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Via Overnight Mail

December 20, 2013

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

Re: **Case No. 2013-00413**

Dear Mr. Derouen:

Please find enclosed the original and ten (10) copies of the DIRECT TESTIMONY AND EXHIBITS OF LANE KOLLEN on behalf of KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. for filing in the above-referenced matter.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place these documents of file.

Very Truly Yours,

Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service
Quang Nyugen, Esq.
Richard Raff, Esq.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by electronic mail (when available) and by regular, U.S. mail, unless other noted, this 20th day of December, 2013 to the following:

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

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

DIRECT TESTIMONY AND EXHIBITS OF LANE KOLLEN

ON BEHALF OF THE

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

DECEMBER 2013

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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. 2013-00413

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DIRECT TESTIMONY OF LANE KOLLEN

I. QUALIFICATIONS AND SUMMARY

A. Qualifications

Q. Please state your name and business address.

A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

Q. What is your occupation and by whom are you employed?

A. I am a utility rate and planning consultant holding the position of Vice President and Principal with the firm of Kennedy and Associates.

Q. Please describe your education and professional experience.

A. I earned a Bachelor of Business Administration degree in accounting and a Master of Business Administration degree from the University of Toledo. I also earned a Master of Arts degree in theology from Luther Rice University. I am a Certified Public Accountant ("CPA"), with a practicing license, a Certified Management Accountant ("CMA"), and a Chartered Global Management Accountant ("CGMA"). I am a member of several professional organizations.

I have been an active participant in the utility industry for more than thirty years, initially as an employee of The Toledo Edison Company from 1976 to 1983 and thereafter as a consultant in the industry since 1983. I have testified as an expert witness on planning, ratemaking, accounting, finance, restructuring, deregulation, market, and tax issues in proceedings before federal and state regulatory commissions and courts on hundreds of occasions.

I have testified before the Kentucky Public Service Commission ("Commission") on dozens of occasions, including numerous cases involving Big Rivers Electric Corporation since 1986 and the complex interrelationships among the Company's creditors, the owners of the Hawesville and Sebree Smelters, and the Company's other Rural and Large Industrial customers. I was personally involved in and provided expert testimony in Case Nos. 9613 and 9885, in which I testified on behalf of the Attorney General regarding the Workout Plan in 1986 and 1987, respectively; Case No. 10217, in which I testified on behalf of Alcan Aluminum and National Southwire regarding the Workout Plan in 1988; Case No. 92-490 on behalf of the Kentucky Industrial Utility Customers, Inc. ("KIUC") and the Attorney General regarding fuel costs; Case No. 96-327 on behalf of KIUC regarding environmental costs; Case No. 97-204 on behalf of Alcan and Southwire regarding Restructuring; Case No. 2009-00040 on behalf of KIUC regarding emergency rate relief and cash requirements; Case No. 2011-00036 on behalf of KIUC regarding a base rate increase; Case No. 2012-00063 on behalf of KIUC regarding environmental retrofits; Case No. 2012-00535 on behalf of KIUC regarding the rate increase caused by the Century Hawesville Smelter ("Hawesville Smelter") Notice of Termination; Case No. 2013-00221 on behalf of KIUC regarding the Hawesville electric service agreements providing that Smelter access to market power; and Case No. 2013-00199 on behalf of KIUC regarding the rate increase caused by the Century Sebree Smelter ("Sebree Smelter") Notice of Termination.

I also have testified before the Commission on numerous occasions on behalf of KIUC in other base rate cases, environmental rate cases, and fuel adjustment cases involving Kentucky Power Company, Louisville Gas and Electric Company, Kentucky Utilities Company, and East Kentucky Power Cooperative. My qualifications and regulatory appearances are further detailed in my Exhibit___ (LK-1).

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Kentucky Industrial Utility Customers, Inc., a group of large industrial customers taking electric service from Big Rivers Electric Corporation ("Big Rivers" or "BREC") and Kenergy Corp. ("Kenergy"). The members of KIUC participating in this case are Aleris International, Inc., Domtar Paper Co., LLC, and Kimberly Clark Corporation. They are the three largest customers served by Big Rivers and are included in the Large Industrial class.

B. Purpose And Summary Of Testimony

Q. Please describe the purpose of your testimony and summarize your conclusions and recommendations.

A. The purpose of my testimony is to respond to the request by BREC and Kenergy Corp. ("Kenergy") (together, the "Companies") for approval of the electric service arrangements ("agreements") between and among BREC, Kenergy, Century Aluminum Company ("Century parent"), and Century Aluminum Sebree LLC ("Century Sebree"); an alternate service agreement; and a declaratory order; all on an expedited schedule. The Sebree Smelter is the single largest customer presently taking electric service from Big Rivers. The new agreements constitute the "rate" that the Sebree Smelter will be charged for electric service.

The Commission must determine whether the rate is fair, just, and reasonable and whether it provides an unreasonable preference or advantage to the Sebree Smelter and/or an unreasonable prejudice or disadvantage to other non-Smelter customers in accordance with the requirements of KRS 278.030 and the prohibitions set forth in KRS 278.170.

The new rate agreements will allow the Sebree Smelter on January 31, 2014 to bypass the cost-based generating service presently provided by BREC using its generating resources and instead acquire electric service through purchases at lower market prices through the MISO markets and/or through other bilateral agreements. The new rate agreements will allow the Sebree Smelter preferential access to the market in order to reduce the cost of its electric service and to do so without paying a market access charge to Big Rivers for the costs that were incurred to provide it service, but which cannot now be avoided.

The circumstances resulting in the Sebree Smelter seeking market access are far different than the circumstances of the Hawesville Smelter. The Commission should consider the unique circumstances of the Sebree Smelter to determine the appropriate rate in this proceeding. The Commission's decision to provide the Hawesville Smelter a 30% ($60 million per year) rate reduction through market pricing was necessary to avoid an immediate shutdown. Even with such a huge rate reduction, the Hawesville smelter went from losing $5 million per month to merely break even.

The same is not true for the much more efficient and profitable Sebree Smelter. The Sebree Smelter made $29 million in plant profit in 2012 at its cost-based rate of $48.68/mWh. The plant profit will increase by an additional $39 million if it receives a rate reduction due to market access and prices. The most recent Big Rivers estimate of the market-based rate for the Sebree Smelter is approximately $37/mWh. Alcan repeatedly represented to Big Rivers and Kenergy that the Sebree smelter was sustainable for the long-term at a rate of $43/mWh. The market access charge that I propose will result in an effective rate to Sebree of $43/mWh. The difference between market pricing and $43/mWh would yield nearly $21 million annually. This amount would be an important component of a comprehensive and balanced solution to address Big Rivers' problems of excess capacity and financial integrity, while also addressing the effects on the non-Smelter customers. This proposal still will provide the profitable Sebree smelter a rate reduction, just not as large a reduction as the Companies request in this proceeding.

C. The Sebree Smelter Made $29 Million In Profits In 2012 At Its Cost-Based Pricing Of $48.68/mWh And Its Annual Profits Would Increase By An Additional $39 Million With A Rate Reduction From Market Pricing. The Very Efficient And Profitable Sebree Smelter Does Not Require The Same Concessions That Were Provided To Keep The Hawesville Smelter Open And Retain Its Jobs. The Hawesville Smelter Needed A Significant Rate Reduction From Market Pricing Just To Go From Losing Five Million Dollars Per Month To Break Even

Q. Should the Commission consider the unique circumstances of the Sebree Smelter rather than simply adopt essentially the same agreements that it adopted for the Hawesville Smelter in Case No. 2013-00221?

A. Yes. The Sebree Smelter provided its Notice of Termination on January 31, 2013, citing its inability to economically continue smelting operations at projected cost-based rate of approximately $60/mWh. This $60/mWh rate reflected Sebree's share of the August 20, 2013 rate increase caused by the Hawesville Smelter Notice of Termination. However, the Sebree Smelter has no inherent right to market access or to bypass the Big Rivers generating resources and the related costs. Thus, the Commission must consider the unique circumstances of the Sebree Smelter to determine the right balance between allowing access to lower-cost market power and the consequences that will be imposed on the non-Smelter customers.

Q. Are the circumstances of the Sebree Smelter far different than the Hawesville Smelter?

A. Yes. Thus, the Sebree Smelter new rate agreements should be considered on their own merit and should not be adopted simply because they were patterned after the Hawesville Smelter agreements. The facts in Case No. 2013-00221 for the Hawesville Smelter agreements do not apply in the same manner to the Sebree Smelter.

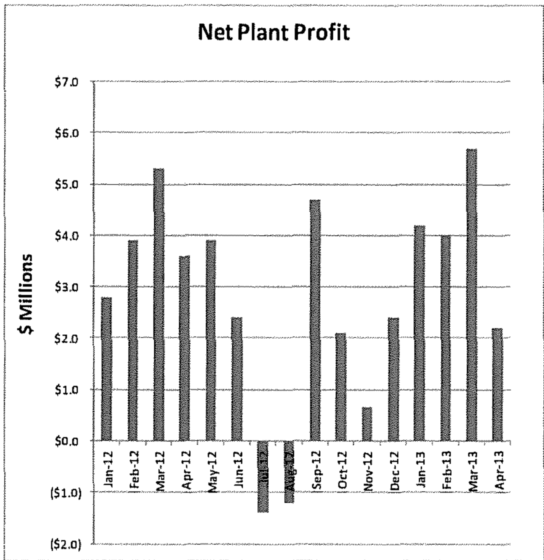
The Commission should be careful that it does not rely on facts uniquely relevant to the Hawesville Smelter as the basis to authorize an excessive reduction in the Sebree Smelter rate and an unnecessary transfer of cost responsibility from the Sebree Smelter to the remaining non-Smelter customers. The Commission should be careful that it does not improperly enrich the Sebree Smelter while impoverishing the remaining non-Smelter customers.

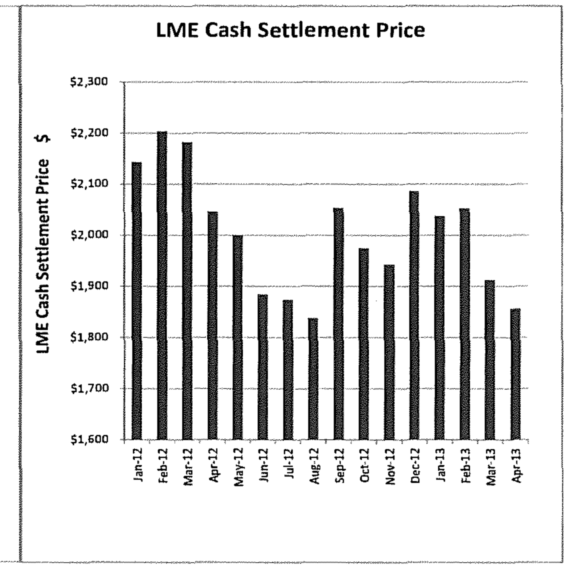
The Sebree Smelter is profitable, operates more efficiently, and has a lower financial breakeven point than the Hawesville Smelter. The Sebree Smelter does not require the same concessions that were authorized for the Hawesville Smelter. The Sebree Smelter can continue to operate for the long-term if the Commission includes a reasonable market access charge.

Q. How profitable is the Sebree Smelter?

A. The Sebree Smelter made $29 million in profit in 2012 at an average cost-based rate of $48.68/mWh and an average London Metal Exchange ("LME") price of $2,019 per tonne. The Sebree smelter made $30 million in profit in the 12 months ending April 2013 based on a lower average LME price of $1,959 per tonne and an average cost-based rate of approximately $49/mWh. The greater profitability at a lower LME and approximately the same rate demonstrates that the Sebree Smelter continued to reduce its financial breakeven point as it continued to improve efficiencies and continued to invest capital.

The following graphs show the Sebree Smelter net plant profit compared to the LME cash settlement price for the months January 2012 through April 2013 at the average cost-based rate of $48.68 and without the effects of the most recent rate increase on August 20, 2013.





I obtained the Sebree Smelter profitability data from the Companies' response to KIUC 1-12(b), in which they provided copies of the Sebree Smelter's monthly plant newsletters dated December 2012 and May 2013. The Smelter's monthly plant profit for 2012 is shown on page 7 of the response and the monthly plant profit for the first four months of 2013 is shown on page 16 of the response. I've attached a copy of the response to KIUC 1-12(b) as my Exhibit___(LK-2).

The Sebree Smelter's financial results were "sweet," according to the headline in the May 2013 newsletter, which generally resulted in employee bonuses well in excess of the 100% targets for each department. Employee bonuses for the first four months of 2013 ranged from $590 to $1,410. These bonuses were possible because the Sebree Smelter was profitable. However, this is the opposite of the situation at Hawesville where that Smelter was losing $5 million per month and struggling to survive. The basic question facing the Commission now is whether giving the Sebree Smelter a rate reduction so that its profit increases from good to great, with the non-Smelter customers picking up the tab, is fair, just and reasonable and not unduly preferential.

Q. Will the transition of the Sebree Smelter from Big Rivers' generation and related costs to the market increase its profitability?

A. Yes. The reduction in the Sebree Smelter's cost of power will significantly increase its profitability. The Sebree Smelter presently pays $59.4/mWh after the increase granted in Case No. 2012-00535. A reduction to a market rate of $36.58/mWh, based on Big Rivers' most recent projection of market prices provided to Alcan earlier this year, will increase the Sebree Smelter's profitability by approximately $74 million annually, all else equal. Going from $48.68/mWh (Sebree's pre-August 20, 2013 rate) to a market rate of $36.58/mWh would increase Sebree's profitability by approximately $39 million, all else equal.

Q. How much will it cost the remaining non-Smelter customers to fund this increase in the Sebree Smelter's profitability?

A. It will cost the remaining non-Smelter customers $70.4 million annually to allow the Sebree Smelter to acquire its power at market-based pricing through Kenergy, based on the pending request by Big Rivers to increase base rates in Case No. 2013-00199. In that rate case proceeding, Big Rivers attributes the entirety of its request to the

Sebree Smelter termination. The request seeks to recover the fixed costs that Big Rivers incurred to serve the Sebree Smelter and that it still will incur even though the Sebree Smelter no longer will obtain its power from the Big Rivers generating resources. These fixed costs cannot be avoided, at least in the short-term, and will be "stranded" when the new rate agreements are implemented.

Q. If the Sebree Smelter was profitable at a rate of $48.68/mWh, then why did RTA provide its Notice of Termination on January 31, 2013?

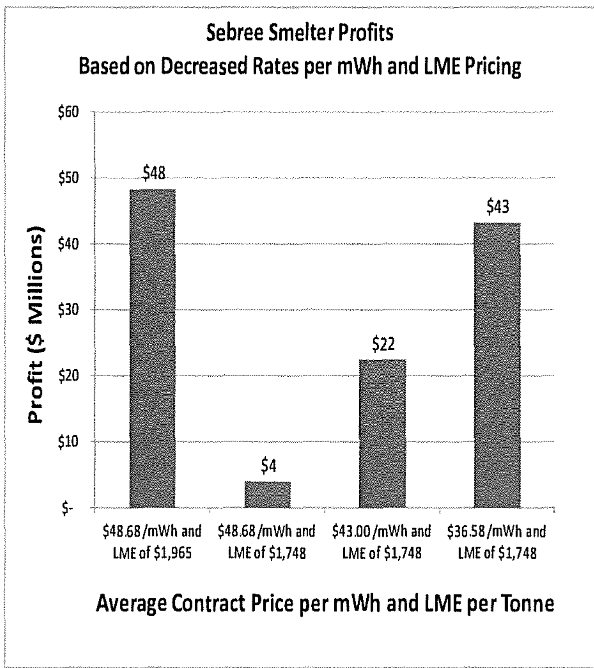
A. The Sebree Smelter faced increases in its rate from $48.68/mWh to approximately $60.0/mWh. The projected increase in its rate was due primarily to the pending rate increase in Case No. 2102-00535 wherein Big Rivers sought to recover the stranded fixed costs caused by the Hawesville Smelter termination.[1] Alcan cited the projected increase in its rate as the reason for its termination.

Q. How sensitive is the Sebree Smelter profitability to lower LME prices?

A. The following chart portrays my estimates of profitability for the Sebree Smelter based on various combinations of rates and LME prices. The "Sebree Solution" of $43/mWh discussed below is the price Alcan offered on to pay to ensure Sebree's long term viability. Alcan offered the "Sebree Solution" price of $43/mWh to Big Rivers and Kenergy on November 8, 2012, which I subsequently discuss in greater

[1] See Case No. 2012-00535, Direct Testimony of Lane Kollen, Exhibit_LK-2.

detail. The first bar represents the Smelter's annual profit using the actual rate in effect and the average LME price for the first four months of 2013. The second bar represents the Smelter's annual profit at the actual rate in effect for the first four months of 2013 and the lowest daily LME price that has occurred so far in 2013. The third bar represents the Smelter's annual profit at the $43/mWh offered by Alcan as the "Sebree Solution" rate and the lowest daily LME price during 2013. The fourth bar represents the Smelter's annual profit at the estimated market price and the lowest daily LME price during 2013.



Thus, even at lower LME prices, the Smelter still remains profitable and becomes even more profitable as the rate is reduced, first to the "Sebree Solution" offer rate, and then to the estimated market rate.

Q. According to Big Rivers, the underlying foundation for its negotiations with Century was to ensure that no additional costs were experienced by its customers as a result of this transaction. Is this a sufficient foundation?

A. No. With all due respect to Big Rivers, this was not the right foundation for its negotiations regarding the Sebree Smelter rate. While this "foundation" may appear laudable on the surface, it ignored, and thus missed, the critical opportunity to eliminate or at least reduce the stranded costs imposed on the non-Smelter customers. In so doing, Big Rivers failed to strike the right balance between the Sebree Smelter's continued viability and the rates of the remaining non-Smelter customers. This task now falls to the Commission.

Q. Did Big Rivers or Kenergy ever perform any financial analysis of the Sebree Smelter to determine the validity of the Smelter's claim for rate relief or market access?

A. No. "Neither Big Rivers nor Kenergy performed any financial analysis of whether a market-based power supply was necessary to keep the Sebree smelter in operation . . . The only financial information Big Rivers has regarding the profitability of the Alcan smelter comes from monthly plant newsletters," according to the Companies' response to KIUC 1-12(b).

Q. Why is it significant that neither Big Rivers nor Kenergy ever performed any financial analysis of the need to provide the Sebree Smelter market access?

A. It is significant because the Companies have provided no quantitative support whatsoever for the severe reduction in the Sebree Smelter rate they propose in this proceeding. The Companies provided no evidence that the proposed rate is fair, just and reasonable pursuant to the requirements of KRS 278.030. They provided no evidence that the proposed rate does not provide an "unreasonable preference or advantage" to the Sebree Smelter or an "unreasonable prejudice or disadvantage" to the non-Smelter customers, neither of which is permitted pursuant to KRS 278.170.

The evidence that I present demonstrates that the reduction from the present rate to the proposed rate is excessive and that a reduction of the magnitude the Companies propose is unnecessary in order to maintain the profitability and economic viability of the Sebree Smelter. The Commission should use the financial information that is available to ensure that it achieves the right balance and allocation of stranded fixed costs between the Sebree Smelter and the remaining non-Smelter customers rather than simply allocating the entirety of the stranded costs to the non-Smelter customers. My recommendations will enhance the financial stability of Big Rivers and lessen the likelihood that it will have to reorganize under the bankruptcy laws.

Q. In contrast to the Sebree Smelter, was the Hawesville Smelter profitable when the Commission issued its Order in Case No. 2013-00221?

A. No. Unlike the Sebree Smelter, the Hawesville Smelter was losing $5 million per month. The Hawesville smelter was not profitable at $48.68/mWh, the average Smelter rate prior to the Hawesville termination in August 2013, according to the testimony of Sean Byrne, the plant manager, filed in Case No. 2013-00221 on July 19, 2013. Mr. Byrne estimated that bypassing the Big Rivers generating resources and purchasing in the market could reduce the Hawesville Smelter's rate by approximately 30%. A 30% reduction would be equivalent to a rate of approximately $34/mWh and would result in annual savings to the Hawesville Smelter of approximately $60 million compared to the $48.68/mWh rate. In its post-hearing brief, Century represented that even with this reduction in the rate, the Hawesville Smelter would barely breakeven.]

D. There Are Other Significant Differences Compared To The Hawesville Agreements

Q. Are there other significant differences compared to the Hawesville agreements that distinguish the two transactions?

A. Yes. Big Rivers provided a list of 15 "principal substantive differences" between the two transactions and the related agreements in response to AG 1-5. These 15 differences include changes in the Kenergy tariff, Direct Agreement, and

Arrangement Agreement to explicitly recognize that Big Rivers has no obligation to supply the Smelter from its resources; the equipment necessary to access market power; the reimbursement of Big Rivers' costs; the obligation to purchase zonal resource credits; and the amounts that may be recovered or returned to the Smelter due to the operation of an SSR; among others. I have included a copy of the Big Rivers' response to AG 1-5 as my Exhibit___(LK-3).

E. The Commission Should Adopt A Market Access Charge As One Component Of A Fair, Just and Reasonable Rate And As Part Of A Comprehensive Financial Solution In Which All Stakeholders Participate To Keep Big Rivers Solvent

Q. Given the far different circumstances for the Sebree Smelter compared to the Hawesville Smelter, what are your recommendations?

A. I recommend that the Commission modify the rate to include a market access charge. The market access charge would be imposed on the Sebree Smelter, collected by Kenergy as a component of the distribution rate, and then remitted to Big Rivers. This approach is similar to that adopted by other states to provide the incumbent utility recovery of its stranded fixed costs when customers were allowed to access market power and bypass the utility's generating resources.

As filed, the agreements will result in an "unreasonable preference or advantage" to the Sebree Smelter and an "unreasonable prejudice or disadvantage" to the remaining non-Smelter customers, both of which are prohibited by KRS 278.170.

As proposed, the agreements allow the single largest customer on the Big Rivers' system to preferentially access lower priced market power. None of the non-Smelter customers are able to access lower priced market power. The agreements economically prejudice the other non-Smelter customers by requiring them to pay the stranded costs that were incurred by Big Rivers to serve that one customer and that now cannot be avoided. The agreements will result in a massive and excessive rate reduction for only that one customer, but will result in massive rate increases to the remaining non-Smelter customers, who did not cause or strand the costs that were incurred to serve the Sebree Smelter and who will be forced to subsidize the Smelter's preferential access to the lower-cost market power.

In this proceeding, the Commission will set the Sebree Smelter rate prospectively so that it is implemented at the same time as the other provisions of the agreements. The imposition of a market access charge would not rewrite the *prior* Smelter contract with Big Rivers that will terminate on January 31, 2014; rather, a market access charge is an essential component of the rate going forward under the *new* rate agreements that are at issue in this proceeding.

