Rural or Large Industrial Rates requested by Big Rivers in
15 Case No. 2013-0199.
- 16 c. Confirmed.

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Requests for Information
dated December 4, 2013

December 13, 2013

- 1 d. No Schedule 26 costs associated with service to the smelters will be collected
2 in the Rural or Large Industrial Rates requested by Big Rivers in Case No.
3 2013-0199.
- 4 e. Neither smelter contract is “grandfathered,” and both smelters will be directly
5 assigned all Schedule 26 and 26A costs incurred by Big Rivers for service to
6 the smelters as a result of the contracts filed under the new market transaction
7 structure.
- 8 f. For the first year of the proposed Century Sebree Transaction, Big Rivers
9 projects total Schedule 26A costs to equal \$2,705,731. Of that cost, Century
10 Sebree will be responsible for \$1,054,371, Century Hawesville will be
11 responsible for \$1,365,498, and the remainder will be paid by Big Rivers as it
12 is associated with the 102 MW of MISO transmission rights currently owned
13 by Big Rivers.
- 14 g. For the first year of the proposed Century Sebree Transaction, Big Rivers
15 projects total Schedule 26 costs to be \$555,418. Of that cost, Century Sebree
16 will be responsible for \$9,101, Century Hawesville will be responsible for
17 \$11,877, and the remainder will be paid by Big Rivers because it is associated

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Requests for Information
dated December 4, 2013

December 13, 2013

1 with the 102 MW of MISO transmission rights currently owned by Big
2 Rivers.

3 h. Section 4.2.2 of the APA and ESA documents provides, “All activity for
4 Transmission Services attributed by the applicable RTO or ISO to the Sebree
5 Node, including, if applicable, activity during the portion of a month during
6 the Service Period.”

7 i. Big Rivers believes that all MTEP and MVP costs attributable to the smelter
8 load should be and will be paid by the smelters under the new market
9 transaction structure, as noted in Section 4.2.2 of the APA and ESA, as
10 referenced above.

11

12 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Kentucky Industrial Utility Customers’
Initial Request for Information
dated December 4, 2013

December 13, 2013

1 **Item 21)** *Refer to page 19 of the Commission’s August 14, 2013 Order in Case No.*
2 *2013-00221. Please provide all quarterly financial reports detailing Big Rivers’ and*
3 *Kenergy’s respective revenues and expenses for each component of the Century Transaction*
4 *Agreements that have been filed to date.*

5

6 **Response)** Please see the attached documents.

7

8 **Witness)** Robert W. Berry and Gregory J. Starheim



201 Third Street
P O Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

November 13, 2013

Via FedEx Overnight Delivery

Mr Jeff Derouen
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P O Box 615
Frankfort, Kentucky 40602-0615

In the Matter of:

*Joint Application of Kenergy Corp. and Big Rivers Electric Corporation
For Approval of Contracts and for a Declaratory Order -
Case No 2013-00221*

Dear Mr Derouen

Big Rivers Electric Corporation ("Big Rivers") hereby files an original and five (5) copies of its quarterly update in response to Ordering Paragraph No 5 of the Commission's Order, dated August 14, 2013, in the aforementioned docket

Please confirm the Commission's receipt of this information by having the Commission's date stamp placed on the enclosed additional copy and returning to Big Rivers in the self-addressed, postage paid envelop provided

I certify that on this date, a copy of this letter and a copy of the quarterly update were sent to each of the persons on the attached service list by first-class U S postage

Should you have any questions about this matter, please contact me

Sincerely yours,

Billie J Richert, CPA, CITP
Vice President Accounting; Rates and CFO

C DeAnna M Speed

Service List
PSC Case No 2013-00221

Jennifer B Hans
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Dennis G Howard, II
Assistant Attorneys General
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Suite 200
Frankfort, KY 40601

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Kurt J Boehm, Esq
Boehm, Kurtz & Lowry
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Bowles Rice LLP
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Lexington, KY 40507

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Corporate Energy Director
Century Aluminum
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Portland, Oregon 97201

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Stites & Harbison, PLLC
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President and CEO
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President & CEO
Kenergy Corp
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J Christopher Hopgood, Esq
318 Second Street
Henderson, Kentucky 42420

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND
FOR A DECLARATORY ORDER
CASE NO. 2013-00221

Response to Commission Order dated August 14, 2013
Ordering Paragraph 5

November 14, 2013

1 **Ordering Paragraph 5) *Big Rivers and Kenergy shall individually file***
2 ***within 45 days of the end of each calendar quarter a report detailing the***
3 ***revenues and expenses incurred by each in connection with each***
4 ***component of the Century Transaction Agreements.***

5

6 **Response) Attached hereto is Big Rivers report for the calendar quarter ending**
7 **September 30, 2013. Please note that this initial quarterly report is for the period**
8 **from August 20, 2013, through and including September 30, 2013**

9

10

11 **Respondent) *Bille J. Richert***

12

Big Rivers Electric Corporation
Case No. 2013-00221
Century Transaction Agreements Revenue and Expense Detail
(Big Rivers Invoiced to Kenergy)¹
For the Quarter Ended September 30, 2013²