I recommend that the additional revenue from the Sebree Smelter be credited to the remaining non-Smelter customers through the Economic Reserve. Alternatively, the Commission should reduce the revenue requirement in Case No. 2013-00199. The two different approaches should yield approximately the same results; however, there will be a delay of several months under the approach where the Economic Reserve is credited and extended until the customers actually receive the benefit of the revenues.

In addition, I recommend that the Commission explicitly retain authority over the electric service arrangements and, more specifically, the rate, as it did for the Hawesville Smelter electric service arrangements in Case No. 2013-00221.

I also recommend that the Commission adopt the same reporting requirements for the Sebree Smelter that it adopted for the Hawesville Smelter in Case No. 2013-00221, except that all parties to this case should be served with copies.

Q. What market access charge rate do you recommend?

A. I recommend that the stranded cost or market access charge be calculated as the monthly difference between the market-based rate and $43/mWh. This would set the Sebree rate at a minimum of $43/mWh. This is the rate presented by Alcan as the "Sebree Solution" to ensure Sebree's long term viability. Because the market access charge would change monthly, its volatility would not lend itself to a base rate reduction. Instead, it should be handled as a formula rate similar to the fuel adjustment clause or environmental surcharge. The monthly revenue stream from the market access charge would be transferred from Kenergy to Big Rivers to lower the rates of all non-smelter ratepayers. The Commission could extend the life of the Economic Reserve and the MRSM tariff to provide monthly credits on all non-

Smelter customer bills.

Q. Please provide a further description of the $43/mWh that you recommend for the Sebree Smelter rate.

A. Alcan developed this rate based on its assessment of the cost for Big Rivers to serve the Sebree Smelter, excluding any share of the excess capacity and related stranded costs caused by the Hawesville Smelter termination, and offered it to Big Rivers as a viable long-term "solution" prior to providing its Notice of Termination. Big Rivers provided a copy of an Alcan presentation dated November 8, 2012 and correspondence between the parties that address the $43/mWh rate in response to KIUC 1-12(a), a copy of which I have attached as my Exhibit___(LK-4).

In offering its "Sebree Solution" and the $43/mWh rate, Alcan cited certain competitive advantages it had that were not available to other smelters and that enabled it to pay more than the global smelter average electric rate. These advantages include:

- Location in the U.S. Midwest, access to the Midwest premium
- First-quartile operating cost, excluding electricity
- Lower capital costs compared to new facilities
- Skilled and committed employees
- Value added aluminum

It should be noted that the Sebree Smelter is one of the most efficient smelters in the world on operating (non-energy) cost and that, prior to the Century acquisition of the Smelter, Alcan invested over $100 million in the smelter over the preceding five years and planned to invest another $70 million in the next five years. This information was provided by Alcan in a presentation during the negotiations with Big Rivers and was included in the Companies' response to KIUC 1-12(a).

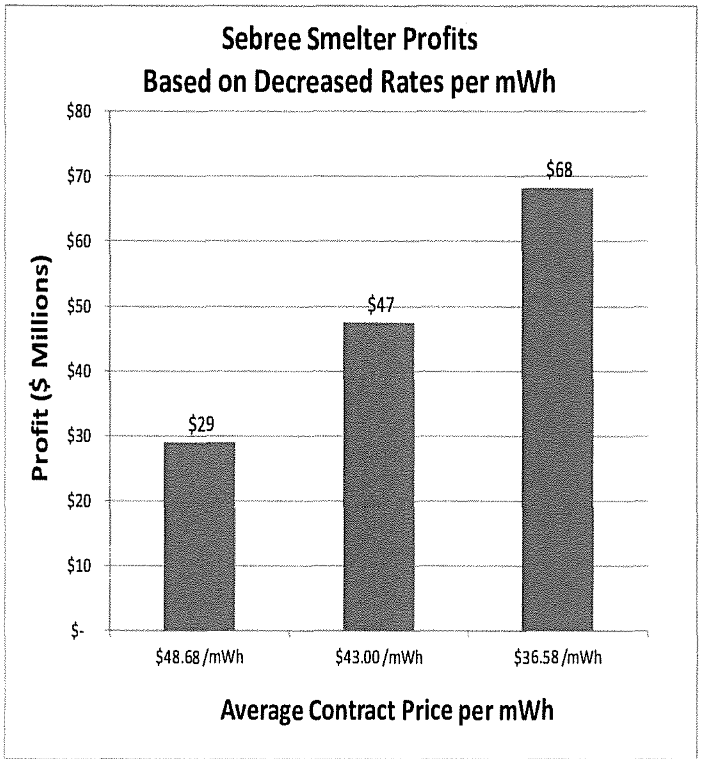
At the time when Alcan developed this proposal in November 2012, its all-in rate was nearly $49/mWh. In calendar year 2012, the Sebree smelter earned profits of $29 million while paying a power rate of $49/mwh.

Q. Will the transition to the market and lower prices further increase the Sebree Smelter's profitability?

A. Yes. Market prices presently are significantly below the $43/mWh offer from Alcan that Big Rivers rejected. Big Rivers estimated that the market price would be $36.58 2014 in its most recent projection provided to Alcan earlier this year. Big Rivers provided these estimates in response to KIUC 1-16(c), a copy of which I have attached as my Exhibit___(LK-5). A reduction from $48.68/mWh rate in effect prior to the Century increase to $36.58/mWh will increase the Smelter's profitability by $39 million.

The following chart graphically portray the Sebree Smelter profitability at nearly $49/mWh, at the $43/mWh offered by Alcan, and at the estimated

$36.58/mWh market price for the next several years based on the information that we presently have available.



Q. Are there other factors that should be considered regarding the Sebree Smelter's profitability?

A. Yes. The preceding chart showed that the Sebree Smelter profitability actually increased even though the LME prices trended downward in 2013. That is to be expected. Alcan continually invested in the Sebree Smelter to reduce its economic breakeven by improving efficiencies and increasing its output, according to testimony filed by Mr. Stephane LeBlanc, the former Sebree Smelter plant manager, in Case No. 2011-00036. In that case, Mr. LeBlanc testified that Alcan was able to systematically reduce costs at the plant and that Alcan planned to spend "$16 million on equipment upgrades that would generate more production with same fixed cost which increases plant's viability" and that this was "in addition to further working to reduce our operating cost."

Another factor that the Commission should consider is that Century acquired the Sebree Smelter in June 2013 at a bargain price (below the net book value) and recognized a pretax gain on the transaction of more than $5 million, according to the Century 10-Q for the quarter ending June 30, 2013. I have attached a copy of the relevant pages from the Century 10-Q as my Exhibit___(LK-6). Kenergy reported to its Board of Directors that the purchase was at a "ridiculously low price" and "well below the $211M offer that Alcan had received previously." The Sebree Smelter was profitable before Century acquired it and with a reduction in fixed costs due to the change in ownership, it will be even more profitable in the future.

The Commission does not need to and should not force the non-Smelter customers to subsidize the Sebree Smelter any more than is absolutely necessary. The Sebree Smelter already is profitable and it is not in imminent danger of shut down for economic reasons. This is in stark contrast to the Hawesville smelter which needed a 30% rate reduction just to break even and avoid an immediate shutdown.

II. THE SEBREE SMELTER TRANSITION TO MARKET WILL CAUSE EXCESS CAPACITY AND STRAND THE COSTS THAT WERE INCURRED TO SERVE ITS LOAD AND CANNOT NOW BE AVOIDED

A. The Big Rivers Generating Resources Were Constructed, Acquired, And Financed To Serve The Smelters

Q. Please provide a historical perspective for these massive rate increases caused by the Smelters' decisions to terminate their contracts, abandon the Big Rivers cost-based supply resources, and seek access to market-priced power.

A. There is a lengthy history between Big Rivers and the Smelters whereby the Smelters have aggressively sought to minimize their cost of power through various transactions and pricing mechanisms, and more specifically, by shifting back and forth between cost-based generation service from Big Rivers and market access and/or bilateral agreements with other parties.

Prior to 1998, the Smelters were all-requirements customers of Big Rivers and subject to regulated rates based on the costs incurred by Big Rivers. Big Rivers built and financed its generating and transmission systems to meet the needs of the Smelters, which together comprised between 70% and 80% of the Big Rivers load.

Big Rivers built and financed the Reid-Green Station Two plant complex in close proximity to the Sebree Smelter primarily to serve the Sebree Smelter load. Big Rivers built and financed the Coleman plant in close proximity to the Hawesville Smelter primarily to serve the Hawesville Smelter load. Big Rivers financed the generating plants on the basis of long-term contracts entered into by the owners of the Smelters and the predecessor distribution cooperatives serving the Smelters at retail (now Kenergy). I have attached a copy of the transcript from Case No. 2007-00455 (the Unwind Transaction proceeding, which I subsequently discuss in greater detail) wherein this history is recounted by Mr. William Blackburn, a former Vice President and long-time employee of Big Rivers, as my Exhibit___(LK-7).

In the 1980s, Big Rivers built and financed the Wilson plant in part to serve a projected increase in the Hawesville Smelter load, although the Hawesville Smelter actually did not increase its load at that time.

The construction of the Wilson plant resulted in significant excess generating capacity and the related costs. The construction of the Wilson plant also resulted in excessive fuel costs due to fraudulent contracts. These mostly self-imposed circumstances caused the Company severe financial distress and subsequently led to a default on its debt. In response to these circumstances, the Commission oversaw a "workout" process in the late 1980s that resulted in an increase in rates, creditor concessions, and the adoption of variable rates for the Smelters tied in part to the LME price of aluminum. The Big Rivers "workout plan" relied heavily on sales by Big Rivers of its excess capacity into the market at prices greater than its variable costs to generate.

When market prices subsequently plummeted in the late 1990s, the Company's market sales margins also plummeted and it was forced to file for bankruptcy so that it could restructure its operations and its debt and rescind the fraudulent coal contracts. Under the oversight of the Bankruptcy Court, the Company entered into a series of transactions and agreements with its creditors and other parties that fundamentally transformed the structure and operation of the Company, including its relationships with the Smelters and its obligation to serve the Smelter loads, and restructured its debt.

Under the Reorganization Plan approved by the Bankruptcy Court and the transaction documents approved by the Commission in Case Nos. 97-204 and 98-267, Big Rivers restructured and downsized its operations and its obligations. The Company entered into an agreement to lease its power plants to Western Kentucky Energy Corp. ("WKEC"), an affiliate of LG&E Energy Corp., for a 25 year term. WKEC also assumed the operation and maintenance of the Company's generating plants. This restructuring allowed the Company to reduce its scope of operations, reduce staffing, and reduce its expenses. The Company used the lease income from WKEC to cover the debt service costs incurred to finance the generating plants.

Pursuant to these agreements, Big Rivers also successfully shed the Smelter loads and its obligation to serve the Smelters. The agreements specified that LG&E Energy Marketing, Inc. ("LEM"), an affiliate of WKEC, "will supply directly to Henderson Union and Green River the wholesale power needed to serve Alcan [Sebree Smelter] and Southwire [Hawesville Smelter] *with LEM assuming all the risks for the Smelter loads,"* according to the Commission's Order in Case No. 97-204 at 9. (emphasis added).

To meet its non-Smelter load requirements, Big Rivers then entered into a power purchase agreement with LEM for the same 25 year term as the lease. Although the Big Rivers agreement with LEM did not terminate until 2023, the Hawesville Smelter agreement terminated in 2010 and the Sebree Smelter Agreement terminated in 2011. The Smelter termination dates ultimately contributed to the Unwind Transaction, which led to the most recent circumstances, including the requests in this proceeding.

The 1998 bankruptcy reorganization was extremely beneficial. It allowed the Company to downsize, reduce its cost structure, reduce the operating risk and cost exposure from operating and maintaining its generating plants, shed the uncertainty and risk of any load obligation to the Smelters, and eliminate the excess capacity that previously existed by matching its supply to its non-Smelter load requirements. In its Order in Case No. 97-204, the Commission stated that "Once the necessary approvals for the Reorganization Plan have been secured, *Big Rivers will be out of the generating business while retaining its wholesale supply, transmission, and planning functions.*" (emphasis added). The Commission's Order in Case No. 97-204 provides a more detailed description of the Company's troubled history and the 1998 reorganization at pages 1-11.

This arrangement continued until 2009 when the Unwind Transaction was consummated, primarily to resolve the scheduled termination of the Smelter agreements with LEM and to address LEM's desire to prematurely terminate the power purchase agreement with Big Rivers. At that time, the Smelters faced market prices significantly greater than the LEM contract prices and significantly greater than the rates/contract prices they could achieve if they again were served by Big Rivers at cost-based rates. More specifically, the Smelters paid LEM a fixed rate of \$25/mWh for approximately 70% of their requirements and an average rate of \$50 to \$60/mWh for market purchases to meet their remaining requirements. This resulted in a blended cost to the Smelters of \$35/mWh, according to the Commission's Order in Case No. 2007-00455 at 14. In other words, the Smelters faced market prices of \$50 to \$60/mWh for all of their requirements after their agreements with LEM terminated in 2010 and 2011. The Smelters claimed that they would be forced to shut down if the Unwind Transaction was not approved because they could not economically operate the Smelters at market prices.

Consequently, the agreements between Big Rivers, WKEC, and LEM were terminated early, including the lease agreement, and Big Rivers re-entered the generating business so that it could serve the Smelters, among other reasons. Big Rivers commenced operating and maintaining its power plants and again assumed the risk and obligation to supply the Smelter loads. Big Rivers entered into new agreements with each of the Smelters to supply their loads at rates/contract prices that were cost-based and that could be adjusted as the Company's costs increased or otherwise changed. Big Rivers and the Smelters also received cash payments from LEM in conjunction with the Unwind Transaction. The amounts received by Big

Rivers were used to restructure its debt, establish cash reserves, and to establish the Economic Reserve ("ER") fund and the Rural Economic Reserve ("RER") fund. The ER and RER were established to buy down future non-Smelter customer rate increases due to projected increases in fuel and environmental costs. However, the Smelters agreed to assume the risk and pay for increases in Big Rivers' fuel and environmental costs under cost-based rates in exchange for the cash payments received upfront from LEM. The Commission's Order in Case No. 2007-00455 provides a more detailed description of the Unwind Transaction and the circumstances that led to that transaction at pages 1-23.

Q. Did the new agreements pursuant to the Unwind Transaction provide the Smelters with an option to terminate if market prices subsequently were less than Big Rivers' cost-based rates or to avoid cost-based rate increases?

A. No. The Smelter agreements did not have a market price "opt-out" provision. The agreements did not grant either Smelter an option to bypass the Big Rivers' generating resources and cost-based rates if market prices declined below those cost-based rates. The only "out" pursuant to the agreements was if the Smelter planned to cease smelting operations and to shut down permanently. Pursuant to this provision, the Smelter was required to provide a statement, under oath, from its Chief Executive Officer, that it planned to cease smelting operations, and that it had no plans to continue or resume smelting operations in the future.

This provision was essential to protect Big Rivers and its non-Smelter customers from the risk of the Smelters subsequently bypassing Big Rivers and meeting their power requirements in whole or part through market purchases if market prices dropped below Big Rivers' cost-based rates. The purpose of the provision was to protect customers from the stranded costs and massive rate increases that bypass would cause if the fixed costs incurred to serve the Smelter load instead were allocated to the non-Smelter customers.

B. The Smelters Caused The Big Rivers Excess Capacity And Stranded Costs

Q. Did the Smelters cause the excess capacity and stranded costs on the Big Rivers system?

A. Yes. The Smelters ultimately concluded that the "out" provision in their contracts really did not require them to shut down and cease smelting operations permanently. Instead, the Smelters concluded that the "out" provision could be used to bypass the Big Rivers generation resources and obtain lower cost market prices while avoiding paying for any of the fixed costs that were incurred to serve them.

Prior to providing their respective Termination Notices, each Smelter engaged in negotiations with Big Rivers to obtain rate reductions. These negotiations were unsuccessful, even though Alcan offered to continue purchasing from Big Rivers at a lower rate of $43/mWh that still would have paid Big Rivers a portion of the fixed costs incurred to serve the Sebree Smelter.

Pursuant to those contracts, the CEOs of the parent companies of each Smelter certified that they intended to terminate and that they had no current intention to continue operations at the Smelters once they terminated service with Big Rivers. Century provided Big Rivers its Notice of Termination on August 20, 2012. The President and CEO of Century parent certified that Century had "made a business judgment in good faith to terminate and cease all aluminum smelting at the Hawesville Smelter" and certified that it had "no current intention of recommencing smelting operations at the Hawesville smelter."

Despite the representations made in its Notice, Century shortly thereafter commenced negotiations with Big Rivers on or about October 1, 2012 in an attempt to continue operating the Hawesville Smelter, bypass the Big Rivers supply resources and costs, and acquire lower cost market-priced power. After Century provided its Notice, Big Rivers filed the Century rate case on January 15, 2013, primarily to recover the "stranded" fixed costs from the remaining customers that no longer would be paid by Century. The Commission authorized a rate increase of $54.2 million in that case.

Two weeks after Big Rivers filed the Century rate case, on January 31, 2013, Alcan provided Big Rivers its Notice of Termination. The CEO of its parent company certified that it had made a business judgment in good faith to terminate and cease all aluminum smelting at the Sebree Smelter. Big Rivers filed the "Alcan" rate case on June 28, 2013, specifically and solely to recover the "stranded" fixed costs from the non-Smelter customers that no longer would be paid by the Sebree Smelter. That request for an increase of $70.4 million on the non-Smelter customers still is pending.

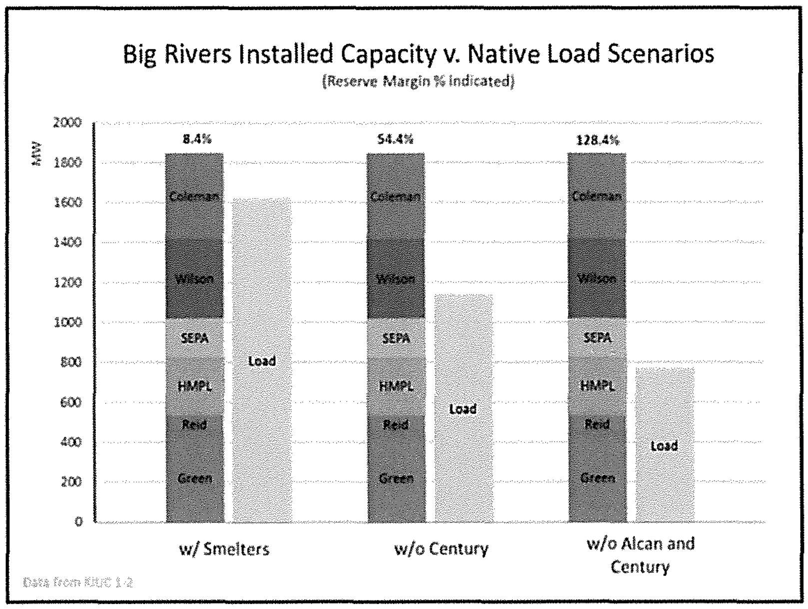
Q. Are the Smelter terminations the primary cause of the Century and pending Alcan rate increases?

A. Yes. The Rural and Large Industrial customers face massive rate increases, while the Smelters anticipate massive reductions, achieved by bypassing the Big Rivers generation resources and costs, thereby stranding the fixed costs and attempting to transfer their responsibility for those costs onto the non-Smelter customers.

Q. Why should the Commission modify the agreements so that the Sebree Smelter rate includes a stranded cost or market access charge to mitigate the imposition of stranded costs on non-Smelter customers?

A. First, Big Rivers sized its system and incurred the investments in the generating plants to serve the Smelter loads. Big Rivers reacquired its generating plants from WKEC primarily to serve the Smelters at lower cost-based rates so that they could economically continue smelting operations. In other words, the Smelters caused Big Rivers to incur the fixed costs that now cannot be avoided unless Big Rivers successfully divests the generating plants.

Second, the Smelter terminations caused the excess capacity and caused the related fixed costs to be stranded. Excess capacity is measured by the reserve margin. The Big Rivers reserve margin is the difference between the mW of capacity owned or purchased by Big Rivers and the mW of load that it is obligated to serve divided by the mW of load. The required planning reserve margin in MISO is 16.7%. After the Sebree termination, Big Rivers will have a reserve margin of 128.4%, or more than 900 mW of capacity in excess of what it requires to serve the remaining non-Smelter load. 900 mW is enough power to serve approximately 400,000 homeowners. The following graph portrays the Big Rivers reserve margin when it served both the Hawesville Smelter and the Sebree Smelter, after the termination of the Hawesville Smelter, and then after the termination of the Sebree Smelter.



The Smelters used the termination provisions of their present contracts to bypass and avoid their responsibility to contribute to the fixed costs that were incurred by Big Rivers to serve them. The Smelters did so by claiming that they had made business judgments in good faith to terminate and cease all aluminum smelting and that they had no current intention of recommencing smelting operations. Their actions have been inconsistent with these representations.

Third, there is strong precedent for the imposition of stranded cost or market access charges on customers in other states that have allowed market access, generally through deregulation of generation. In those states, the incumbent utilities were allowed to recover their stranded costs from "shopping" customers through non-bypassable distribution charges. The customers who accessed the market were not allowed to escape their obligation to pay the utility for the costs that the utility incurred to serve them and that now could not be avoided. Nor were the customers who accessed the market able to force the utility's non-shopping customers to pay the utility on their behalf. I provide a more extensive discussion of stranded costs and the obligation of the customers to pay these costs in the next section of my testimony.

Finally, a contribution toward the Big Rivers' stranded fixed costs by the Sebree Smelter in the form of a market access fee will enhance the financial stability of Big Rivers. This will lessen the chances that the utility will have to reorganize under the bankruptcy laws. Avoiding such a crisis is balanced and reasonable.

III. THE COMMISSION SHOULD INCLUDE A MARKET ACCESS CHARGE IN THE SEBREE SMELTER RATE

Q. Do you recommend that the Commission actually include a stranded cost or market access charge to mitigate the stranded fixed costs at this time?

A. Yes. The Commission should modify the new rate agreements to include a market access charge. This is essential because the agreements in this proceeding establish the rate. The revenues from such a charge then should be used to effectively reduce the revenue requirement for the non-Smelter customers in Case No. 2013-00199.

Q. Please describe how the market access charge should be calculated and applied.

A. The market access charge should be computed each month in a manner similar to the fuel adjustment clause whereby the actual market cost for the month is subtracted from the $43/mWh benchmark and then actually collected as a distribution charge by Kenergy in the second month following. Kenergy then would remit the revenues to Big Rivers. Big Rivers would recognize the revenues each month on an accrual basis in accordance with GAAP. In that manner, there will be no lag in recognizing the revenues for accounting purposes. The amount received by Big Rivers would be refunded to consumers through the operation of the Economic Reserve. The $43/mWh benchmark should be adjusted annually for inflation so that the relative position of the parties remains constant over time.

Q. Should the Commission authorize a market access charge that could be negative?

A. No. The market access charge should never be negative. The only circumstance where the computation could result in a negative rate would be if the market price is more than the \$43/mWh. If that occurs, then the market access charge would be \$0. The purpose of the market access charge is to require the Sebree Smelter to pay a portion of the stranded fixed costs that it incurred. The purpose is not to protect the Sebree Smelter from market prices greater than \$43/mWh or to provide a hedge against market price increases. A negative charge would be an additional subsidy to the Sebree Smelter by the non-Smelter customers and is inappropriate.

Q. Should the Commission view the electric service arrangements as a "take it or leave it" proposition?

A. No. The Commission is statutorily charged with setting rates at fair, just, and reasonable levels and on a non-discriminatory basis. The electric service arrangements constitute the "rate" to the Sebree Smelter. The Commission should impose its judgment on the requested rates, the same as it does in every other utility rate case that it considers.

Q. Do the electric service arrangements require Big Rivers to retain its excess capacity in order to provide the Smelters an option to return to the Big Rivers system at some time in the future?

A. No. Big Rivers is not obligated to maintain sufficient capacity to allow the Smelters to return to the Big Rivers system, according to the specific terms in several of the contracts. Consequently, Big Rivers should make every effort to mitigate its fixed costs by minimizing any operation and maintenance expense and capital expenditures at the idled power plants, including, but not limited to, retirement or sale of the units if economically justified.

IV. THE EXPERIENCE IN OTHER STATES DEMONSTRATES THE NECESSITY AND EQUITY OF A STRANDED COST OR MARKET ACCESS CHARGE

Q. Please define the term stranded costs.

A. Stranded costs are fixed costs that were incurred to provide utility service and now cannot be avoided, at least in the short-term, if customers are allowed to access market power and bypass the incumbent utility's generation resources.

These costs include the cost of utility generating plants and related infrastructure (depreciation), costs to finance the generating plants and infrastructure (interest and margin or return on equity), property taxes, insurance, ongoing and unavoidable operation and maintenance expense, and ongoing and unavoidable administrative and general expenses.

Q. Are these the same type of stranded costs that Big Rivers seeks to recover from its non-Smelter customers in the pending rate case, Case No. 2013-00199?

A. Yes. As a result of the Smelter terminations, Big Rivers plans to shut down the 420 mW of capacity at the Wilson generating plant and the 450 mW of capacity at the Coleman generating plant. In Case No. 2013-00199, Big Rivers attributed the shutdown of the Wilson generating plant and the entirety of the rate increase request to the Sebree Smelter termination. In Case No. 2012-00535, Big Rivers attributed the shutdown of the Coleman generating plant to the Hawesville Smelter termination and nearly the entirety of the rate increase request to the Hawesville Smelter termination.

Once the Sebree Smelter transitions to market-based pricing and bypasses the Big Rivers generating resources, it will be more economic for Big Rivers to shut down the Wilson plant than to continue to operate the plant and sell the output into the MISO markets. In other words, Big Rivers projects that the revenues from sales into the MISO markets will be less than the costs to continue to operate the Wilson plant even without consideration of the fixed costs. Once the Coleman plant is no longer necessary as an SSR and the Hawesville Smelter no longer pays certain of the Coleman plant costs, then it will be more economic for Big Rivers to shut down the Coleman plant.

Unfortunately, Big Rivers will not be able to avoid the fixed costs of the

Wilson and Coleman generating plants in the near-term, although it could reduce or eliminate these costs if it sold or retired the plants. Thus, the Smelter terminations stranded these fixed costs and they will remain stranded and unavoidable until the circumstances change.

Q. Who should pay these stranded fixed costs?

A. There are only three potential parties who can do so: 1) the Smelters, who caused the stranded costs to be incurred to serve them, 2) the remaining non-Smelter customers, who do not have a market access option and cannot bypass the Big Rivers generating resources and related costs, and 3) the Company's creditors.

Big Rivers itself cannot pay the stranded fixed costs, except temporarily and then only if it has available margins and cash in excess of its debt service requirements and the contractual obligations to its creditors. It is owned by the distribution cooperative members, which in turn are owned by their members and customers. Their investment in Big Rivers is represented by the members' equity and margins. Unlike the investor owned utilities, Big Rivers has no shareholders. Big Rivers also is financed by the creditors. Their investment in Big Rivers is represented by the debt outstanding.

Of the three parties that can pay the stranded costs, the obvious choice is the Smelters. Big Rivers incurred the fixed costs to serve them. The Smelters caused the excess capacity and stranded fixed costs when they terminated their contracts.

While Hawesville Smelter currently has no ability to pay, the profitable Sebree Smelter certainly does. The second most obvious choice is the creditors, all of which have some degree of control over Big Rivers and indicia of ownership. For example, the RUS exercises supervisory control over Big Rivers and must approve nearly every major management decision. The creditors are sophisticated lenders who understood the risk of the Smelter terminations and were actively involved in the Unwind Transaction, yet they elected not to require long-term contracts with the Smelters to ensure repayment. The creditors also refinanced Big Rivers' debt last year and loaned additional amounts with the full knowledge of the likely and impending Smelter terminations. They assumed the risk in exchange for added profits from increased lending. The least appropriate choice is the non-Smelter customers. Big Rivers did not incur the fixed costs to serve them. The non-Smelter customers did not cause the excess capacity or the stranded costs.

Q. What is the precedent for recovery of stranded costs in other states where customers are allowed market access?

A. Many states deregulated their generation service in the late 1990s through the early 2000s. These states include Connecticut, Texas, Ohio, Maine, New Hampshire, New Jersey, New York, and Pennsylvania. For most utilities, the transition to market access resulted in stranded generation costs, where the stranded costs generally were defined as the excess of the net present value of the cost of service, assuming recovery of the net book value of the utility's generating assets, over the net present value of the projected market revenues.

The stranded costs caused by the customers who accessed the market and no longer took generation service from the incumbent utility were charged to those customers who "shopped" in the form of a non-bypassable stranded cost distribution charge by the incumbent utility.[2]

In this case, approval of the proposed Sebree Smelter agreements would effectively deregulate electric generation service only for the Sebree smelter, allowing it to purchase electric generation service from the market even though it will do so pursuant to the agreements and will remain a retail customer of Kenergy. Accordingly, it would be not only reasonable, but also consistent with the precedent in other states if the Commission required the Sebree Smelter to pay at least a portion of the stranded costs that it caused by its decision to purchase electric service from the market and bypass the Big Rivers generation resources.

Q. Do you have any final comments?

A. Yes. The Commission should view the market access charge as one component of a comprehensive solution to the Smelter terminations and the allocation of the stranded

[2] Connecticut General Statutes Annotated §16-245g; 220 Illinois Compiled Statutes Annotated §5/16-108; 35 Maine Revised Statutes §3208; Maryland Code, Public Utilities §7-513; Massachusetts General Laws 164 §1G; New Hampshire Revised Statutes §374-F:3; New Jersey Statutes 48:3-61; Ohio Revised Code R.C. §4928.37; 66 Pennsylvania Consolidated Statutes §2808; Rhode Island General Laws §39-1-27.4; Texas Code §39.252.

costs among the various stakeholders. The Commission implemented one component in Case No. 2012-00535 when it allocated to the creditors the risk of recovering deferred depreciation expense. The market access charge component ensures that the Sebree Smelter pays at least a modest amount toward the costs that were incurred by Big Rivers to provide service and that will be stranded when it transitions to market-based rates provided by Kenergy. A financial contribution from the Sebree Smelter will improve the finances of Big Rivers and lessen its bankruptcy risk.

Q. Does this complete your testimony?

A. Yes.

AFFIDAVIT

STATE OF GEORGIA)

COUNTY OF FULTON)

LANE KOLLEN, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.

Lane Kollen

Sworn to and subscribed before me on this
20th day of December 2013.

Notary Public

JESSICA K INMAN
NOTARY PUBLIC
MY COMMISSION EXPIRES JULY 31, 2015
CHEROKEE COUNTY, GEORGIA

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

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

EXHIBITS

OF

LANE KOLLEN

ON BEHALF OF THE

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

DECEMBER 2013

EXHIBIT ____ (LK-1)

RESUME OF LANE KOLLEN, VICE PRESIDENT

EDUCATION

University of Toledo, BBA
Accounting

University of Toledo, MBA

Luther Rice University, MA

PROFESSIONAL CERTIFICATIONS

Certified Public Accountant (CPA)

Certified Management Accountant (CMA)

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

Institute of Management Accountants

Mr. Kollen has more than thirty years of utility industry experience in the financial, rate, tax, and planning areas. He specializes in revenue requirements analyses, taxes, evaluation of rate and financial impacts of traditional and nontraditional ratemaking, utility mergers/acquisition and diversification. Mr. Kollen has expertise in proprietary and nonproprietary software systems used by utilities for budgeting, rate case support and strategic and financial planning.

RESUME OF LANE KOLLEN, VICE PRESIDENT

EXPERIENCE

1986 to Present:

J. Kennedy and Associates, Inc.: Vice President and Principal. Responsible for utility stranded cost analysis, revenue requirements analysis, cash flow projections and solvency, financial and cash effects of traditional and nontraditional ratemaking, and research, speaking and writing on the effects of tax law changes. Testimony before Connecticut, Florida, Georgia, Indiana, Louisiana, Kentucky, Maine, Maryland, Minnesota, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, West Virginia and Wisconsin state regulatory commissions and the Federal Energy Regulatory Commission.

1983 to 1986:

Energy Management Associates: Lead Consultant.
Consulting in the areas of strategic and financial planning, traditional and nontraditional ratemaking, rate case support and testimony, diversification and generation expansion planning. Directed consulting and software development projects utilizing PROSCREEN II and ACUMEN proprietary software products. Utilized ACUMEN detailed corporate simulation system, PROSCREEN II strategic planning system and other custom developed software to support utility rate case filings including test year revenue requirements, rate base, operating income and pro-forma adjustments. Also utilized these software products for revenue simulation, budget preparation and cost-of-service analyses.

1976 to 1983:

The Toledo Edison Company: Planning Supervisor.
Responsible for financial planning activities including generation expansion planning, capital and expense budgeting, evaluation of tax law changes, rate case strategy and support and computerized financial modeling using proprietary and nonproprietary software products. Directed the modeling and evaluation of planning alternatives including:

Rate phase-ins.
Construction project cancellations and write-offs.
Construction project delays.
Capacity swaps.
Financing alternatives.
Competitive pricing for off-system sales.
Sale/leasebacks.

CLIENTS SERVED

Industrial Companies and Groups

Air Products and Chemicals, Inc.
Airco Industrial Gases
Alcan Aluminum
Armco Advanced Materials Co.
Armco Steel
Bethlehem Steel
Connecticut Industrial Energy Consumers
ELCON
Enron Gas Pipeline Company
Florida Industrial Power Users Group
Gallatin Steel
General Electric Company
GPU Industrial Intervenors
Indiana Industrial Group
Industrial Consumers for Fair Utility Rates - Indiana
Industrial Energy Consumers - Ohio
Kentucky Industrial Utility Customers, Inc.
Kimberly-Clark Company
Lehigh Valley Power Committee
Maryland Industrial Group
Multiple Intervenors (New York)
National Southwire
North Carolina Industrial Energy Consumers
Occidental Chemical Corporation
Ohio Energy Group
Ohio Industrial Energy Consumers
Ohio Manufacturers Association
Philadelphia Area Industrial Energy Users Group
PSI Industrial Group
Smith Cogeneration
Taconite Intervenors (Minnesota)
West Penn Power Industrial Intervenors
West Virginia Energy Users Group
Westvaco Corporation

Regulatory Commissions and Government Agencies

Cities in Texas-New Mexico Power Company's Service Territory
Cities in AEP Texas Central Company's Service Territory
Cities in AEP Texas North Company's Service Territory
Georgia Public Service Commission Staff
Kentucky Attorney General's Office, Division of Consumer Protection
Louisiana Public Service Commission Staff
Maine Office of Public Advocate
New York State Energy Office
Office of Public Utility Counsel (Texas)

Utilities

Allegheny Power System
Atlantic City Electric Company
Carolina Power & Light Company
Cleveland Electric Illuminating Company
Delmarva Power & Light Company
Duquesne Light Company
General Public Utilities
Georgia Power Company
Middle South Services
Nevada Power Company
Niagara Mohawk Power Corporation
Otter Tail Power Company
Pacific Gas & Electric Company
Public Service Electric & Gas
Public Service of Oklahoma
Rochester Gas and Electric
Savannah Electric & Power Company
Seminole Electric Cooperative
Southern California Edison
Talquin Electric Cooperative
Tampa Electric
Texas Utilities
Toledo Edison Company

**Expert Testimony Appearances
of
Lane Kollen
as of October 2013**

Date	Case	Jurisdict.	Party	Utility	Subject
10/86	U-17282 Interim	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
11/86	U-17282 Interim Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
12/86	9613	KY	Attorney General Div. of Consumer Protection	Big Rivers Electric Corp.	Revenue requirements accounting adjustments financial workout plan.
1/87	U-17282 Interim	LA 19th Judicial District Ct.	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements, financial solvency.
3/87	General Order 236	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Tax Reform Act of 1986.
4/87	U-17282 Prudence	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
4/87	M-100 Sub 113	NC	North Carolina Industrial Energy Consumers	Duke Power Co.	Tax Reform Act of 1986.
5/87	86-524-E-SC	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements, Tax Reform Act of 1986.
5/87	U-17282 Case In Chief	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, River Bend 1 phase-in plan, financial solvency.
7/87	U-17282 Case In Chief Surrebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, River Bend 1 phase-in plan, financial solvency.
7/87	U-17282 Prudence Surrebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
7/87	86-524 E-SC Rebuttal	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements, Tax Reform Act of 1986.
8/87	9885	KY	Attorney General Div. of Consumer Protection	Big Rivers Electric Corp.	Financial workout plan.
8/87	E-015/GR-87-223	MN	Taconite Intervenors	Minnesota Power & Light Co.	Revenue requirements, O&M expense, Tax Reform Act of 1986.
10/87	870220-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue requirements, O&M expense, Tax Reform Act of 1986.
11/87	87-07-01	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Tax Reform Act of 1986.
1/88	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission	Gulf States Utilities	Revenue requirements, River Bend 1 phase-in plan, rate of return.
2/88	9934	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Economics of Trimble County, completion.
2/88	10064	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Revenue requirements, O&M expense, capital structure, excess deferred income taxes.

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Date	Case	Jurisdict.	Party	Utility	Subject
5/88	10217	KY	Alcan Aluminum National Southwire	Big Rivers Electric Corp.	Financial workout plan.
5/88	M-87017-1C001	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery.
5/88	M-87017-2C005	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Nonutility generator deferred cost recovery.
6/88	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission	Gulf States Utilities	Prudence of River Bend 1 economic analyses, cancellation studies, financial modeling.
7/88	M-87017-1C001 Rebuttal	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery, SFAS No. 92.
7/88	M-87017-2C005 Rebuttal	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Nonutility generator deferred cost recovery, SFAS No. 92.
9/88	88-05-25	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Excess deferred taxes, O&M expenses.
9/88	10064 Rehearing	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Premature retirements, interest expense.
10/88	88-170-EL-AIR	OH	Ohio Industrial Energy Consumers	Cleveland Electric Illuminating Co.	Revenue requirements, phase-in, excess deferred taxes, O&M expenses, financial considerations, working capital.
10/88	88-171-EL-AIR	OH	Ohio Industrial Energy Consumers	Toledo Edison Co.	Revenue requirements, phase-in, excess deferred taxes, O&M expenses, financial considerations, working capital.
10/88	8800-355-EI	FL	Florida Industrial Power Users' Group	Florida Power & Light Co.	Tax Reform Act of 1986, tax expenses, O&M expenses, pension expense (SFAS No. 87).
10/88	3780-U	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Co.	Pension expense (SFAS No. 87).
11/88	U-17282 Remand	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Rate base exclusion plan (SFAS No. 71).
12/88	U-17970	LA	Louisiana Public Service Commission Staff	AT&T Communications of South Central States	Pension expense (SFAS No. 87).
12/88	U-17949 Rebuttal	LA	Louisiana Public Service Commission Staff	South Central Bell	Compensated absences (SFAS No. 43), pension expense (SFAS No. 87), Part 32, income tax normalization.
2/89	U-17282 Phase II	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, phase-in of River Bend 1, recovery of canceled plant.
6/89	881602-EU 890326-EU	FL	Talquin Electric Cooperative	Talquin/City of Tallahassee	Economic analyses, incremental cost-of-service, average customer rates.
7/89	U-17970	LA	Louisiana Public Service Commission Staff	AT&T Communications of South Central States	Pension expense (SFAS No. 87), compensated absences (SFAS No. 43), Part 32.
8/89	8555	TX	Occidental Chemical Corp.	Houston Lighting & Power Co.	Cancellation cost recovery, tax expense, revenue requirements.

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8/89	3840-U	GA	Georgia Public Service Commission Staff	Georgia Power Co.	Promotional practices, advertising, economic development.
9/89	U-17282 Phase II Detailed	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, detailed investigation.
10/89	8880	TX	Enron Gas Pipeline	Texas-New Mexico Power Co.	Deferred accounting treatment, sale/leaseback.
10/89	8928	TX	Enron Gas Pipeline	Texas-New Mexico Power Co.	Revenue requirements, imputed capital structure, cash working capital.
10/89	R-891364	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements.
11/89 12/89	R-891364 Surrebuttal (2 Filings)	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements, sale/leaseback.
1/90	U-17282 Phase II Detailed Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, detailed investigation.
1/90	U-17282 Phase III	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Phase-in of River Bend 1, deregulated asset plan.
3/90	890319-EI	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.
4/90	890319-EI Rebuttal	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.
4/90	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission	Gulf States Utilities	Fuel clause, gain on sale of utility assets.
9/90	90-158	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Revenue requirements, post-test year additions, forecasted test year.
12/90	U-17282 Phase IV	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements.
3/91	29327, et. al.	NY	Multiple Intervenors	Niagara Mohawk Power Corp.	Incentive regulation.
5/91	9945	TX	Office of Public Utility Counsel of Texas	El Paso Electric Co.	Financial modeling, economic analyses, prudence of Palo Verde 3.
9/91	P-910511 P-910512	PA	Allegheny Ludlum Corp., Armco Advanced Materials Co., The West Penn Power Industrial Users' Group	West Penn Power Co.	Recovery of CAAA costs, least cost financing.
9/91	91-231-E-NC	WV	West Virginia Energy Users Group	Monongahela Power Co.	Recovery of CAAA costs, least cost financing.
11/91	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Asset impairment, deregulated asset plan, revenue requirements.

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12/91	91-410-EL-AIR	OH	Air Products and Chemicals, Inc., Armco Steel Co., General Electric Co., Industrial Energy Consumers	Cincinnati Gas & Electric Co.	Revenue requirements, phase-in plan.
12/91	PUC Docket 10200	TX	Office of Public Utility Counsel of Texas	Texas-New Mexico Power Co.	Financial integrity, strategic planning, declined business affiliations.
5/92	910890-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue requirements, O&M expense, pension expense, OPEB expense, fossil dismantling, nuclear decommissioning.
8/92	R-00922314	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Incentive regulation, performance rewards, purchased power risk, OPEB expense.
9/92	92-043	KY	Kentucky Industrial Utility Consumers	Generic Proceeding	OPEB expense.
9/92	920324-EI	FL	Florida Industrial Power Users' Group	Tampa Electric Co.	OPEB expense.
9/92	39348	IN	Indiana Industrial Group	Generic Proceeding	OPEB expense.
9/92	910840-PU	FL	Florida Industrial Power Users' Group	Generic Proceeding	OPEB expense.
9/92	39314	IN	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	OPEB expense.
11/92	U-19904	LA	Louisiana Public Service Commission Staff	Gulf States Utilities /Entergy Corp.	Merger.
11/92	8649	MD	Westvaco Corp., Eastalco Aluminum Co.	Potomac Edison Co.	OPEB expense.
11/92	92-1715-AU-COI	OH	Ohio Manufacturers Association	Generic Proceeding	OPEB expense.
12/92	R-00922378	PA	Armco Advanced Materials Co., The WPP Industrial Intervenors	West Penn Power Co.	Incentive regulation, performance rewards, purchased power risk, OPEB expense.
12/92	U-19949	LA	Louisiana Public Service Commission Staff	South Central Bell	Affiliate transactions, cost allocations, merger.
12/92	R-00922479	PA	Philadelphia Area Industrial Energy Users' Group	Philadelphia Electric Co.	OPEB expense.
1/93	8487	MD	Maryland Industrial Group	Baltimore Gas & Electric Co., Bethlehem Steel Corp.	OPEB expense, deferred fuel, CWIP in rate base.
1/93	39498	IN	PSI Industrial Group	PSI Energy, Inc.	Refunds due to over-collection of taxes on Marble Hill cancellation.
3/93	92-11-11	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co	OPEB expense.
3/93	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities /Entergy Corp.	Merger.

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Date	Case	Jurisdict.	Party	Utility	Subject
3/93	93-01-EL-EFC	OH	Ohio Industrial Energy Consumers	Ohio Power Co.	Affiliate transactions, fuel.
3/93	EC92-21000 ER92-806-000	FERC	Louisiana Public Service Commission Staff	Gulf States Utilities /Entergy Corp.	Merger.
4/93	92-1464-EL-AIR	OH	Air Products Armco Steel Industrial Energy Consumers	Cincinnati Gas & Electric Co.	Revenue requirements, phase-in plan.
4/93	EC92-21000 ER92-806-000 (Rebuttal)	FERC	Louisiana Public Service Commission	Gulf States Utilities /Entergy Corp.	Merger.
9/93	93-113	KY	Kentucky Industrial Utility Customers	Kentucky Utilities	Fuel clause and coal contract refund.
9/93	92-490, 92-490A, 90-360-C	KY	Kentucky Industrial Utility Customers and Kentucky Attorney General	Big Rivers Electric Corp.	Disallowances and restitution for excessive fuel costs, illegal and improper payments, recovery of mine closure costs.
10/93	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	Revenue requirements, debt restructuring agreement, River Bend cost recovery.
1/94	U-20647	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Audit and investigation into fuel clause costs.
4/94	U-20647 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Nuclear and fossil unit performance, fuel costs, fuel clause principles and guidelines.
5/94	U-20178	LA	Louisiana Public Service Commission Staff	Louisiana Power & Light Co.	Planning and quantification issues of least cost integrated resource plan.
9/94	U-19904 Initial Post-Merger Earnings Review	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	River Bend phase-in plan, deregulated asset plan, capital structure, other revenue requirement issues.
9/94	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	G&T cooperative ratemaking policies, exclusion of River Bend, other revenue requirement issues.
10/94	3905-U	GA	Georgia Public Service Commission Staff	Southern Bell Telephone Co.	Incentive rate plan, earnings review.
10/94	5258-U	GA	Georgia Public Service Commission Staff	Southern Bell Telephone Co.	Alternative regulation, cost allocation.
11/94	U-19904 Initial Post-Merger Earnings Review (Rebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	River Bend phase-in plan, deregulated asset plan, capital structure, other revenue requirement issues.
11/94	U-17735 (Rebuttal)	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	G&T cooperative ratemaking policy, exclusion of River Bend, other revenue requirement issues.
4/95	R-00943271	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Revenue requirements. Fossil dismantling, nuclear decommissioning.
6/95	3905-U Rebuttal	GA	Georgia Public Service Commission	Southern Bell Telephone Co.	Incentive regulation, affiliate transactions, revenue requirements, rate refund.
6/95	U-19904 (Direct)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.