ELECTRIC SERVICE AGREEMENT/ARRANGEMENT AND PROCUREMENT AGREEMENT

Applicable Section of Agreement	<u>Amount</u>
4.2 Applicable RTO Charges	
4.2.1/4.2.3/4.2.5 MISO settlement Statement Activity	
BR_CENTAO Settlement Statements	\$ 15,067,224 05
BREC A0 Settlements Statements Activity attributable to BREC CENTURY	
ZRC attributable to BREC CENTURY	\$ 20,773 96
FTR/ARR attributes to BREC CENTURY	\$ (180,442 57)
4.2.2 Transmission Services (AREF#NL1314)	\$ 1,061,495 54
4.2.4 Transmission Upgrades (Sch 26A)	\$ 91,815 13
4.3 Bilateral Activity	
4.4 Excess Reactive Demand	\$ 1,073 68
4.5 Retail Fee (ESA only)	

ARRANGEMENT AND PROCUREMENT AGREEMENT

Applicable Section of Agreement	
4.5 Other Amounts: FOR ANY BILLING MONTH	
4.5.1 Costs arising from any tax liability of Big Rivers Resulting from Surplus Sales	
4.5.2 Costs arising under Section 10.2 relating to compliance with Applicable Laws relating to the environment	
4.5.3 Costs arising under Section 10.3 relating to compliance with Hedging Arrangements	
4.5.4 Costs arising from a requirement to pay invoices from the applicable RTO or ISO on a frequency greater than the periodicity set forth in Section 5.1	
4.5.5 Costs arising under Section 3.1.3 relating to the appointment of a new Market Participant	
4.5.6 Charges for any other services required to be purchased by Big Rivers to provide the services hereunder to Kenergy for the benefit of Century, including any energy advisory services for scheduling, awards and settlements (including such services provided by ACES (formerly ACES Power Marketing))	
4.5.7 Costs associated with the Hawesville Node exiting an RTO or ISO in connection with an election made by Big Rivers or Century pursuant to Section 3.5.2	
4.5.8 The Excess Energy Rate multiplied by the amount of Energy in excess of 492MW in any Hour	
4.5.9 The cost of one-quarter (0.25) full-time-equivalent employee of Big Rivers, to assist in the administration	\$ 5,452 53
4.5.10 Other out-of-pocket Costs payable to Big Rivers to another Person that are incurred or committed to by Big Rivers in connection with or arising out of the Transaction, including (a) Indemnified Liabilities, (b) any	\$ 149,021 70

Big Rivers Electric Corporation
Case No. 2013-00221
Century Transaction Agreements Revenue and Expense Detail
(Big Rivers Invoiced to Kenergy) ¹
For the Quarter Ended September 30, 2013 ²

security necessary to be provided to any Person (including the RTO or ISO of which the Market Participant is a member or a Bilateral Counterparty) arising out of the Transaction, and the costs to pursue any approval or consent under Section 7.2.2, *provided*, the Costs referenced on Exhibit A shall be allocated as provided therein. *Provided, further*, that Big Rivers shall not voluntarily enter into any contractual commitment for Costs referred to in the Section for any period in excess of (1) year without the consent of Century **Taxes.** No state or local sales, excise, gross receipts or other taxes are included in the charges and credits set forth in this Article 4. Kenergy shall pay or cause to be paid any such taxes that are now or hereafter become applicable to the sale of Electric Services to Kenergy under this Agreement.

No Duplication. Subject to the provisions of Section 5.4, the Monthly Charge shall not include any item that would result in a duplicative payment for a particular charge if Big Rivers would not be liable for the duplicative amount.

4.6

4.7

DIRECT AGREEMENT

Applicable Section of Agreement

4.1

Direct Payment Obligations

4.1(a) SSR Cost if SSR Agreement not FERC approved, and hence not on MISO Settlement Statements	\$ 1,663,676.42
4.1(a)(i) BREX CENTURY RT_MISC charge for SSR Cost from BR_CENTAO Settlement Statements	
4.1(a)(i) BREX BREX RT_MISC charge for SSR Cost from BR_CENTAO Settlement Statements	
4.1(a)(i) SSR Costs unreimbursed by MISO (i.e. RT unit trip/derate)	
4.1(a)(i) SSR Costs unreimbursed by MISO (i.e. actual > SSR contract/budget amounts)	
4.1(a)(ii)(1) Credit for BREX Transmission Revenue attributable to AREF #NL1314	\$ (866,596.39)
4.1(a)(ii)(2) need logic to limit credit per this contract section	
4.1(a)(iv) Credit for SSR costs later recovered due to delayed FERC approval	

Total Quarter Ended September 30, 2013

\$ 17,013,494.05

Note(s): 1 - Applicable amounts include charges to Kenergy from Big Rivers which are ultimately passed on to Century Aluminum by Kenergy and exclude any direct charges to Century Aluminum from Kenergy
2 - This initial quarterly report is for the period from August 20, 2013 through and including September 30, 2013



P.O. Box 1389 • 3111 Fairview Drive
Owensboro, Kentucky 42302-1389
(800) 844-4832

November 13, 2013

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40601

RE: Case No. 2013-00221

Dear Mr. Derouen:

Enclosed please find a report detailing the revenues and expenses Kenergy incurred in connection with each component of the Century Transaction Agreements for the calendar quarter ending September 30, 2013 in accordance with Item 5 of the Commission's order in Case No. 2013-00221.