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Date	Case	Jurisdict.	Party	Utility	Subject
10/95	95-02614	TN	Tennessee Office of the Attorney General Consumer Advocate	BellSouth Telecommunications, Inc.	Affiliate transactions.
10/95	U-21485 (Direct)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues.
11/95	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co. Division	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
11/95 12/95	U-21485 (Supplemental Direct) U-21485 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues.
1/96	95-299-EL-AIR 95-300-EL-AIR	OH	Industrial Energy Consumers	The Toledo Edison Co., The Cleveland Electric Illuminating Co.	Competition, asset write-offs and revaluation, O&M expense, other revenue requirement issues.
2/96	PUC Docket 14965	TX	Office of Public Utility Counsel	Central Power & Light	Nuclear decommissioning.
5/96	95-485-LCS	NM	City of Las Cruces	El Paso Electric Co.	Stranded cost recovery, municipalization.
7/96	8725	MD	The Maryland Industrial Group and Redland Genstar, Inc.	Baltimore Gas & Electric Co., Potomac Electric Power Co., and Constellation Energy Corp.	Merger savings, tracking mechanism, earnings sharing plan, revenue requirement issues.
9/96 11/96	U-22092 U-22092 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues, allocation of regulated/nonregulated costs.
10/96	96-327	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Environmental surcharge recoverable costs.
2/97	R-00973877	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Stranded cost recovery, regulatory assets and liabilities, intangible transition charge, revenue requirements.
3/97	96-489	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	Environmental surcharge recoverable costs, system agreements, allowance inventory, jurisdictional allocation.
6/97	TO-97-397	MO	MCI Telecommunications Corp., Inc., MCImetro Access Transmission Services, Inc.	Southwestern Bell Telephone Co.	Price cap regulation, revenue requirements, rate of return.
6/97	R-00973953	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.
7/97	R-00973954	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.

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Date	Case	Jurisdict.	Party	Utility	Subject
7/97	U-22092	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Depreciation rates and methodologies, River Bend phase-in plan.
8/97	97-300	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co., Kentucky Utilities Co.	Merger policy, cost savings, surcredit sharing mechanism, revenue requirements, rate of return.
8/97	R-00973954 (Surrebuttal)	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.
10/97	97-204	KY	Alcan Aluminum Corp. Southwire Co.	Big Rivers Electric Corp.	Restructuring, revenue requirements, reasonableness.
10/97	R-974008	PA	Metropolitan Edison Industrial Users Group	Metropolitan Edison Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements.
10/97	R-974009	PA	Penelec Industrial Customer Alliance	Pennsylvania Electric Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements.
11/97	97-204 (Rebuttal)	KY	Alcan Aluminum Corp. Southwire Co.	Big Rivers Electric Corp.	Restructuring, revenue requirements, reasonableness of rates, cost allocation.
11/97	U-22491	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, other revenue requirement issues.
11/97	R-00973953 (Surrebuttal)	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.
11/97	R-973981	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, fossil decommissioning, revenue requirements, securitization.
11/97	R-974104	PA	Duquesne Industrial Intervenors	Duquesne Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements, securitization.
12/97	R-973981 (Surrebuttal)	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, fossil decommissioning, revenue requirements.
12/97	R-974104 (Surrebuttal)	PA	Duquesne Industrial Intervenors	Duquesne Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements, securitization.
1/98	U-22491 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, other revenue requirement issues.
2/98	8774	MD	Westvaco	Potomac Edison Co.	Merger of Duquesne, AE, customer safeguards, savings sharing.
3/98	U-22092 (Allocated Stranded Cost Issues)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Restructuring, stranded costs, regulatory assets, securitization, regulatory mitigation.

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Date	Case	Jurisdict.	Party	Utility	Subject
3/98	8390-U	GA	Georgia Natural Gas Group, Georgia Textile Manufacturers Assoc.	Atlanta Gas Light Co.	Restructuring, unbundling, stranded costs, incentive regulation, revenue requirements.
3/98	U-22092 (Allocated Stranded Cost Issues) (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Restructuring, stranded costs, regulatory assets, securitization, regulatory mitigation.
10/98	97-596	ME	Maine Office of the Public Advocate	Bangor Hydro-Electric Co.	Restructuring, unbundling, stranded costs, T&D revenue requirements.
10/98	9355-U	GA	Georgia Public Service Commission Adversary Staff	Georgia Power Co.	Affiliate transactions.
10/98	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	G&T cooperative ratemaking policy, other revenue requirement issues.
11/98	U-23327	LA	Louisiana Public Service Commission Staff	SWEPCO, CSW and AEP	Merger policy, savings sharing mechanism, affiliate transaction conditions.
12/98	U-23358 (Direct)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
12/98	98-577	ME	Maine Office of Public Advocate	Maine Public Service Co.	Restructuring, unbundling, stranded cost, T&D revenue requirements.
1/99	98-10-07	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Stranded costs, investment tax credits, accumulated deferred income taxes, excess deferred income taxes.
3/99	U-23358 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
3/99	98-474	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	Revenue requirements, alternative forms of regulation.
3/99	98-426	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements, alternative forms of regulation.
3/99	99-082	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	Revenue requirements.
3/99	99-083	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements.
4/99	U-23358 (Supplemental Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
4/99	99-03-04	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Regulatory assets and liabilities, stranded costs, recovery mechanisms.
4/99	99-02-05	Ct	Connecticut Industrial Utility Customers	Connecticut Light and Power Co.	Regulatory assets and liabilities, stranded costs, recovery mechanisms.
5/99	98-426 99-082 (Additional Direct)	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	Revenue requirements.

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Date	Case	Jurisdict.	Party	Utility	Subject
5/99	98-474 99-083 (Additional Direct)	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements.
5/99	98-426 98-474 (Response to Amended Applications)	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co., Kentucky Utilities Co.	Alternative regulation.
6/99	97-596	ME	Maine Office of Public Advocate	Bangor Hydro-Electric Co.	Request for accounting order regarding electric industry restructuring costs.
6/99	U-23358	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Affiliate transactions, cost allocations.
7/99	99-03-35	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Stranded costs, regulatory assets, tax effects of asset divestiture.
7/99	U-23327	LA	Louisiana Public Service Commission Staff	Southwestern Electric Power Co., Central and South West Corp, American Electric Power Co.	Merger Settlement and Stipulation.
7/99	97-596 Surrebuttal	ME	Maine Office of Public Advocate	Bangor Hydro-Electric Co.	Restructuring, unbundling, stranded cost, T&D revenue requirements.
7/99	98-0452-E-GI	WV	West Virginia Energy Users Group	Monongahela Power, Potomac Edison, Appalachian Power, Wheeling Power	Regulatory assets and liabilities.
8/99	98-577 Surrebuttal	ME	Maine Office of Public Advocate	Maine Public Service Co.	Restructuring, unbundling, stranded costs, T&D revenue requirements.
8/99	98-426 99-082 Rebuttal	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	Revenue requirements.
8/99	98-474 98-083 Rebuttal	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements.
8/99	98-0452-E-GI Rebuttal	WV	West Virginia Energy Users Group	Monongahela Power, Potomac Edison, Appalachian Power, Wheeling Power	Regulatory assets and liabilities.
10/99	U-24182 Direct	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, affiliate transactions, tax issues, and other revenue requirement issues.
11/99	PUC Docket 21527	TX	The Dallas-Fort Worth Hospital Council and Coalition of Independent Colleges and Universities	TXU Electric	Restructuring, stranded costs, taxes, securitization.

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Date	Case	Jurisdict.	Party	Utility	Subject
11/99	U-23358 Surrebuttal Affiliate Transactions Review	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Service company affiliate transaction costs.
01/00	U-24182 Surrebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, affiliate transactions, tax issues, and other revenue requirement issues.
04/00	99-1212-EL-ETP 99-1213-EL-ATA 99-1214-EL-AAM	OH	Greater Cleveland Growth Association	First Energy (Cleveland Electric Illuminating, Toledo Edison)	Historical review, stranded costs, regulatory assets, liabilities.
05/00	2000-107	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	ECR surcharge roll-in to base rates.
05/00	U-24182 Supplemental Direct	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Affiliate expense proforma adjustments.
05/00	A-110550F0147	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy	Merger between PECO and Unicom.
05/00	99-1658-EL-ETP	OH	AK Steel Corp.	Cincinnati Gas & Electric Co.	Regulatory transition costs, including regulatory assets and liabilities, SFAS 109, ADIT, EDIT, ITC.
07/00	PUC Docket 22344	TX	The Dallas-Fort Worth Hospital Council and The Coalition of Independent Colleges and Universities	Statewide Generic Proceeding	Escalation of O&M expenses for unbundled T&D revenue requirements in projected test year.
07/00	U-21453	LA	Louisiana Public Service Commission	SWEPCO	Stranded costs, regulatory assets and liabilities.
08/00	U-24064	LA	Louisiana Public Service Commission Staff	CLECO	Affiliate transaction pricing ratemaking principles, subsidization of nonregulated affiliates, ratemaking adjustments.
10/00	SOAH Docket 473-00-1015 PUC Docket 22350	TX	The Dallas-Fort Worth Hospital Council and The Coalition of Independent Colleges and Universities	TXU Electric Co.	Restructuring, T&D revenue requirements, mitigation, regulatory assets and liabilities.
10/00	R-00974104 Affidavit	PA	Duquesne Industrial Intervenors	Duquesne Light Co.	Final accounting for stranded costs, including treatment of auction proceeds, taxes, capital costs, switchback costs, and excess pension funding.
11/00	P-00001837 R-00974008 P-00001838 R-00974009	PA	Metropolitan Edison Industrial Users Group Penelec Industrial Customer Alliance	Metropolitan Edison Co., Pennsylvania Electric Co.	Final accounting for stranded costs, including treatment of auction proceeds, taxes, regulatory assets and liabilities, transaction costs.
12/00	U-21453, U-20925, U-22092 (Subdocket C) Surrebuttal	LA	Louisiana Public Service Commission Staff	SWEPCO	Stranded costs, regulatory assets.

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Date	Case	Jurisdict.	Party	Utility	Subject
01/01	U-24993 Direct	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
01/01	U-21453, U-20925, U-22092 (Subdocket B) Surrebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Industry restructuring, business separation plan, organization structure, hold harmless conditions, financing.
01/01	Case No. 2000-386	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co.	Recovery of environmental costs, surcharge mechanism.
01/01	Case No. 2000-439	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Recovery of environmental costs, surcharge mechanism.
02/01	A-110300F0095 A-110400F0040	PA	Met-Ed Industrial Users Group, Penelec Industrial Customer Alliance	GPU, Inc. FirstEnergy Corp.	Merger, savings, reliability.
03/01	P-00001860 P-00001861	PA	Met-Ed Industrial Users Group, Penelec Industrial Customer Alliance	Metropolitan Edison Co., Pennsylvania Electric Co.	Recovery of costs due to provider of last resort obligation.
04/01	U-21453, U-20925, U-22092 (Subdocket B) Settlement Term Sheet	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Business separation plan: settlement agreement on overall plan structure.
04/01	U-21453, U-20925, U-22092 (Subdocket B) Contested Issues	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Business separation plan: agreements, hold harmless conditions, separations methodology.
05/01	U-21453, U-20925, U-22092 (Subdocket B) Contested Issues Transmission and Distribution Rebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Business separation plan: agreements, hold harmless conditions, separations methodology.
07/01	U-21453, U-20925, U-22092 (Subdocket B) Transmission and Distribution Term Sheet	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Business separation plan: settlement agreement on T&D issues, agreements necessary to implement T&D separations, hold harmless conditions, separations methodology.
10/01	14000-U	GA	Georgia Public Service Commission Adversary Staff	Georgia Power Company	Revenue requirements, Rate Plan, fuel clause recovery.
11/01	14311-U Direct Panel with Bolin Killings	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co	Revenue requirements, revenue forecast, O&M expense, depreciation, plant additions, cash working capital.

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Date	Case	Jurisdict.	Party	Utility	Subject
11/01	U-25687 Direct	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, capital structure, allocation of regulated and nonregulated costs, River Bend uprate.
02/02	PUC Docket 25230	TX	The Dallas-Fort Worth Hospital Council and the Coalition of Independent Colleges and Universities	TXU Electric	Stipulation. Regulatory assets, securitization financing.
02/02	U-25687 Surrebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, River Bend uprate.
03/02	14311-U Rebuttal Panel with Bolin Killings	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements, earnings sharing plan, service quality standards.
03/02	14311-U Rebuttal Panel with Michelle L. Thebert	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements, revenue forecast, O&M expense, depreciation, plant additions, cash working capital.
03/02	001148-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Co.	Revenue requirements. Nuclear life extension, storm damage accruals and reserve, capital structure, O&M expense.
04/02	U-25687 (Suppl. Surrebuttal)	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, River Bend uprate.
04/02	U-21453, U-20925 U-22092 (Subdocket C)	LA	Louisiana Public Service Commission	SWEPCO	Business separation plan, T&D Term Sheet, separations methodologies, hold harmless conditions.
08/02	EL01-88-000	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	System Agreement, production cost equalization, tariffs.
08/02	U-25888	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc. and Entergy Louisiana, Inc.	System Agreement, production cost disparities, prudence.
09/02	2002-00224 2002-00225	KY	Kentucky Industrial Utilities Customers, Inc.	Kentucky Utilities Co., Louisville Gas & Electric Co.	Line losses and fuel clause recovery associated with off-system sales.
11/02	2002-00146 2002-00147	KY	Kentucky Industrial Utilities Customers, Inc.	Kentucky Utilities Co., Louisville Gas & Electric Co.	Environmental compliance costs and surcharge recovery.
01/03	2002-00169	KY	Kentucky Industrial Utilities Customers, Inc.	Kentucky Power Co.	Environmental compliance costs and surcharge recovery.
04/03	2002-00429 2002-00430	KY	Kentucky Industrial Utilities Customers, Inc.	Kentucky Utilities Co., Louisville Gas & Electric Co.	Extension of merger surcredit, flaws in Companies' studies.
04/03	U-26527	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, capital structure, post-test year adjustments.

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06/03	EL01-88-000 Rebuttal	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	System Agreement, production cost equalization, tariffs.
06/03	2003-00068	KY	Kentucky Industrial Utility Customers	Kentucky Utilities Co.	Environmental cost recovery, correction of base rate error.
11/03	ER03-753-000	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Unit power purchases and sale cost-based tariff pursuant to System Agreement.
11/03	ER03-583-000, ER03-583-001, ER03-583-002 ER03-681-000, ER03-681-001 ER03-682-000, ER03-682-001, ER03-682-002 ER03-744-000, ER03-744-001 (Consolidated)	FERC	Louisiana Public Service Commission	Entergy Services, Inc., the Entergy Operating Companies, EWO Marketing, L.P, and Entergy Power, Inc.	Unit power purchases and sale agreements, contractual provisions, projected costs, levelized rates, and formula rates.
12/03	U-26527 Surrebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, capital structure, post-test year adjustments.
12/03	2003-0334 2003-0335	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co., Louisville Gas & Electric Co.	Earnings Sharing Mechanism.
12/03	U-27136	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, Inc.	Purchased power contracts between affiliates, terms and conditions.
03/04	U-26527 Supplemental Surrebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, capital structure, post-test year adjustments.
03/04	2003-00433	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co.	Revenue requirements, depreciation rates, O&M expense, deferrals and amortization, earnings sharing mechanism, merger surcredit, VDT surcredit.
03/04	2003-00434	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements, depreciation rates, O&M expense, deferrals and amortization, earnings sharing mechanism, merger surcredit, VDT surcredit.
03/04	SOAH Docket 473-04-2459 PUC Docket 29206	TX	Cities Served by Texas-New Mexico Power Co.	Texas-New Mexico Power Co.	Stranded costs true-up, including valuation issues, ITC, ADIT, excess earnings.
05/04	04-169-EL-UNC	OH	Ohio Energy Group, Inc.	Columbus Southern Power Co. & Ohio Power Co.	Rate stabilization plan, deferrals, T&D rate increases, earnings.

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06/04	SOAH Docket 473-04-4555 PUC Docket 29526	TX	Houston Council for Health and Education	CenterPoint Energy Houston Electric	Stranded costs true-up, including valuation issues, ITC, EDIT, excess mitigation credits, capacity auction true-up revenues, interest.
08/04	SOAH Docket 473-04-4555 PUC Docket 29526 (Suppl Direct)	TX	Houston Council for Health and Education	CenterPoint Energy Houston Electric	Interest on stranded cost pursuant to Texas Supreme Court remand.
09/04	U-23327 Subdocket B	LA	Louisiana Public Service Commission Staff	SWEPCO	Fuel and purchased power expenses recoverable through fuel adjustment clause, trading activities, compliance with terms of various LPSC Orders.
10/04	U-23327 Subdocket A	LA	Louisiana Public Service Commission Staff	SWEPCO	Revenue requirements.
12/04	Case Nos. 2004-00321, 2004-00372	KY	Gallatin Steel Co.	East Kentucky Power Cooperative, Inc., Big Sandy Recc, et al.	Environmental cost recovery, qualified costs, TIER requirements, cost allocation.
01/05	30485	TX	Houston Council for Health and Education	CenterPoint Energy Houston Electric, LLC	Stranded cost true-up including regulatory Central Co. assets and liabilities, ITC, EDIT, capacity auction, proceeds, excess mitigation credits, retrospective and prospective ADIT.
02/05	18638-U	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements.
02/05	18638-U Panel with Tony Wackerly	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Comprehensive rate plan, pipeline replacement program surcharge, performance based rate plan.
02/05	18638-U Panel with Michelle Thebert	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Energy conservation, economic development, and tariff issues.
03/05	Case Nos. 2004-00426, 2004-00421	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co., Louisville Gas & Electric	Environmental cost recovery, Jobs Creation Act of 2004 and §199 deduction, excess common equity ratio, deferral and amortization of nonrecurring O&M expense.
06/05	2005-00068	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	Environmental cost recovery, Jobs Creation Act of 2004 and §199 deduction, margins on allowances used for AEP system sales.
06/05	050045-EI	FL	South Florida Hospital and Heallthcare Assoc.	Florida Power & Light Co.	Storm damage expense and reserve, RTO costs, O&M expense projections, return on equity performance incentive, capital structure, selective second phase post-test year rate increase.
08/05	31056	TX	Alliance for Valley Healthcare	AEP Texas Central Co.	Stranded cost true-up including regulatory assets and liabilities, ITC, EDIT, capacity auction, proceeds, excess mitigation credits, retrospective and prospective ADIT.
09/05	20298-U	GA	Georgia Public Service Commission Adversary Staff	Atmos Energy Corp.	Revenue requirements, roll-in of surcharges, cost recovery through surcharge, reporting requirements.

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09/05	20298-U Panel with Victoria Taylor	GA	Georgia Public Service Commission Adversary Staff	Atmos Energy Corp.	Affiliate transactions, cost allocations, capitalization, cost of debt.
10/05	04-42	DE	Delaware Public Service Commission Staff	Artesian Water Co.	Allocation of tax net operating losses between regulated and unregulated.
11/05	2005-00351 2005-00352	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co., Louisville Gas & Electric	Workforce Separation Program cost recovery and shared savings through VDT surcredit.
01/06	2005-00341	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	System Sales Clause Rider, Environmental Cost Recovery Rider. Net Congestion Rider, Storm damage, vegetation management program, depreciation, off-system sales, maintenance normalization, pension and OPEB.
03/06	PUC Docket 31994	TX	Cities	Texas-New Mexico Power Co.	Stranded cost recovery through competition transition or change.
05/06	31994 Supplemental	TX	Cities	Texas-New Mexico Power Co.	Retrospective ADFIT, prospective ADFIT.
03/06	U-21453, U-20925, U-22092	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Jurisdictional separation plan.
03/06	NOPR Reg 104385-OR	IRS	Alliance for Valley Health Care and Houston Council for Health Education	AEP Texas Central Company and CenterPoint Energy Houston Electric	Proposed Regulations affecting flow- through to ratepayers of excess deferred income taxes and investment tax credits on generation plant that is sold or deregulated.
04/06	U-25116	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, Inc.	2002-2004 Audit of Fuel Adjustment Clause Filings. Affiliate transactions.
07/06	R-00061366, Et. al.	PA	Met-Ed Ind. Users Group Pennsylvania Ind. Customer Alliance	Metropolitan Edison Co., Pennsylvania Electric Co.	Recovery of NUG-related stranded costs, government mandated program costs, storm damage costs.
07/06	U-23327	LA	Louisiana Public Service Commission Staff	Southwestern Electric Power Co.	Revenue requirements, formula rate plan, banking proposal.
08/06	U-21453, U-20925, U-22092 (Subdocket J)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Jurisdictional separation plan.
11/06	05CVH03-3375 Franklin County Court Affidavit	OH	Various Taxing Authorities (Non-Utility Proceeding)	State of Ohio Department of Revenue	Accounting for nuclear fuel assemblies as manufactured equipment and capitalized plant.
12/06	U-23327 Subdocket A Reply Testimony	LA	Louisiana Public Service Commission Staff	Southwestern Electric Power Co.	Revenue requirements, formula rate plan, banking proposal.
03/07	U-29764	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc., Entergy Louisiana, LLC	Jurisdictional allocation of Entergy System Agreement equalization remedy receipts.
03/07	PUC Docket 33309	TX	Cities	AEP Texas Central Co.	Revenue requirements, including functionalization of transmission and distribution costs.

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03/07	PUC Docket 33310	TX	Cities	AEP Texas North Co.	Revenue requirements, including functionalization of transmission and distribution costs.
03/07	2006-00472	KY	Kentucky Industrial Utility Customers, Inc.	East Kentucky Power Cooperative	Interim rate increase, RUS loan covenants, credit facility requirements, financial condition.
03/07	U-29157	LA	Louisiana Public Service Commission Staff	Cleco Power, LLC	Permanent (Phase II) storm damage cost recovery.
04/07	U-29764 Supplemental and Rebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc., Entergy Louisiana, LLC	Jurisdictional allocation of Entergy System Agreement equalization remedy receipts.
04/07	ER07-682-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Allocation of intangible and general plant and A&G expenses to production and state income tax effects on equalization remedy receipts.
04/07	ER07-684-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Fuel hedging costs and compliance with FERC USOA.
05/07	ER07-682-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Allocation of intangible and general plant and A&G expenses to production and account 924 effects on MSS-3 equalization remedy payments and receipts.
06/07	U-29764	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, LLC, Entergy Gulf States, Inc.	Show cause for violating LPSC Order on fuel hedging costs.
07/07	2006-00472	KY	Kentucky Industrial Utility Customers, Inc.	East Kentucky Power Cooperative	Revenue requirements, post-test year adjustments, TIER, surcharge revenues and costs, financial need.
07/07	ER07-956-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Storm damage costs related to Hurricanes Katrina and Rita and effects of MSS-3 equalization payments and receipts.
10/07	05-UR-103 Direct	WI	Wisconsin Industrial Energy Group	Wisconsin Electric Power Company, Wisconsin Gas, LLC	Revenue requirements, carrying charges on CWIP, amortization and return on regulatory assets, working capital, incentive compensation, use of rate base in lieu of capitalization, quantification and use of Point Beach sale proceeds.
10/07	05-UR-103 Surrebuttal	WI	Wisconsin Industrial Energy Group	Wisconsin Electric Power Company, Wisconsin Gas, LLC	Revenue requirements, carrying charges on CWIP, amortization and return on regulatory assets, working capital, incentive compensation, use of rate base in lieu of capitalization, quantification and use of Point Beach sale proceeds.
10/07	25060-U Direct	GA	Georgia Public Service Commission Public Interest Adversary Staff	Georgia Power Company	Affiliate costs, incentive compensation, consolidated income taxes, §199 deduction.
11/07	06-0033-E-CN Direct	WV	West Virginia Energy Users Group	Appalachian Power Company	IGCC surcharge during construction period and post-in-service date.

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11/07	ER07-682-000 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization and allocation of intangible and general plant and A&G expenses.
01/08	ER07-682-000 Cross-Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization and allocation of intangible and general plant and A&G expenses.
01/08	07-551-EL-AIR Direct	OH	Ohio Energy Group, Inc.	Ohio Edison Company, Cleveland Electric Illuminating Company, Toledo Edison Company	Revenue requirements.
02/08	ER07-956-000 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization of expenses, storm damage expense and reserves, tax NOL carrybacks in accounts, ADIT, nuclear service lives and effects on depreciation and decommissioning.
03/08	ER07-956-000 Cross-Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization of expenses, storm damage expense and reserves, tax NOL carrybacks in accounts, ADIT, nuclear service lives and effects on depreciation and decommissioning.
04/08	2007-00562, 2007-00563	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co., Louisville Gas and Electric Co.	Merger surcredit.
04/08	26837 Direct Bond, Johnson, Thebert, Kollen Panel	GA	Georgia Public Service Commission Staff	SCANA Energy Marketing, Inc.	Rule Nisi complaint.
05/08	26837 Rebuttal Bond, Johnson, Thebert, Kollen Panel	GA	Georgia Public Service Commission Staff	SCANA Energy Marketing, Inc.	Rule Nisi complaint.
05/08	26837 Suppl Rebuttal Bond, Johnson, Thebert, Kollen Panel	GA	Georgia Public Service Commission Staff	SCANA Energy Marketing, Inc.	Rule Nisi complaint.
06/08	2008-00115	KY	Kentucky Industrial Utility Customers, Inc.	East Kentucky Power Cooperative, Inc.	Environmental surcharge recoveries, including costs recovered in existing rates, TIER.
07/08	27163 Direct	GA	Georgia Public Service Commission Public Interest Advocacy Staff	Atmos Energy Corp.	Revenue requirements, including projected test year rate base and expenses.
07/08	27163 Taylor, Kollen Panel	GA	Georgia Public Service Commission Public Interest Advocacy Staff	Atmos Energy Corp.	Affiliate transactions and division cost allocations, capital structure, cost of debt.

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Date	Case	Jurisdict.	Party	Utility	Subject
08/08	6680-CE-170 Direct	WI	Wisconsin Industrial Energy Group, Inc.	Wisconsin Power and Light Company	Nelson Dewey 3 or Colombia 3 fixed financial parameters.
08/08	6680-UR-116 Direct	WI	Wisconsin Industrial Energy Group, Inc.	Wisconsin Power and Light Company	CWIP in rate base, labor expenses, pension expense, financing, capital structure, decoupling.
08/08	6680-UR-116 Rebuttal	WI	Wisconsin Industrial Energy Group, Inc.	Wisconsin Power and Light Company	Capital structure.
08/08	6690-UR-119 Direct	WI	Wisconsin Industrial Energy Group, Inc.	Wisconsin Public Service Corp.	Prudence of Weston 3 outage, incentive compensation, Crane Creek Wind Farm incremental revenue requirement, capital structure.
09/08	6690-UR-119 Surrebuttal	WI	Wisconsin Industrial Energy Group, Inc.	Wisconsin Public Service Corp.	Prudence of Weston 3 outage, Section 199 deduction.
09/08	08-935-EL-SSO, 08-918-EL-SSO	OH	Ohio Energy Group, Inc.	First Energy	Standard service offer rates pursuant to electric security plan, significantly excessive earnings test.
10/08	08-917-EL-SSO	OH	Ohio Energy Group, Inc.	AEP	Standard service offer rates pursuant to electric security plan, significantly excessive earnings test.
10/08	2007-00564, 2007-00565, 2008-00251 2008-00252	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co., Kentucky Utilities Company	Revenue forecast, affiliate costs, depreciation expenses, federal and state income tax expense, capitalization, cost of debt.
11/08	EL08-51	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Spindletop gas storage facilities, regulatory asset and bandwidth remedy.
11/08	35717	TX	Cities Served by Oncor Delivery Company	Oncor Delivery Company	Recovery of old meter costs, asset ADFIT, cash working capital, recovery of prior year restructuring costs, levelized recovery of storm damage costs, prospective storm damage accrual, consolidated tax savings adjustment.
12/08	27800	GA	Georgia Public Service Commission	Georgia Power Company	AFUDC versus CWIP in rate base, mirror CWIP, certification cost, use of short term debt and trust preferred financing, CWIP recovery, regulatory incentive.
01/09	ER08-1056	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Entergy System Agreement bandwidth remedy calculations, including depreciation expense, ADIT, capital structure.
01/09	ER08-1056 Supplemental Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Blytheville leased turbines; accumulated depreciation.
02/09	EL08-51 Rebuttal	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Spindletop gas storage facilities regulatory asset and bandwidth remedy.
02/09	2008-00409 Direct	KY	Kentucky Industrial Utility Customers, Inc.	East Kentucky Power Cooperative, Inc.	Revenue requirements.
03/09	ER08-1056 Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Entergy System Agreement bandwidth remedy calculations, including depreciation expense, ADIT, capital structure.

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03/09 04/09	U-21453, U-20925 U-22092 (Sub J) Direct Rebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States Louisiana, LLC	Violation of EGSI separation order, ETI and EGSL separation accounting, Spindletop regulatory asset.
04/09	2009-00040 Direct-Interim (Oral)	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Emergency interim rate increase; cash requirements.
04/09	PUC Docket 36530	TX	State Office of Administrative Hearings	Oncor Electric Delivery Company, LLC	Rate case expenses.
05/09	ER08-1056 Rebuttal	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Entergy System Agreement bandwidth remedy calculations, including depreciation expense, ADIT, capital structure.
06/09	2009-00040 Direct-Permanent	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Revenue requirements, TIER, cash flow.
07/09	080677-EI	FL	South Florida Hospital and Healthcare Association	Florida Power & Light Company	Multiple test years, GBRA rider, forecast assumptions, revenue requirement, O&M expense, depreciation expense, Economic Stimulus Bill, capital structure.
08/09	U-21453, U-20925, U-22092 (Subdocket J) Supplemental Rebuttal	LA	Louisiana Public Service Commission	Entergy Gulf States Louisiana, LLC	Violation of EGSI separation order, ETI and EGSL separation accounting, Spindletop regulatory asset.
08/09	8516 and 29950	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Company	Modification of PRP surcharge to include infrastructure costs.
09/09	05-UR-104 Direct and Surrebuttal	WI	Wisconsin Industrial Energy Group	Wisconsin Electric Power Company	Revenue requirements, incentive compensation, depreciation, deferral mitigation, capital structure, cost of debt.
09/09	09AL-299E	CO	CF&I Steel, Rocky Mountain Steel Mills LP, Climax Molybdenum Company	Public Service Company of Colorado	Forecasted test year, historic test year, proforma adjustments for major plant additions, tax depreciation.
09/09	6680-UR-117 Direct and Surrebuttal	WI	Wisconsin Industrial Energy Group	Wisconsin Power and Light Company	Revenue requirements, CWIP in rate base, deferral mitigation, payroll, capacity shutdowns, regulatory assets, rate of return.
10/09	09A-415E	CO	Cripple Creek & Victor Gold Mining Company, et al.	Black Hills/CO Electric Utility Company	Cost prudence, cost sharing mechanism.
10/09	EL09-50 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Waterford 3 sale/leaseback accumulated deferred income taxes, Entergy System Agreement bandwidth remedy calculations.

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10/09	2009-00329	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Company, Kentucky Utilities Company	Trimble County 2 depreciation rates.
12/09	PUE-2009-00030	VA	Old Dominion Committee for Fair Utility Rates	Appalachian Power Company	Return on equity incentive.
12/09	ER09-1224 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Hypothetical versus actual costs, out of period costs, Spindletop deferred capital costs, Waterford 3 sale/leaseback ADIT.
01/10	ER09-1224 Cross-Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Hypothetical versus actual costs, out of period costs, Spindletop deferred capital costs, Waterford 3 sale/leaseback ADIT.
01/10	EL09-50 Rebuttal Supplemental Rebuttal	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Waterford 3 sale/leaseback accumulated deferred income taxes, Entergy System Agreement bandwidth remedy calculations.
02/10	ER09-1224 Final	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Hypothetical versus actual costs, out of period costs, Spindletop deferred capital costs, Waterford 3 sale/leaseback ADIT.
02/10	30442 Wackerly-Kollen Panel	GA	Georgia Public Service Commission Staff	Atmos Energy Corporation	Revenue requirement issues.
02/10	30442 McBride-Kollen Panel	GA	Georgia Public Service Commission Staff	Atmos Energy Corporation	Affiliate/division transactions, cost allocation, capital structure.
02/10	2009-00353	KY	Kentucky Industrial Utility Customers, Inc., Attorney General	Louisville Gas and Electric Company, Kentucky Utilities Company	Ratemaking recovery of wind power purchased power agreements.
03/10	2009-00545	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Company	Ratemaking recovery of wind power purchased power agreement.
03/10	E015/GR-09-1151	MN	Large Power Interveners	Minnesota Power	Revenue requirement issues, cost overruns on environmental retrofit project.
03/10	EL10-55	FERC	Louisiana Public Service Commission	Entergy Services, Inc., Entergy Operating Cos	Depreciation expense and effects on System Agreement tariffs.
04/10	2009-00459	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Company	Revenue requirement issues.
04/10	2009-00458, 2009-00459	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Company, Louisville Gas and Electric Company	Revenue requirement issues.
08/10	31647	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Company	Revenue requirement and synergy savings issues.

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08/10	31647 Wackerly-Kollen Panel	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Company	Affiliate transaction and Customer First program issues.
08/10	2010-00204	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Company, Kentucky Utilities Company	PPL acquisition of E.ON U.S. (LG&E and KU) conditions, acquisition savings, sharing deferral mechanism.
09/10	38339 Direct and Cross-Rebuttal	TX	Gulf Coast Coalition of Cities	CenterPoint Energy Houston Electric	Revenue requirement issues, including consolidated tax savings adjustment, incentive compensation FIN 48; AMS surcharge including roll-in to base rates; rate case expenses.
09/10	EL10-55	FERC	Louisiana Public Service Commission	Entergy Services, Inc., Entergy Operating Cos	Depreciation rates and expense input effects on System Agreement tariffs.
09/10	2010-00167	KY	Gallatin Steel	East Kentucky Power Cooperative, Inc.	Revenue requirements.
09/10	U-23327 Subdocket E Direct	LA	Louisiana Public Service Commission	SWEPCO	Fuel audit: S02 allowance expense, variable O&M expense, off-system sales margin sharing.
11/10	U-23327 Rebuttal	LA	Louisiana Public Service Commission	SWEPCO	Fuel audit: S02 allowance expense, variable O&M expense, off-system sales margin sharing.
09/10	U-31351	LA	Louisiana Public Service Commission Staff	SWEPCO and Valley Electric Membership Cooperative	Sale of Valley assets to SWEPCO and dissolution of Valley.
10/10	10-1261-EL-UNC	OH	Ohio OCC, Ohio Manufacturers Association, Ohio Energy Group, Ohio Hospital Association, Appalachian Peace and Justice Network	Columbus Southern Power Company	Significantly excessive earnings test.
10/10	10-0713-E-PC	WV	West Virginia Energy Users Group	Monongahela Power Company, Potomac Edison Power Company	Merger of First Energy and Allegheny Energy.
10/10	U-23327 Subdocket F Direct	LA	Louisiana Public Service Commission Staff	SWEPCO	AFUDC adjustments in Formula Rate Plan.
11/10	EL10-55 Rebuttal	FERC	Louisiana Public Service Commission	Entergy Services, Inc., Entergy Operating Cos	Depreciation rates and expense input effects on System Agreement tariffs.
12/10	ER10-1350 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc. Entergy Operating Cos	Waterford 3 lease amortization, ADIT, and fuel inventory effects on System Agreement tariffs.
01/11	ER10-1350 Cross-Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc., Entergy Operating Cos	Waterford 3 lease amortization, ADIT, and fuel inventory effects on System Agreement tariffs.

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03/11 04/11	ER10-2001 Direct Cross-Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc., Entergy Arkansas, Inc.	EAI depreciation rates.
04/11	U-23327 Subdocket E	LA	Louisiana Public Service Commission Staff	SWEPCO	Settlement, incl resolution of S02 allowance expense, var O&M expense, sharing of OSS margins.
04/11 05/11	38306 Direct Suppl Direct	TX	Cities Served by Texas-New Mexico Power Company	Texas-New Mexico Power Company	AMS deployment plan, AMS Surcharge, rate case expenses.
05/11	11-0274-E-GI	WV	West Virginia Energy Users Group	Appalachian Power Company, Wheeling Power Company	Deferral recovery phase-in, construction surcharge.
05/11	2011-00036	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Revenue requirements.
06/11	29849	GA	Georgia Public Service Commission Staff	Georgia Power Company	Accounting issues related to Vogtle risk-sharing mechanism.
07/11	ER11-2161 Direct and Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and Entergy Texas, Inc.	ETI depreciation rates; accounting issues.
07/11	PUE-2011-00027	VA	Virginia Committee for Fair Utility Rates	Virginia Electric and Power Company	Return on equity performance incentive.
07/11	11-346-EL-SSO 11-348-EL-SSO 11-349-EL-AAM 11-350-EL-AAM	OH	Ohio Energy Group	AEP-OH	Equity Stabilization Incentive Plan; actual earned returns; ADIT offsets in riders.
08/11	U-23327 Subdocket F Rebuttal	LA	Louisiana Public Service Commission Staff	SWEPCO	Depreciation rates and service lives; AFUDC adjustments.
08/11	05-UR-105	WI	Wisconsin Industrial Energy Group	WE Energies, Inc.	Suspended amortization expenses; revenue requirements.
08/11	ER11-2161 Cross-Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and Entergy Texas, Inc.	ETI depreciation rates; accounting issues.
09/11	PUC Docket 39504	TX	Gulf Coast Coalition of Cities	CenterPoint Energy Houston Electric	Investment tax credit, excess deferred income taxes; normalization.
09/11	2011-00161 2011-00162	KY	Kentucky Industrial Utility Consumers, Inc.	Louisville Gas & Electric Company, Kentucky Utilities Company	Environmental requirements and financing.
10/11	11-4571-EL-UNC 11-4572-EL-UNC	OH	Ohio Energy Group	Columbus Southern Power Company, Ohio Power Company	Significantly excessive earnings.

**Expert Testimony Appearances
of
Lane Kollen
as of October 2013**

Date	Case	Jurisdict.	Party	Utility	Subject
10/11	4220-UR-117 Direct	WI	Wisconsin Industrial Energy Group	Northern States Power-Wisconsin	Nuclear O&M, depreciation.
11/11	4220-UR-117 Surrebuttal	WI	Wisconsin Industrial Energy Group	Northern States Power-Wisconsin	Nuclear O&M, depreciation.
11/11	PUC Docket 39722	TX	Cities Served by AEP Texas Central Company	AEP Texas Central Company	Investment tax credit, excess deferred income taxes; normalization.
02/12	PUC Docket 40020	TX	Cities Served by Oncor	Lone Star Transmission, LLC	Temporary rates.
03/12	2011-00401	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Company	Big Sandy 2 environmental retrofits and environmental surcharge recovery.
4/12	2011-00036 Direct Rehearing Supplemental Direct Rehearing	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Rate case expenses, depreciation rates and expense.
04/12	10-2929-EL-UNC	OH	Ohio Energy Group	AEP Ohio Power	State compensation mechanism, CRES capacity charges, Equity Stabilization Mechanism
05/12	11-346-EL-SSO 11-348-EL-SSO	OH	Ohio Energy Group	AEP Ohio Power	State compensation mechanism, Equity Stabilization Mechanism, Retail Stability Rider.
05/12	11-4393-EL-RDR	OH	Ohio Energy Group	Duke Energy Ohio, Inc.	Incentives for over-compliance on EE/PDR mandates.
06/12	40020	TX	Cities Served by Oncor	Lone Star Transmission, LLC	Revenue requirements, including ADIT, bonus depreciation and NOL, working capital, self insurance, depreciation rates, federal income tax expense.
07/12	120015-EI	FL	South Florida Hospital and Healthcare Association	Florida Power & Light Company	Revenue requirements, including vegetation management, nuclear outage expense, cash working capital, CWIP in rate base.
07/12	2012-00063	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Environmental retrofits, including environmental surcharge recovery.
09/12	05-UR-106	WI	Wisconsin Industrial Energy Group, Inc.	Wisconsin Electric Power Company	Section 1603 grants, new solar facility, payroll expenses, cost of debt.
10/12	2012-00221 2012-00222	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Company, Kentucky Utilities Company	Revenue requirements, including off-system sales, outage maintenance, storm damage, injuries and damages, depreciation rates and expense.
10/12	120015-EI Direct	FL	South Florida Hospital and Healthcare Association	Florida Power & Light Company	Settlement issues.
11/12	120015-EI Rebuttal	FL	South Florida Hospital and Healthcare Association	Florida Power & Light Company	Settlement issues.

**Expert Testimony Appearances
of
Lane Kollen
as of October 2013**

Date	Case	Jurisdict.	Party	Utility	Subject
10/12	40604	TX	Steering Committee of Cities Served by Oncor	Cross Texas Transmission, LLC	Policy and procedural issues, revenue requirements, including AFUDC, ADIT – bonus depreciation & NOL, incentive compensation, staffing, self-insurance, net salvage, depreciation rates and expense, income tax expense.
11/12	40627 Direct	TX	City of Austin d/b/a Austin Energy	City of Austin d/b/a Austin Energy	Rate case expenses.
12/12	40443	TX	Cities Served by SWEPCO	Southwestern Electric Power Company	Revenue requirements, including depreciation rates and service lives, O&M expenses, consolidated tax savings, CWIP in rate base, Turk plant costs.
12/12	U-29764	LA	Louisiana Public Service Commission Staff	Entergy Gulf States Louisiana, LLC and Entergy Louisiana, LLC	Termination of purchased power contracts between EGSL and ETI, Spindletop regulatory asset.
01/13	ER12-1384 Rebuttal	FERC	Louisiana Public Service Commission	Entergy Gulf States Louisiana, LLC and Entergy Louisiana, LLC	Little Gypsy 3 cancellation costs.
02/13	40627 Rebuttal	TX	City of Austin d/b/a Austin Energy	City of Austin d/b/a Austin Energy	Rate case expenses.
03/13	12-426-EL-SSO	OH	The Ohio Energy Group	The Dayton Power and Light Company	Capacity charges under state compensation mechanism, Service Stability Rider, Switching Tracker.
04/13	12-2400-EL-UNC	OH	The Ohio Energy Group	Duke Energy Ohio, Inc.	Capacity charges under state compensation mechanism, deferrals, rider to recover deferrals.
04/13	2012-00578	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Company	Resource plan, including acquisition of interest in Mitchell plant.
05/13	2012-00535	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corporation	Revenue requirements, excess capacity, restructuring.
06/13	12-3254-EL-UNC	OH	The Ohio Energy Group, Inc., Office of the Ohio Consumers' Counsel	Ohio Power Company	Energy auctions under CBP, including reserve prices.
07/13	2013-00144	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Company	Biomass renewable energy purchase agreement.
07/13	2013-00221	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corporation	Agreements to provide Century Hawesville Smelter market access.

EXHIBIT ____ (LK-2)

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

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

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

a. Please provide a copy of all correspondence and all other documents related to the negotiations between Big Rivers and/or Kenergy and Alcan to "provide the company with power supply from the wholesale power market, along the lines of what was being offered to Century Hawesville, rather than form Big Rivers."

b. Please provide a copy of all financial analysis performed by Big Rivers and/or Kenergy to determine if a market based power supply was necessary to keep the Sebree smelter in operation.

Response) Big Rivers and Kenergy object that this request is overly broad and unduly burdensome to the extent that it seeks production of drafts of agreements. They further object to the extent that this request seeks information that is subject to the attorney client and attorney work product privileges. Notwithstanding these objections and without waiving them, they state as follows.

a. Please see the attached documents for correspondence between Big Rivers and/or Kenergy and Alcan regarding market-priced power negotiations. The documents attached here are not confidential, notwithstanding any markings to the contrary.

b. Neither Big Rivers nor Kenergy performed financial analysis of whether a market-based power supply was necessary to keep the Sebree smelter in operation. On January 31, 2013, Big Rivers and Kenergy received a letter from Mr. Jack Miller, President of Alcan Primary Products Corporation ("APPC"), constituting written Notice of Termination in accordance with Section 7.3.1 of the Retail Electric Agreement dated July 1, 2009. In that same letter Mr. Miller stated that he believed Big Rivers and Kenergy had entered into negotiations with Century to waive the obligations of Section 7.3.1 and to otherwise assist Century to access market power in order to keep Century's Hawesville smelter open beyond August 20, 2013. He further stated that in the event APPC decided 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. The only financial information Big Rivers has regarding the profitability of the Alcan smelter comes from monthly plant newsletters distributed to the Alcan employees; those newsletters reflect monthly results of the Sebree plant Key Performance Indicators (KPI's). Please see the attached Alcan monthly newsletters dated December 2012 and May 2013.