Sincerely,


Steve Thompson
Vice President – Finance & Accounting

Enclosure

Kenergy Corp
Case No. 2013-00221
Century Transaction Agreements Revenue and Expense Detail
(Kenergy Invoiced to Century)
For the Quarter Ended September 30, 2013 ¹

Applicable Section of Agreement	Amount
4.2	
Applicable RTO Charges	
4.2.1/4.2.3/4.2.5 MISO settlement Statement Activity	
BR_CENTAO Settlement Statements	\$ 15,067,213.02
BREC A0 Settlements Statements Activity attributable to BREC.CENTURY	
ZRC attributable to BREC.CENTURY	\$ 20,773.96
FTR/ARR attributes to BREC.CENTURY	\$ (180,442.57)
4.2.2 Transmission Services (AREF#NL1314)	\$ 1,061,495.54
4.2.4 Transmission Upgrades (Sch 26A)	\$ 91,815.13
4.3	
Bilateral Activity	
4.4	
Excess Reactive Demand	\$ 1,073.68
4.6	
Other Amounts: FOR ANY BILLING MONTH	
4.6.1 Any amounts due and payable to Kenergy under the Tax Indemnity Agreement	
4.6.2 Costs charged to Kenergy under the APA, including any tax liability of Big Rivers resulting from Surplus Sales.	\$ 5,452.53
4.6.3 Costs arising under Section 10.2 relating to compliance with Applicable Laws relating to the environment.	
4.6.4 Costs arising under Section 10.3 relating to compliance with Hedging Arrangements.	
4.6.5 Internal and direct costs incurred in serving Century, including Costs associated with fees of KSPC, Costs of Kenergy's compliance with Section 14.2, Costs associated with any Person other than Big Rivers, including including Kenergy, serving as Market Participant, including charges by the RTO to establish or maintain Hawesville Node if Kenergy is the Market Participant.	\$ 23,825.08
4.6.6 Costs arising under Section 3.1.3 relating to the appointment of a new Market Participant.	
4.6.7 Charges for any other services required to be purchased by Kenergy to serve Century.	
4.6.8 Costs associated with the Hawesville Node exiting an RTO or ISO in connection with an election made by Big Rivers or Kenergy pursuant to Section 3.5.2	
4.6.9 The Excess Energy Rate multiplied by the amount of Energy in excess of 492MW in any Hour.	
4.6.10 Any amounts charged to Kenergy by a Market Participant under a Market Agreement.	
4.6.11 Other out-of-pocket Costs payable to Kenergy to another Person that are incurred or committed to by Kenergy in connection with or arising out of the Transaction, including (a) Indemnified Liabilities, (b) any security necessary to be provided to any Person (including the RTO or ISO of which the Market Participant is a member or a Bilateral Counterparty) arising out of the Transaction, and (c) the costs to pursue any approval or consent under Section 7.2.2; provided, the Costs referenced on Exhibit B shall be allocated as	\$ 149,021.70

provided therein.

4.7 **Taxes.** No state or local sales, excise, gross receipts or other taxes are included in the charges and credits set forth in this Article 4. Century shall pay or cause to be paid any such taxes that are now or hereafter become applicable to the sale of Electric Services to Century under this Agreement.

4.8 **No Duplication.** Subject to the provisions of Section 5.4, the Monthly Charge shall not include any item that would result in a duplicative payment for a particular charge if Kenergy would not be liable for the duplicative amount.

Applicable Section of Agreement

4.1	Direct Payment Obligations	
	4.1(a) SSR Cost if SSR Agreement not FERC approved, and hence not on MISO Settlement Statements	\$ 1,663,676.42
	4.1(a)(i) BREC.CENTURY RT_MISC charge for SSR Cost from BR_CENTAO Settlement Statements	
	4.1(a)(i) BREC.BREC RT_MISC charge for SSR Cost from BR_CENTAO Settlement Statements	
	4.1(a)(i) SSR Costs unreimbursed by MISO (i.e. RT unit trip/derate)	
	4.1(a)(i) SSR Costs unreimbursed by MISO (i.e. actual > SSR contract/budget amounts)	
	4.1(a)(ii)(1) Credit for BREC Transmission Revenue attributable to AREF #NL1314	\$ (866,596.39)
	4.1(a)(ii)(2) need logic to limit credit per this contract section	
	4.1(a)(iv) Credit for SSR costs later recovered due to delayed FERC approval	
	Total Expenses Quarter Ended September 30, 2013	\$ 17,037,308.10
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4.5	Retail Fee (ESA only)	\$ 25,494.75
	Total Revenue Quarter Ended September 30, 2013	\$ 17,062,802.85

Note(s): 1.- This initial quarterly report is for the period from August 20, 2013 through and including September 30, 2013.