Witnesses) Robert W. Berry and Gregory J. Starheim

EXHIBIT B

Sebree, KY
conveyor
Monthly Results of Sebree's Key Performance Indicators
DECMEBER 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 are all 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.

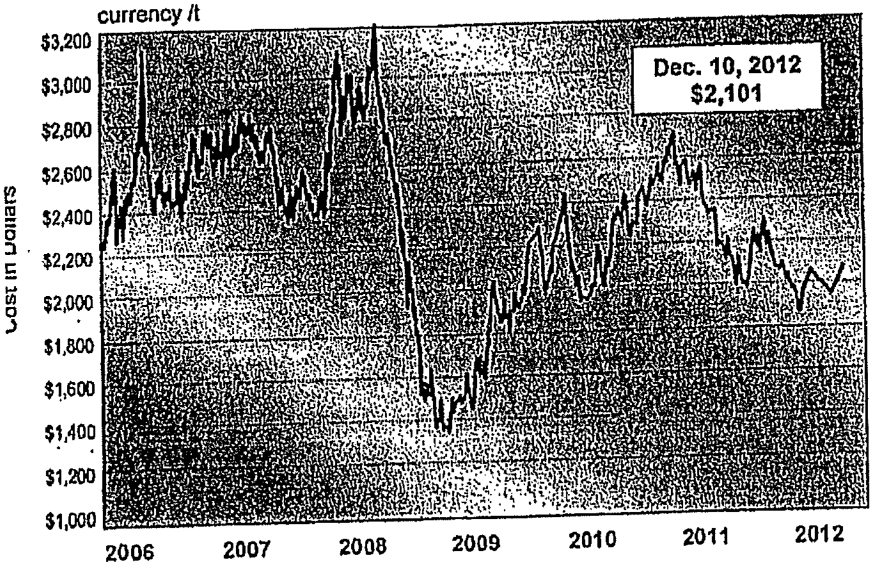
Maintenance, which takes the combined average of Casting, Electrode and Potlines, finished with a strong 109 percent.

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, remeined well above the 5 million mark.

Metal Price & Inventory Key Performance Indicators

Aluminum (LME) Price



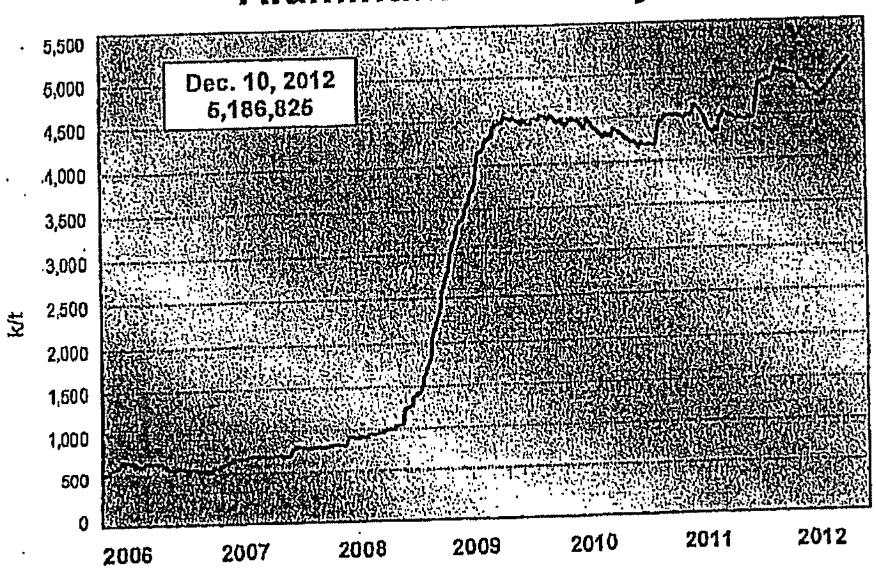
ALUMINUM (LME) PRICE

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

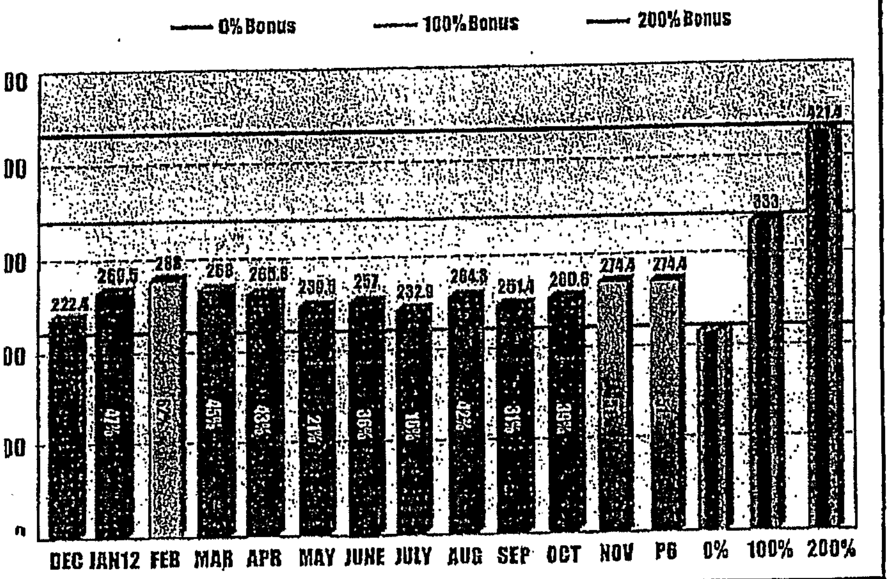
NOVEMBER: Red

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)



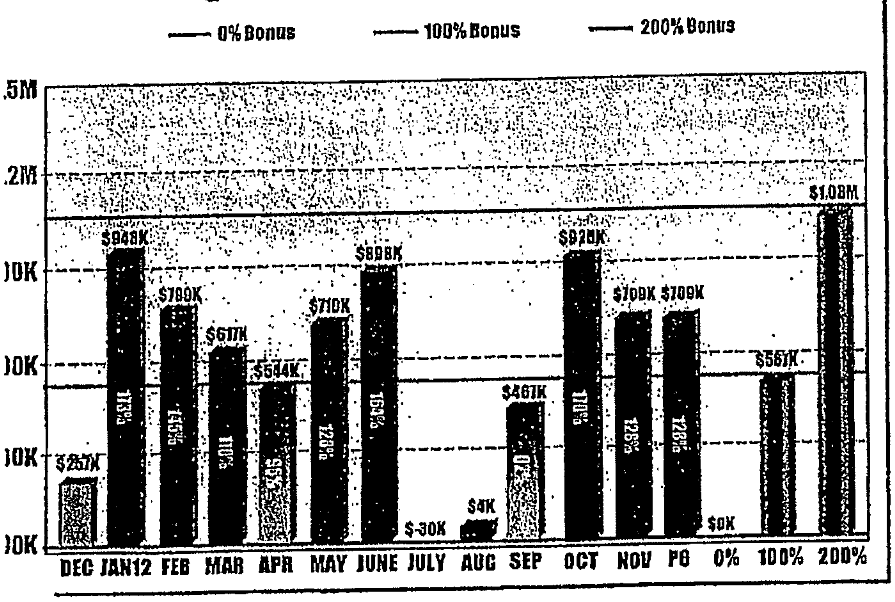
BILLET TONNES PRODUCED (daily average)

NOVEMBER: Green

For second month in a row, Sebree'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!!

012 Casting Monthly Profit (compared to T-bar)



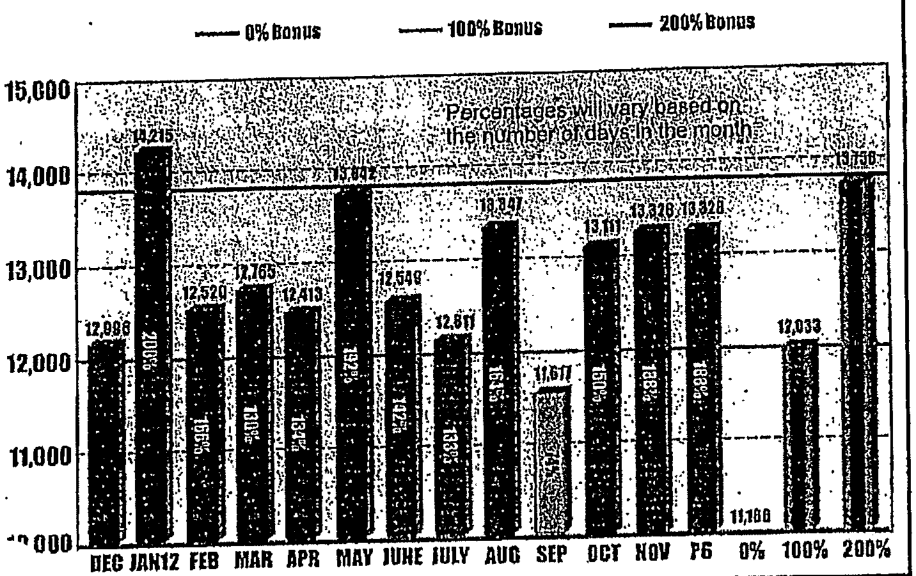
CASTING PROFIT (monthly average)

NOVEMBER: Red

[illegible]

Electrode Department Key Performance Indicators

2012 Good Rodded Anodes (monthly average)



GOOD RODDED ANODES (monthly average)

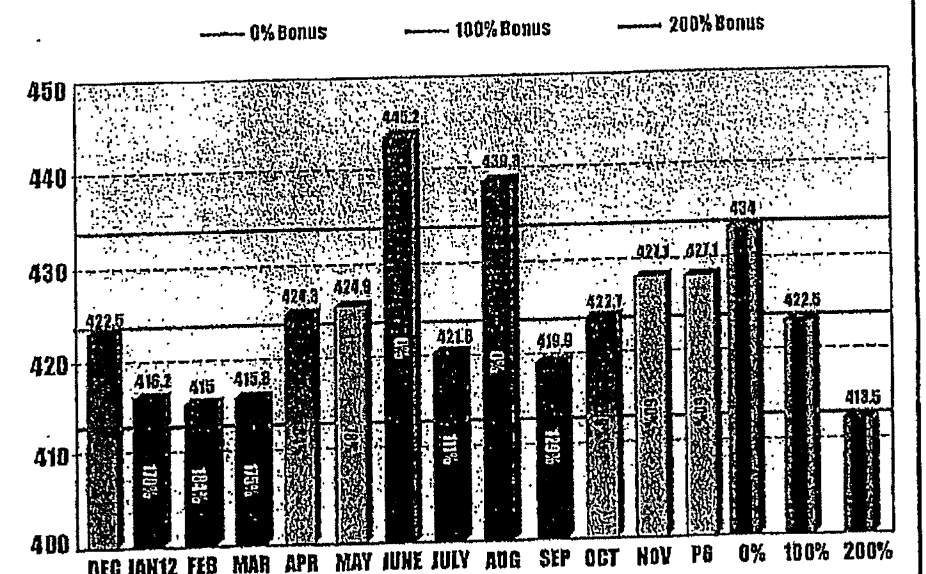
NOVEMBER: Green

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

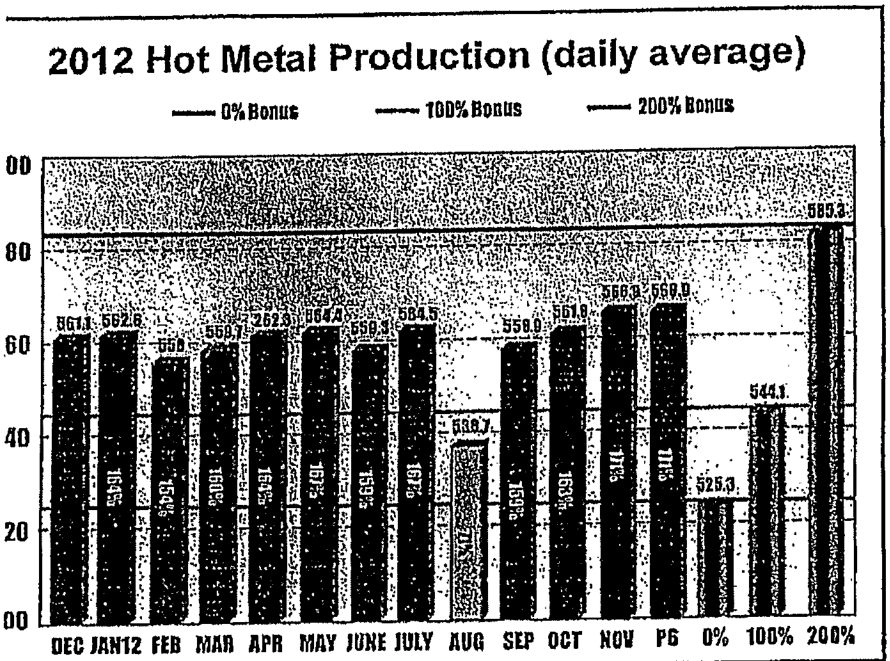
NOVEMBER: Red

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.

5

Potlines Department Key Performance Indicators

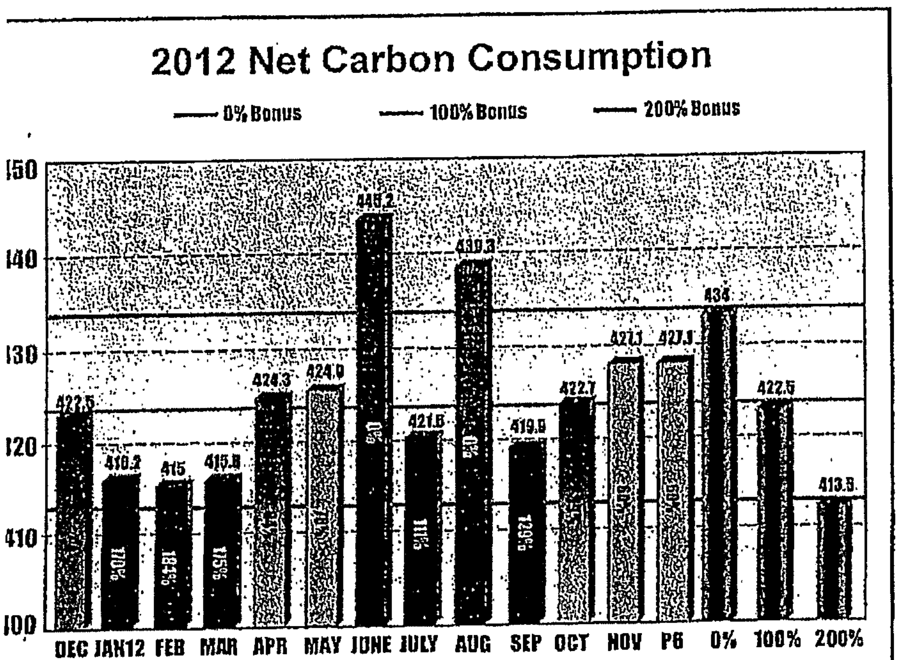


HOT METAL PRODUCTION (daily average)

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.



NET CARBON CONSUMPTION

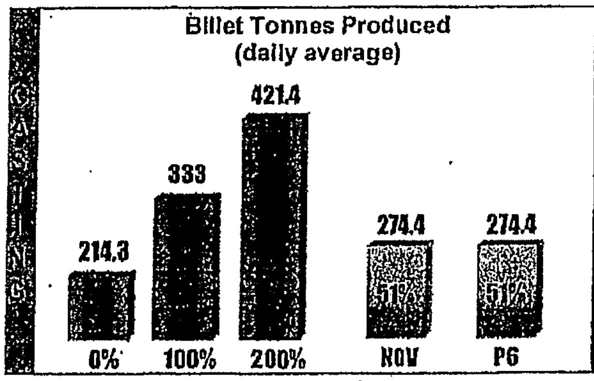
NOVEMBER: Red

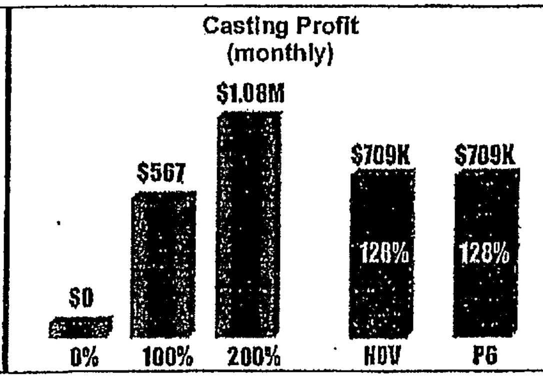
It wasn't the greatest of months for the net carbon consumption KPI as the department managed to reach only 60 percent of the monthly bonus scale.

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

Summary of Department Key Performance Indicators

CASTING



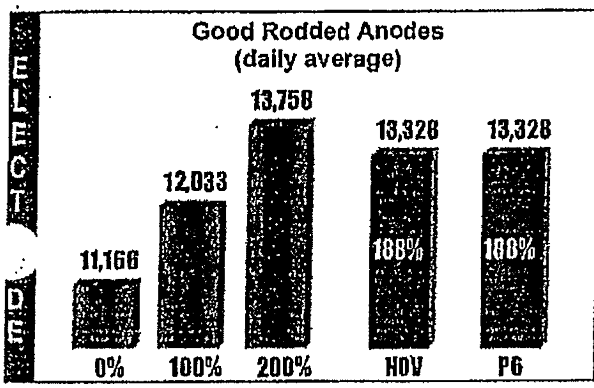


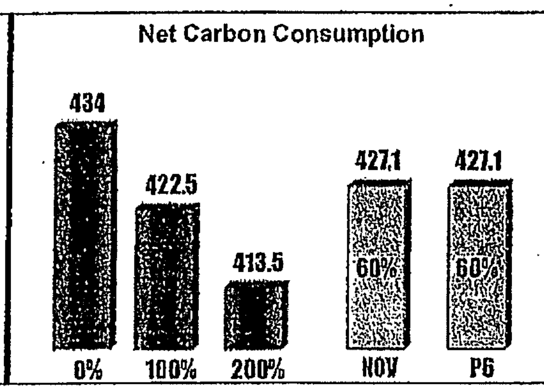
Month Combined Average
89.1%

Period 6 Combined Average
89.1%

P6 payout at this percentage:
$660

ELECTRODE



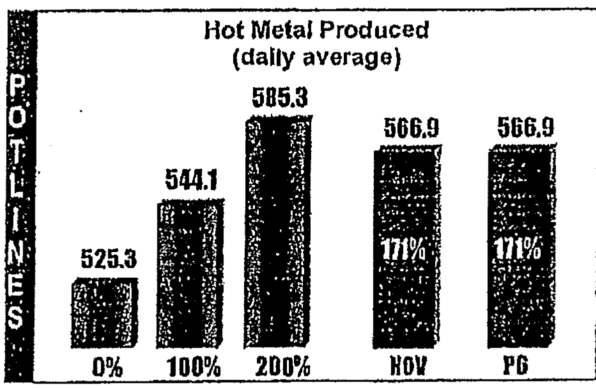


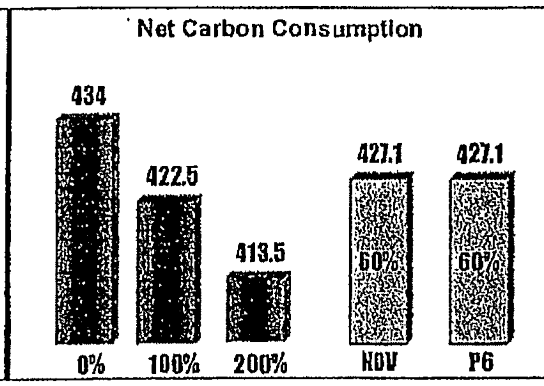
Month Combined Average
123.9%

Period 6 Combined Average
123.9%

P6 payout at this percentage:
$910

POTLINES





Month Combined Average
115.5%

Period 6 Combined Average
115.5%

P6 payout at this percentage:
$950

Total Maintenance Score =

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

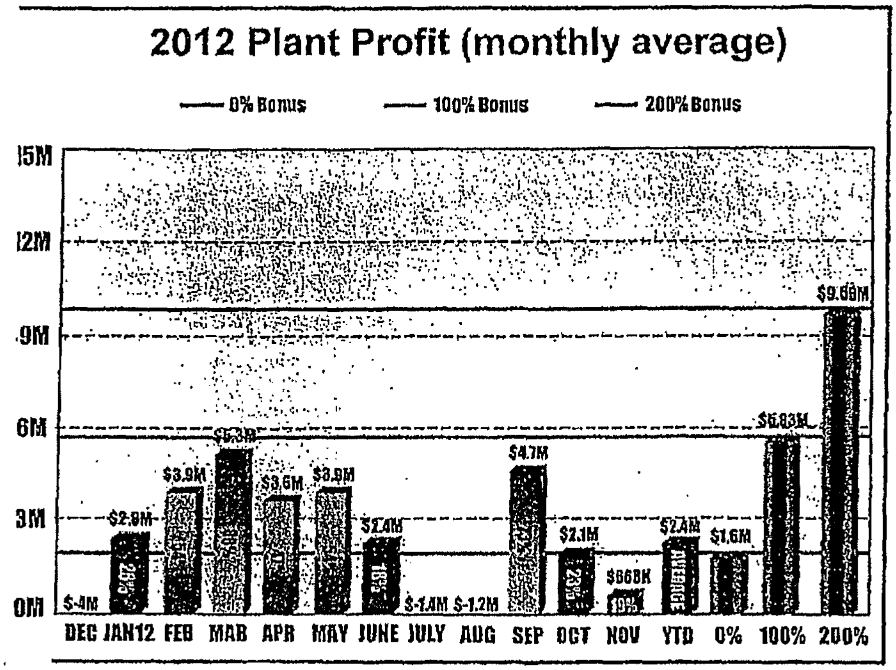
Note: The average payout by area is estimated and does not include the effect of overtime premium or vacation hours.

Month Combined Average
109.5%

Period 6 Combined Average
109.5%

P6 payout at this percentage:
$750

Sebree Smelter Key Performance Indicator



PLANT PROFIT

NOVEMBER: Red

The good news — Sebree made a profit in November. The not so good news is that it was below $1 million.

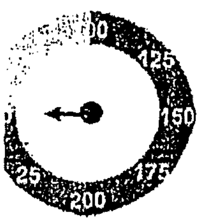
The plant made $668,000 which was lower than October so that makes this indicator red for the month.

2012 estimated annual bonus payout at this percentage will be

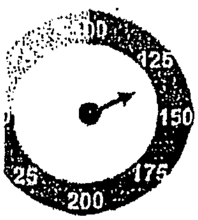
$220

CASTING	ELECTRODE	POTLINES	MAINTENANCE	SAFETY

CASTING



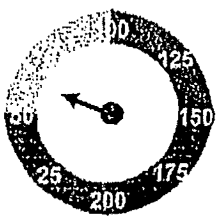
MONTH
Billet Tonnes



MONTH
Profit

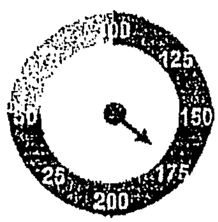
ELECTRODE

MONTH
Rodded Anodes

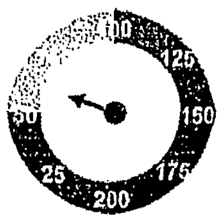


MONTH
Net Carbon

POTLINES

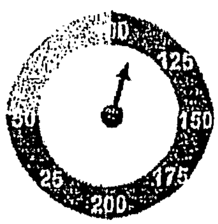


MONTH
Metal Produced



MONTH
Net Carbon

MAINTENANCE



MONTH
Combined

SAFETY

MEDICAL TREATMENT CASES (MTC/LTII)

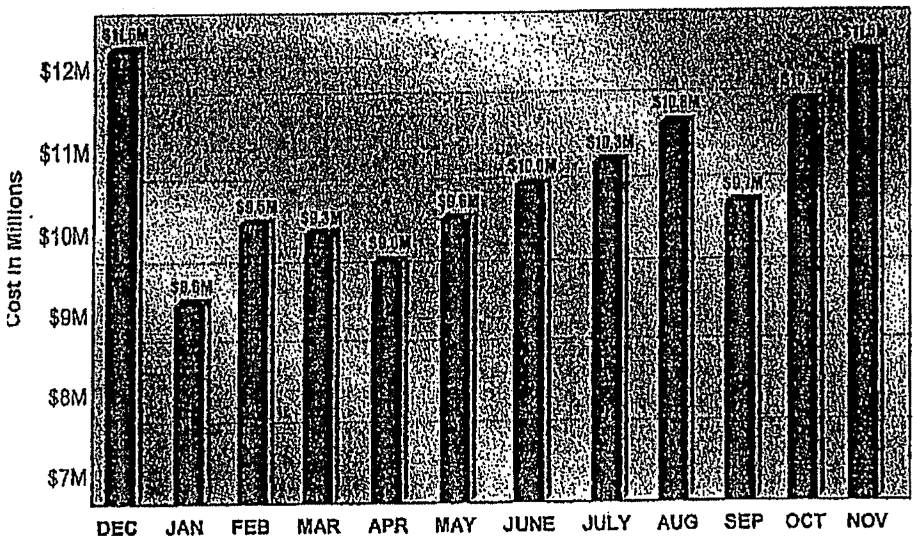
BMP1	BMP1	BMP1
0	1	2
JAN-FEB	MAR-APR	MAY-JUN
BMP1	BMP1	BMP1
1	1	0
JUL-AUG	SEP-OCT	NOV-DEC

(BMP)
Bi-Monthly Period

HOURLY

Sebree Smelter Key Performance Indicators

2012 Plant Total Operating Costs



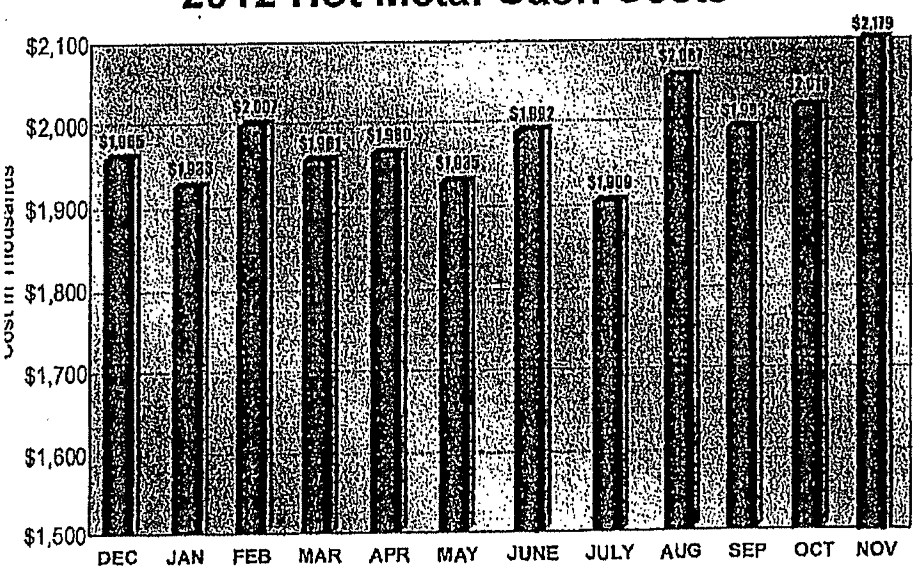
TOTAL OPERATING COSTS

NOVEMBER: Red

November marks the third 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 costs indicator.

November's final number of $2,179 was the worst this year — nearly $100 higher than the previous high month in August.

Monthly Results of Sebree's Key Performance Indicators

Sebree Works

conveyor

EVERYTHING IS LINKED

MAY 2013

DEPARTMENT RESULTS

APRIL

CASTING

Billet Production 268.1 (38%)

Net Remelt 197.1 (153%)

ELECTRODE

Operating Cost $1.22M (200%)

Anode Resistivity 60 (118%)

MAINTENANCE

Cost (routine) $863K (200%)

Production Average 145%

POTLINES

Iron Level .068% (200%)

FL Emission .643 (0%)

PLANT RESULTS

HOT METAL PRODUCTION PER DAY AVERAGE

578.2 200% of goal

COSTS

Operating $10.9M

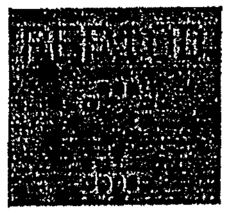
Hot Metal Cash $2,226 MT

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.

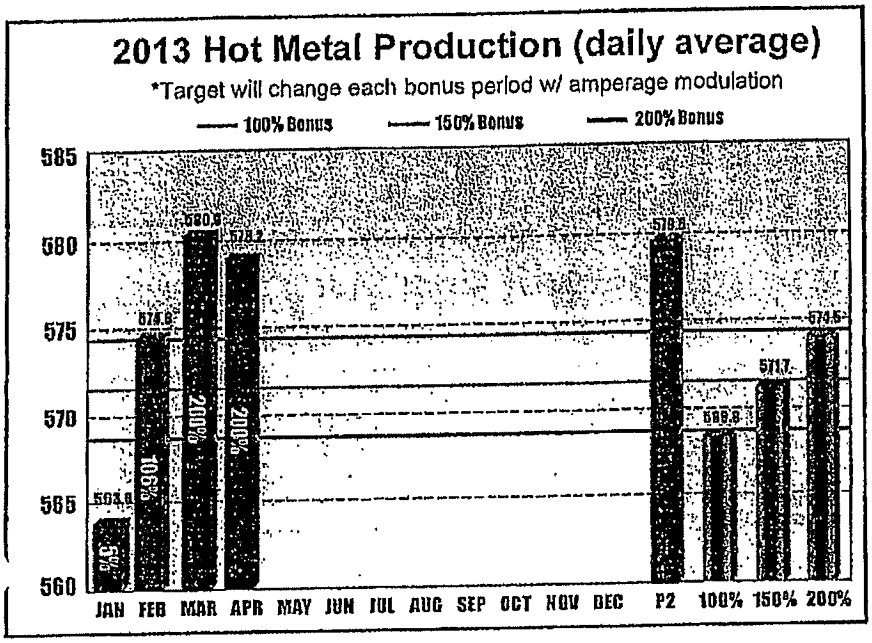
Casting's April numbers were pretty good, when combined with the hot metal production KPI. The billet tonnes produced KPI finished at 38 percent but the net remelt number was at 153 percent of the monthly goal. The second period bonus for Casting employees was 83.3 percent, which makes a payout of $590.

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.

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

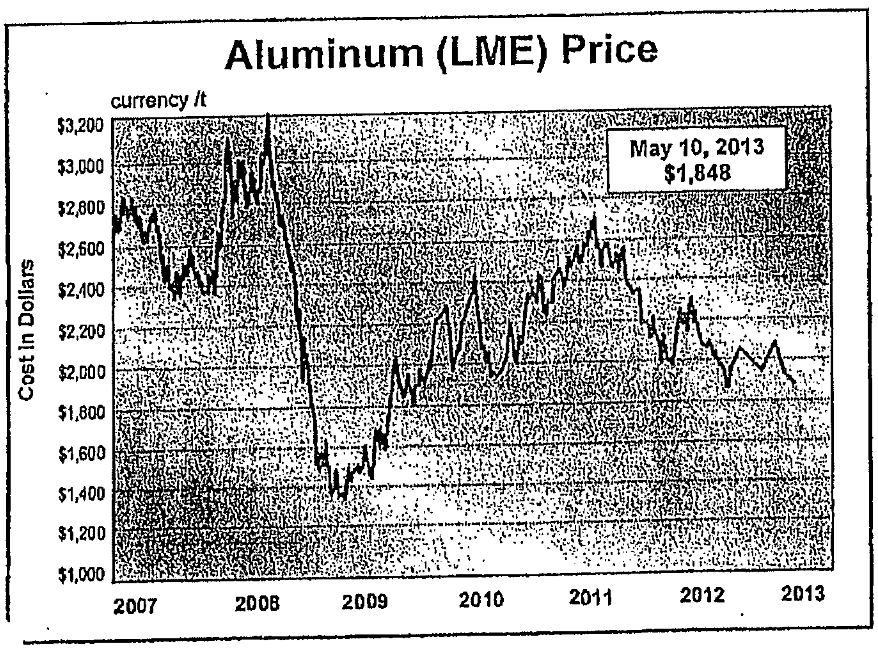
APRIL: Red

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.



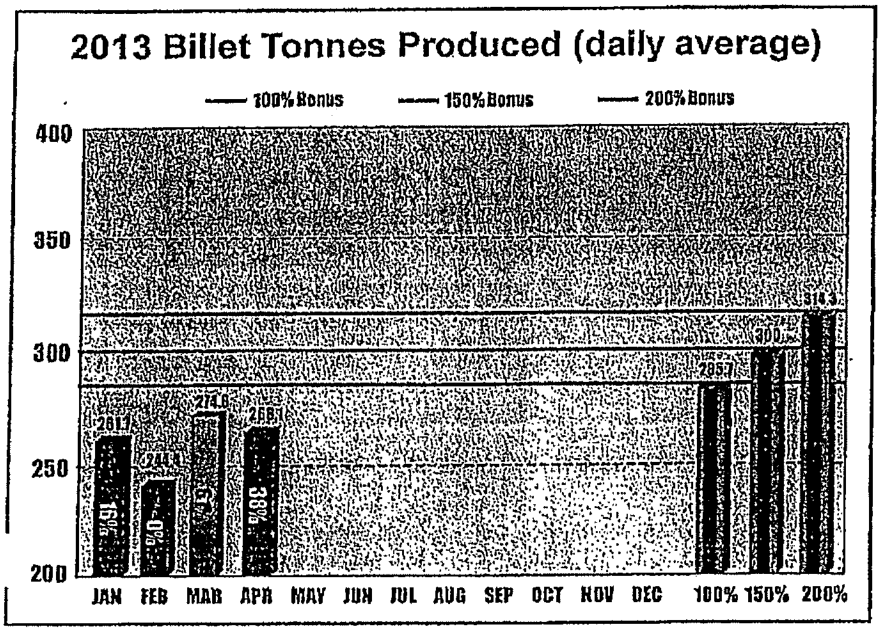
ALUMINUM (LME) PRICE

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

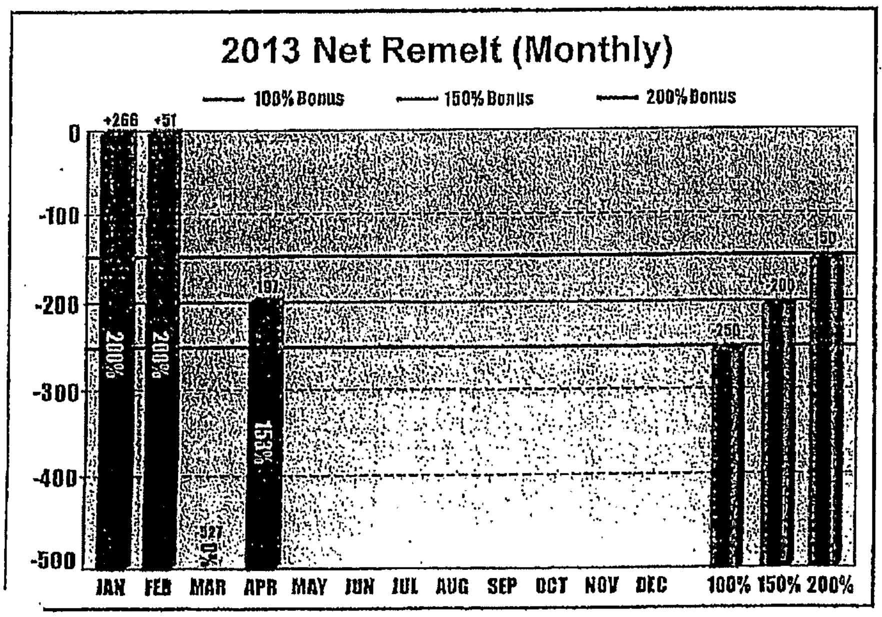


BILLET TONNES PRODUCED (daily average)

APRIL: Red

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

That also dropped the second bonus period to just 30 percent.

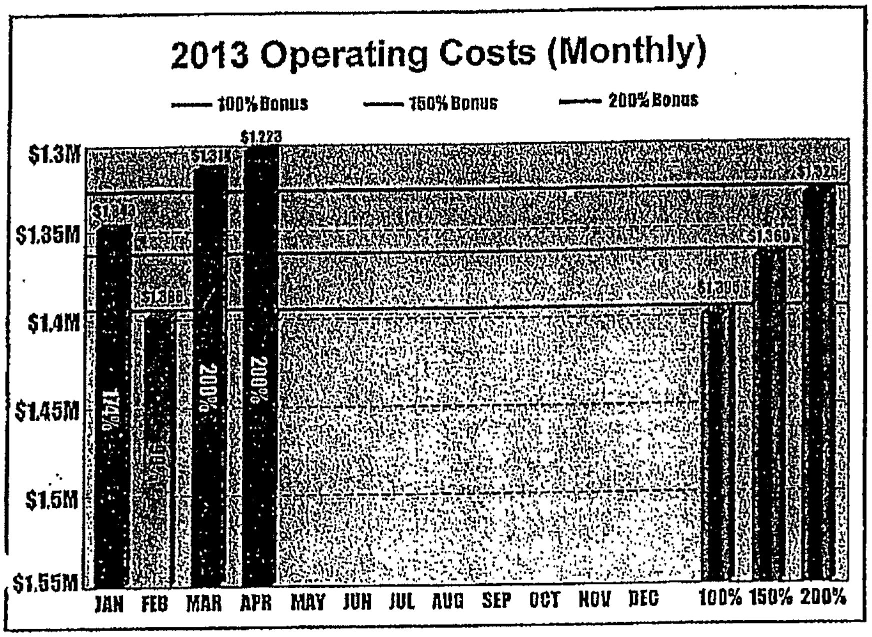


NET REMELT

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

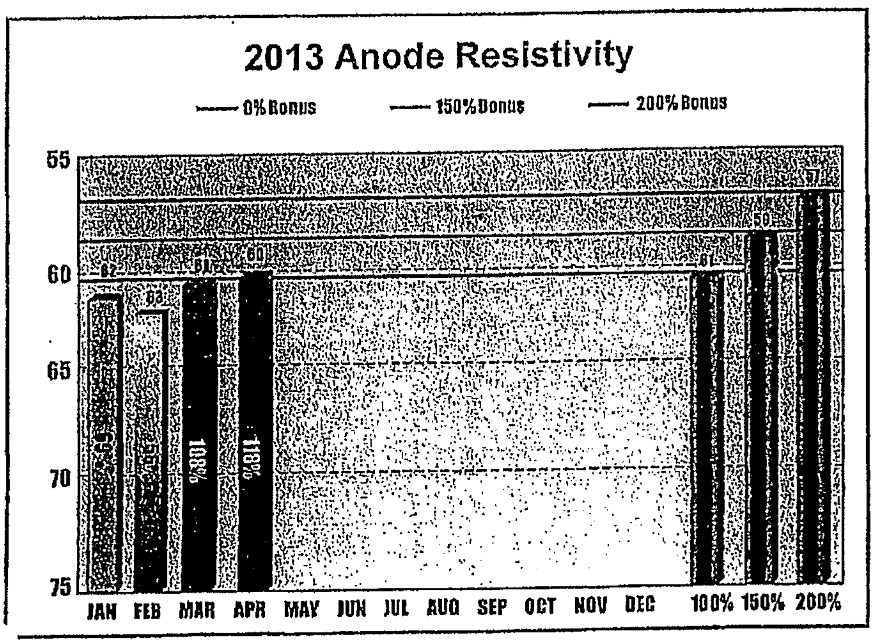


OPERATING COSTS

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

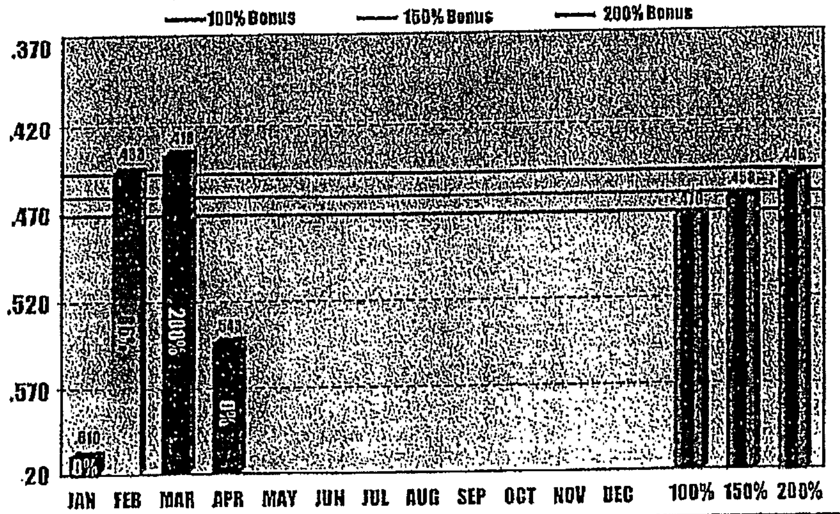
It was the best month this year for Electrode's resistivity rate as the number ended at 60.

The latest figure was good enough to finish at 118 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

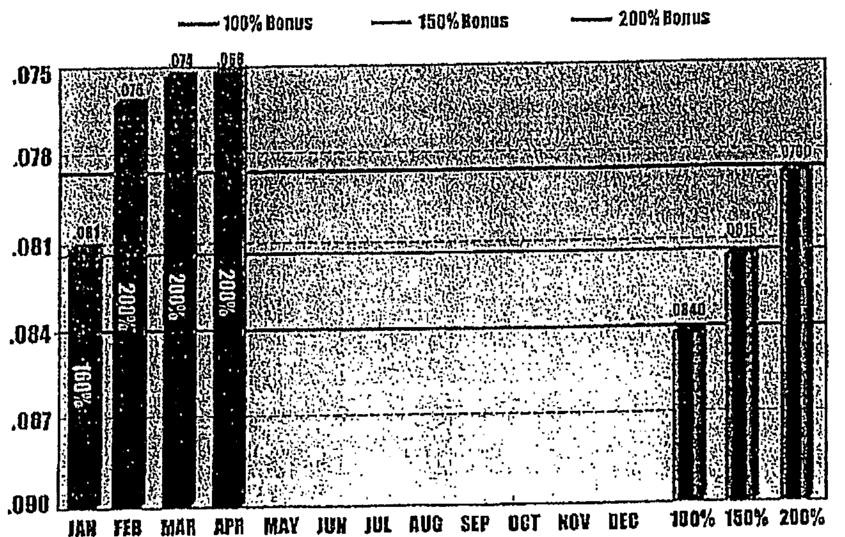
APRIL: Red

Well, that didn't last long.

Just as the fluoride emissions rate hit the 200 percent mark in March, it fell back to 0 percent in April. That makes this 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.

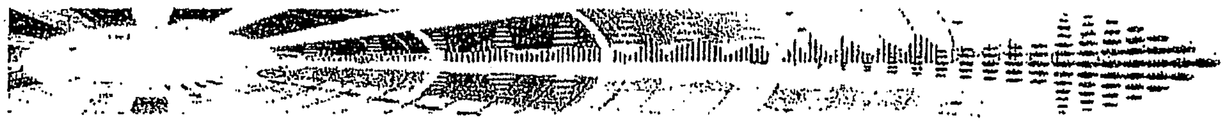
2013 Iron Level



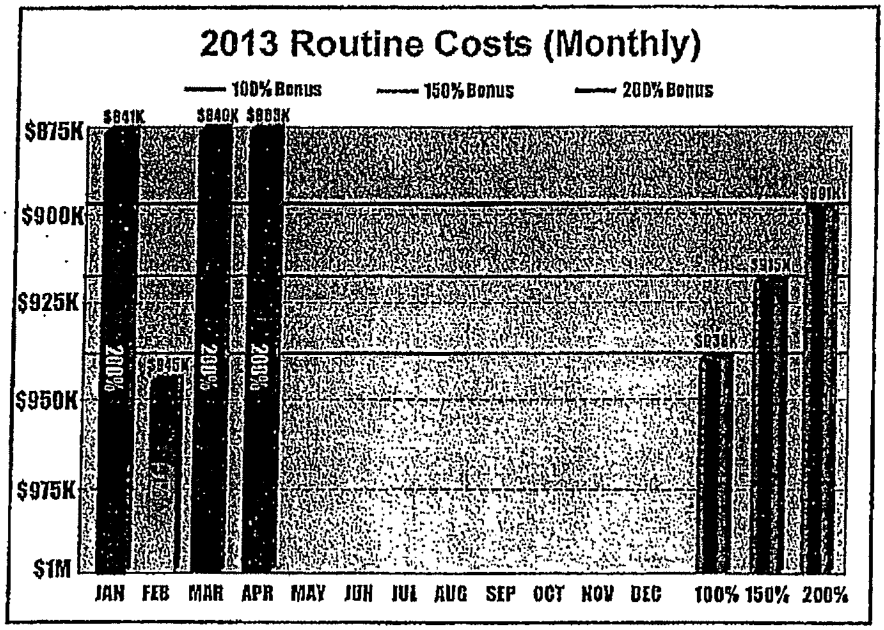
IRON LEVEL

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 fourth consecutive month. That helps offset the fluoride emissions number above.



Maintenance Department Key Performance Indicators

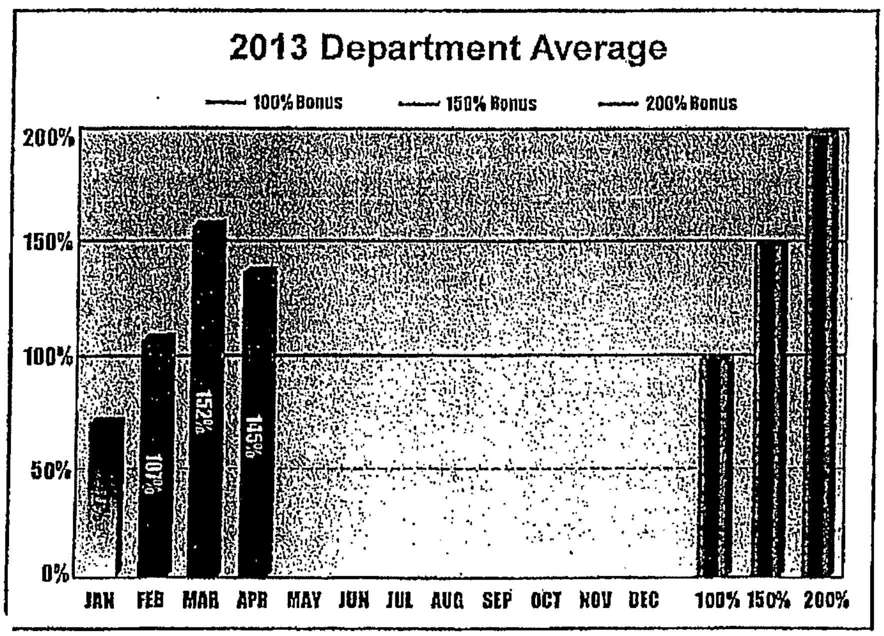


ROUTINE COSTS

APRIL: Red

Sebree's Maintenance department recorded another fantastic month in the routine cost KPI by finishing at 200 percent.

This is the second month in a row and third out 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

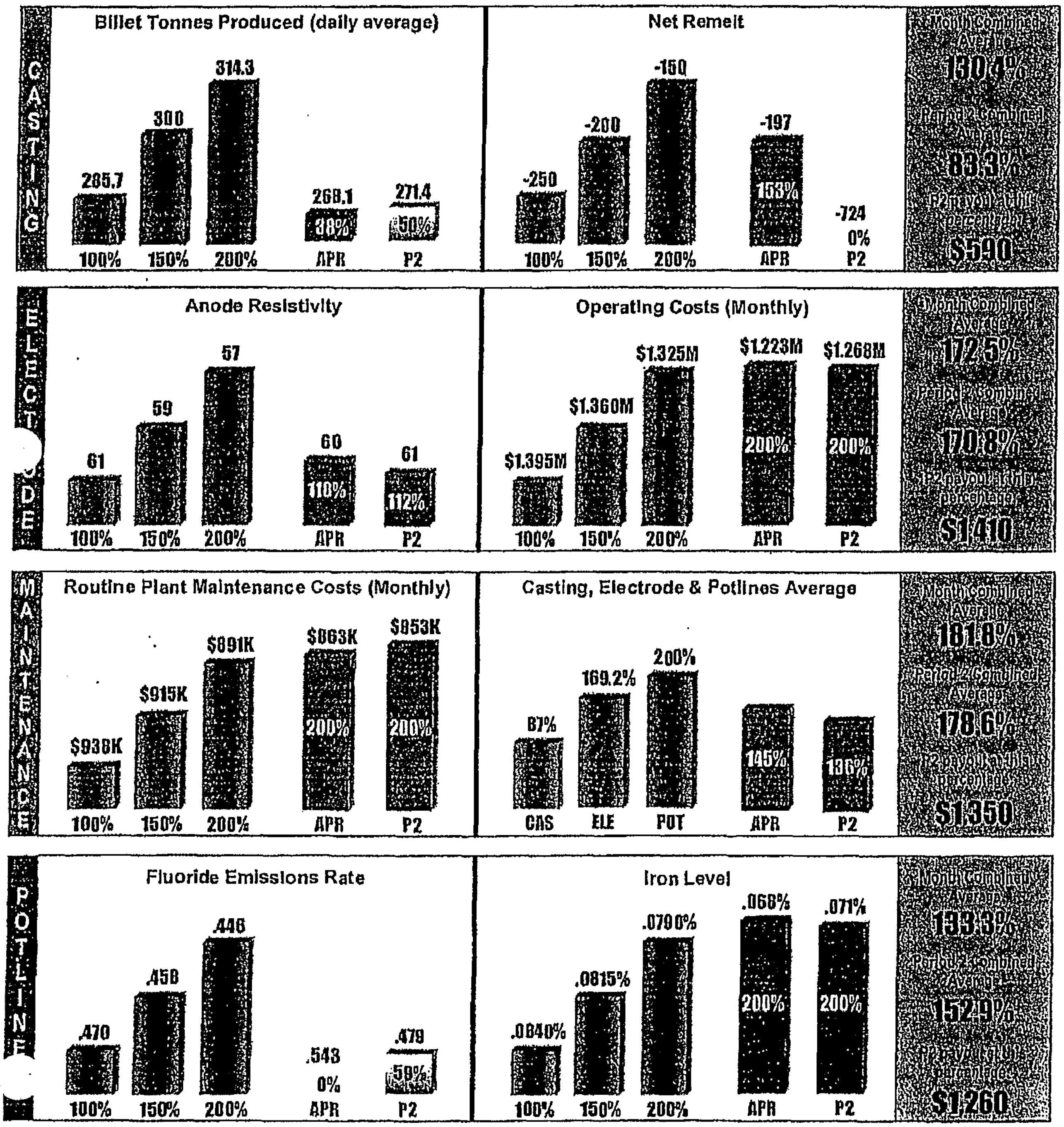
APRIL: Red

Sebree's department average dropped a little bit in April which makes the indicator red.

However, the latest number finished at 145 percent.

Summary of Department Key Performance Indicators

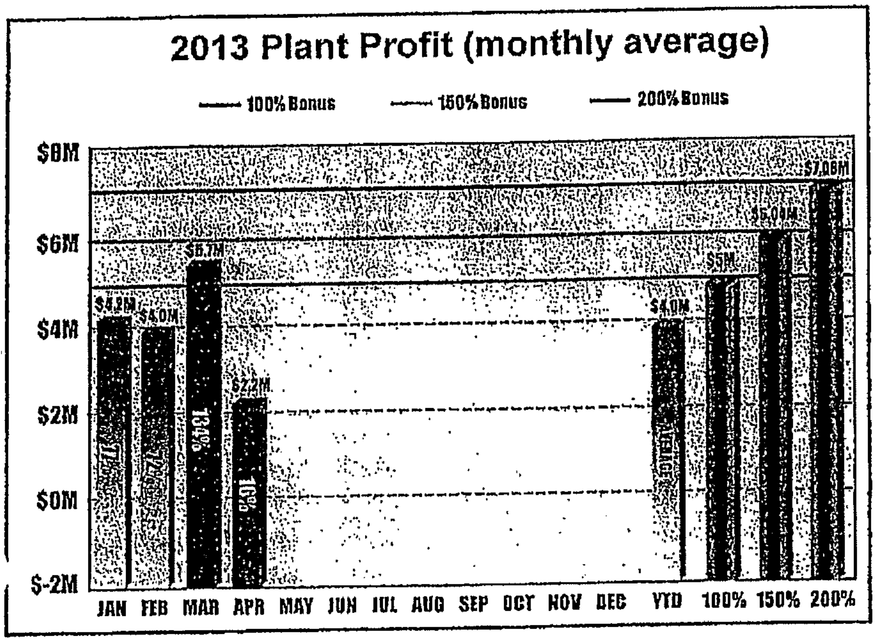
Percentages for all departments reflect their third KPI — Hot Metal Production



Case No. 2013-00413
Attachment for Response to KIUC 1-12(b)
Page 15 of 16

APRIL 2013 Results

Sebree Smelter Key Performance Indicator



PLANT PROFIT

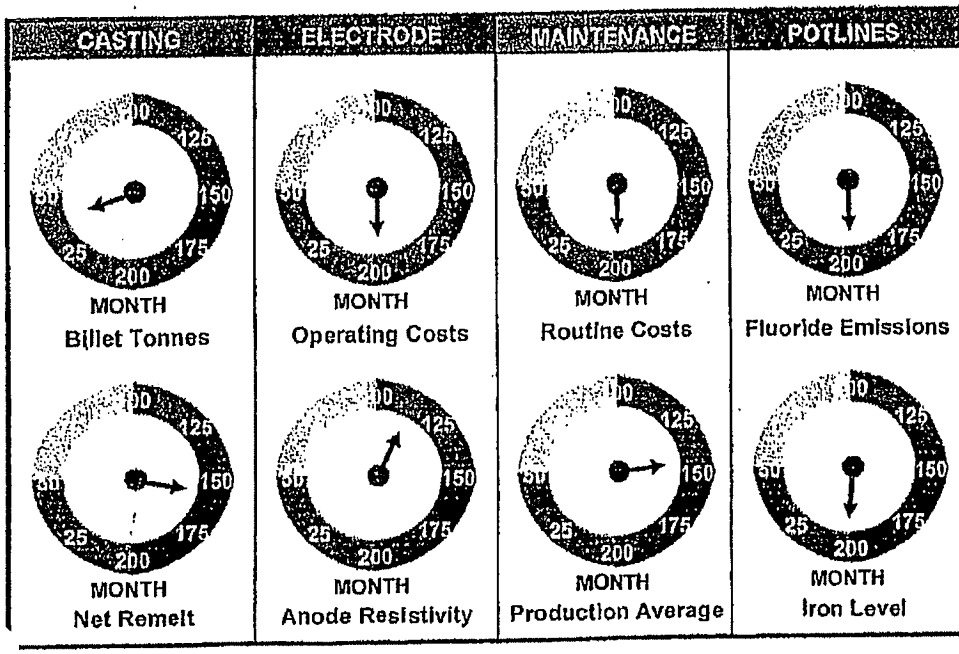
APRIL: Red

After a stellar 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



SAFETY

MEDICAL TREATMENT CASES (MTC/LTII)

BMP1 1 JAN-FEB	BMP2 1 MAR-APR	BMP3 0 MAY-JUN
BMP4 0 JUL-AUG	BMP5 0 SEP-OCT	BMP6 0 NOV-DEC

(BMP)
Bi-Monthly Period

HOURLY

APRIL 2013 Results

EXHIBIT ____ (LK-3)

Item 5) *Reference TE Berry at page 38, line 21 to page 39, line 3. As to this testimony:*

a. *Please provide a detailed estimate of the sum of the costs to be recovered by Big Rivers "relating to differences between the Century Sebree Transaction and the Century Hawesville Transaction".*

b. *Please provide the date(s) by which the above referenced costs will be recovered under the proposed agreement(s); and*

c. *Please describe any other differences between the Century Sebree Transaction and the Century Hawesville Transaction, which have not been discussed in the Application.*

Response)

a. As noted in my testimony, Big Rivers will receive further reimbursement for internal costs, as long as Big Rivers is the market participant. This amount will be equal to 1.25 full-time equivalent ("FTE") employees under the Sebree transaction, instead of .25 FTE under the Hawesville transaction. The incremental cost recovery of this change is $187,678.50 per year. The other benefit noted was Century Sebree's obligation to purchase zonal resource credits bilaterally to satisfy their load. As a result of this requirement, the Pro Forma Year Cost of the

MISO capacity charge, as shown in Case No. 2013-00199 in the Direct Testimony of John Wolfram, Exhibit 2, Reference Schedule 1.14 (in the amount of $102,110) will no longer be incurred by Big Rivers.

b. The recovery of the 1.25 FTE discussed above will be contingent on whether Big Rivers continues to be the Market Participant ("MP") for Century Sebree. Century has indicated that it will likely seek a new MP. If a new MP is selected and approved, Big Rivers will only recover the cost of a 0.5 FTE. Under the terms of the Direct Agreement, the costs are invoiced and paid monthly..

c. The principal substantive differences between the two referenced transactions are explained in Mr. Berry's answer beginning on page 37 and ending on page 39 of his testimony attached as Exhibit 4 of the Application. While reference is made to the marked copies of the filed agreements for a complete identification of all differences between the two sets of transaction documents, the following narrative further summarizes differences between the two sets of agreements.

- The maximum Base Load under the Electric Service Agreement and Arrangement Agreement is 378 MW, as compared to 482 MW under those agreements relating to the Century Hawesville Transaction. This difference is due to Century's current load at each respective facility.

- The applicable commercial pricing node under the Century Sebree Transaction documents relates to the Sebree Smelter, as compared to relating to the Hawesville Smelter under the Century Hawesville Transaction documents.

- Unlike the Century Hawesville Transaction, Century has advised Big Rivers and Kenergy that Century does not contemplate the addition of capacitors or related equipment at the smelter being served. As a result, no Capacitor Agreement is included in the Century Sebree Transaction documents.

- The Delivery Point under the Electric Service Agreement and Arrangement Agreement relating to the Century Sebree Transaction is the existing set of meters at the Robert A. Reid substation located in Robards, Kentucky, as compared to the meters at the substation of the Coleman Station under those agreements relating to the Century Hawesville Transaction. This change is based on the physical interconnection of the respective facilities.

- The Century Hawesville Transaction documents contain several provisions addressing rights or obligations of the parties relating to the operation of one or multiple, but not all, units of Coleman Station. *See, for example,* Sections 3.3(e)(ii) and 3.5 of the Direct Agreement, and Section 1.1.11(e) of the Electric Service Agreement. These provisions are not needed or included in the Century Sebree Transaction documents because Wilson Station is a single unit generator, unlike Coleman Station.

- The Excess Reactive Demand Charge is based on 54,114 kilovars for the Century Sebree Transaction, as compared to 74,005 kilovars for the Century Hawesville Transaction. This is a negotiated difference from the 2009 agreements among the parties that has been carried over.

- Under Section 10.4 of the Electric Service Agreement relating to the Century Hawesville Transaction, Century Hawesville agreed that Kenergy will modify its tariff to reflect that Century Hawesville is not entitled to electric services under that tariff. This provision is not included in the Electric Service

Agreement relating to the Century Sebree Transaction because Kenergy has confirmed that Century Sebree is not entitled to service under this tariff.

- The Service Period and Term under the Electric Service Agreement and Arrangement Agreement relating to the Century Sebree Transaction is different from the Service Period under those agreements relating to the Century Hawesville Transaction. This is due to a difference in the time of termination of the prior electric service arrangements among the parties for service to Century's respective smelters.

- Under Section 4.5.9 of the Arrangement Agreement relating to the Century Hawesville Transaction, Big Rivers is entitled to recover the cost of 0.25 of a full-time-equivalent employee of Big Rivers to assist in administration of the transaction. This provision is not included in the Arrangement Agreement relating to the Century Sebree Transaction because Big Rivers' recovery of this aspect of its costs relating to the Century Sebree Transaction is addressed in the Direct Agreement.

- Under Section 3.7 of the Direct Agreement relating to the Century Hawesville Transaction, Big Rivers has no obligation to supply any Electric Services from its System Resources for the benefit of the Hawesville Smelter or any Affiliates of Century Hawesville, except that Century Parent or an affiliate is permitted to seek a contractual service arrangement with Big Rivers and Kenergy relating to the Sebree Smelter. The analogous provision in the Direct Agreement relating to the Century Sebree Transaction does not contain this exception because the documents submitted to the Commission effectuate the exception in the Century Hawesville agreements. Section 14.5 of the Electric Service Agreement and Section 14.4 of the Arrangement Agreement relating to the Century Hawesville Transaction also contain similar provisions, including the exception, and those agreements relating to the Century Sebree Transaction similarly do not contain that exception.

- Section 4.1(a)(iii) of the Direct Agreement relating to the Century Hawesville Transaction addresses specific capital and labor costs relating to an outage of Coleman Station in the circumstances specified in that section. That provision is not included in the Direct Agreement relating to the Century Sebree Transaction, as no similar outage is planned for Wilson Station.

- Section 4.1(a)(iv) of the Direct Agreement relating to the Century Hawesville Transaction addresses amounts that may be credited to Century Hawesville after termination of the Initial SSR Agreement. That provision is not included in the Direct Agreement relating to the Century Sebree Transaction because the parties do not expect that an SSR Agreement will be required initially in connection with this transaction.

- Disputes under each Electric Service Agreement, Direct Agreement, Protective Relays Agreement, Tax Indemnity Agreement and Century Parent Guarantee are in some cases subject to the arbitration provisions set forth in those agreements. Those provisions in those agreements relating to the Century Hawesville Transaction provide that the losing party must pay the fees and costs of the prevailing party in any arbitration under those provisions. The analogous provisions in the agreements relating to the Century Sebree Transaction further provide that those fees and costs will be paid as allocated by the arbitration tribunal, if all relief sought by a party to the arbitration is not granted.

- Section 3.6 of each Tax Indemnity Agreement contains a representation and warranty of each party to that agreement relating to knowledge of any action or event that could reasonably be expected to lead to a Tax Claim by a Governmental Authority. The analogous provision in the agreement relating to the Century Sebree Transaction excludes both the Century Hawesville Transaction and the Century Sebree Transaction. This provision of the Century Hawesville agreement did not contain an exception for the Century Sebree documents because, at the time the representation was made, the Century Sebree transaction did not exist.

- The reason for entering into a Protective Relays Agreement in connection with the Century Sebree Transaction is discussed in the portion of Mr. Berry's testimony referenced above. Consistent with that reasoning, Section 2.3 of that agreement provides that the obligations of the parties to that agreement relating to the Work or the Specifications shall not be effective prior to the time Century Sebree determines to install the Protective Relays or otherwise undertakes the Work.

Witness) Robert W. Berry

EXHIBIT ____ (LK-4)

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

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

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

a. Please provide a copy of all correspondence and all other documents related to the negotiations between Big Rivers and/or Kenergy and Alcan to "provide the company with power supply from the wholesale power market, along the lines of what was being offered to Century Hawesville, rather than form Big Rivers."

b. Please provide a copy of all financial analysis performed by Big Rivers and/or Kenergy to determine if a market based power supply was necessary to keep the Sebree smelter in operation.

Response) Big Rivers and Kenergy object that this request is overly broad and unduly burdensome to the extent that it seeks production of drafts of agreements. They further object to the extent that this request seeks information that is subject to the attorney client and attorney work product privileges. Notwithstanding these objections and without waiving them, they state as follows.

a. Please see the attached documents for correspondence between Big Rivers and/or Kenergy and Alcan regarding market-priced power negotiations. The documents attached here are not confidential, notwithstanding any markings to the contrary.

b. Neither Big Rivers nor Kenergy performed financial analysis of whether a market-based power supply was necessary to keep the Sebree smelter in operation. On January 31, 2013, Big Rivers and Kenergy received a letter from Mr. Jack Miller, President of Alcan Primary Products Corporation ("APPC"), constituting written Notice of Termination in accordance with Section 7.3.1 of the Retail Electric Agreement dated July 1, 2009. In that same letter Mr. Miller stated that he believed Big Rivers and Kenergy had entered into negotiations with Century to waive the obligations of Section 7.3.1 and to otherwise assist Century to access market power in order to keep Century's Hawesville smelter open beyond August 20, 2013. He further stated that in the event APPC decided 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. The only financial information Big Rivers has regarding the profitability of the Alcan smelter comes from monthly plant newsletters distributed to the Alcan employees; those newsletters reflect monthly results of the Sebree plant Key Performance Indicators (KPI's). Please see the attached Alcan monthly newsletters dated December 2012 and May 2013.

Witnesses) Robert W. Berry and Gregory J. Starheim

EXHIBIT A

Larry Baronowsky

From:	Coney, Chuck (RTA) <chuck.coney@riotinto.com>
Sent:	Tuesday, March 26, 2013 2:21 PM
To:	Greg Starhelm; 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

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. Starheim 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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RioTinto

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. Starheim 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); gstarhelm@kenergycorp.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.
Benoît Pepin
Directeur Énergie, Amérique du nord
Rio Tinto Alcan
Tel: (514) 848.1406

De : Bob Berry [mailto:Bob.Berry@bigrivers.com]
Envoyé : Saturday, April 06, 2013 09:20 AM
À : Pepin, Benoit (RTA); Coney, Chuck (RTA); Jenkins, Jeremy (RTA)
Cc : Bob Berry <Bob.Berry@bigrivers.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

Larry Baronowsky

From: Pepin, Benoit (RTA) <benoit.pepin@riotinto.com>
Sent: Tuesday, April 16, 2013 8:10 AM
To: Bob Berry
Cc: gstarhelm@kenergycorp.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.

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

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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 Starheim (gstarheim@kenergycorp.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

l'expéditeur par courriel. Si vous n'êtes pas le destinataire du message, vous n'êtes pas autorisé à utiliser, à copier ou à divulguer le contenu du message ou ses pièces jointes en tout ou en partie.

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 Freitag 270-521-7302

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@jpenergy.com
Cc: mark.bailey@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

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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

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

www.sebreeworks.com

EVERYTHING IS LINKED

Rio Tinto

Introduction

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.

EVERYTHING IS LINKED

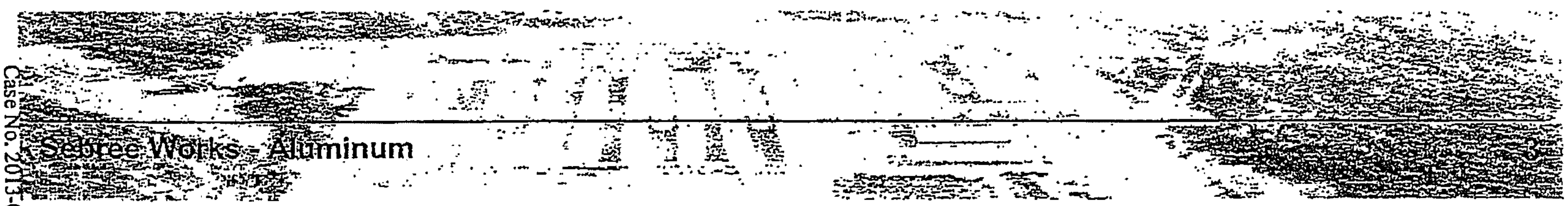
Rio Tinto

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.**

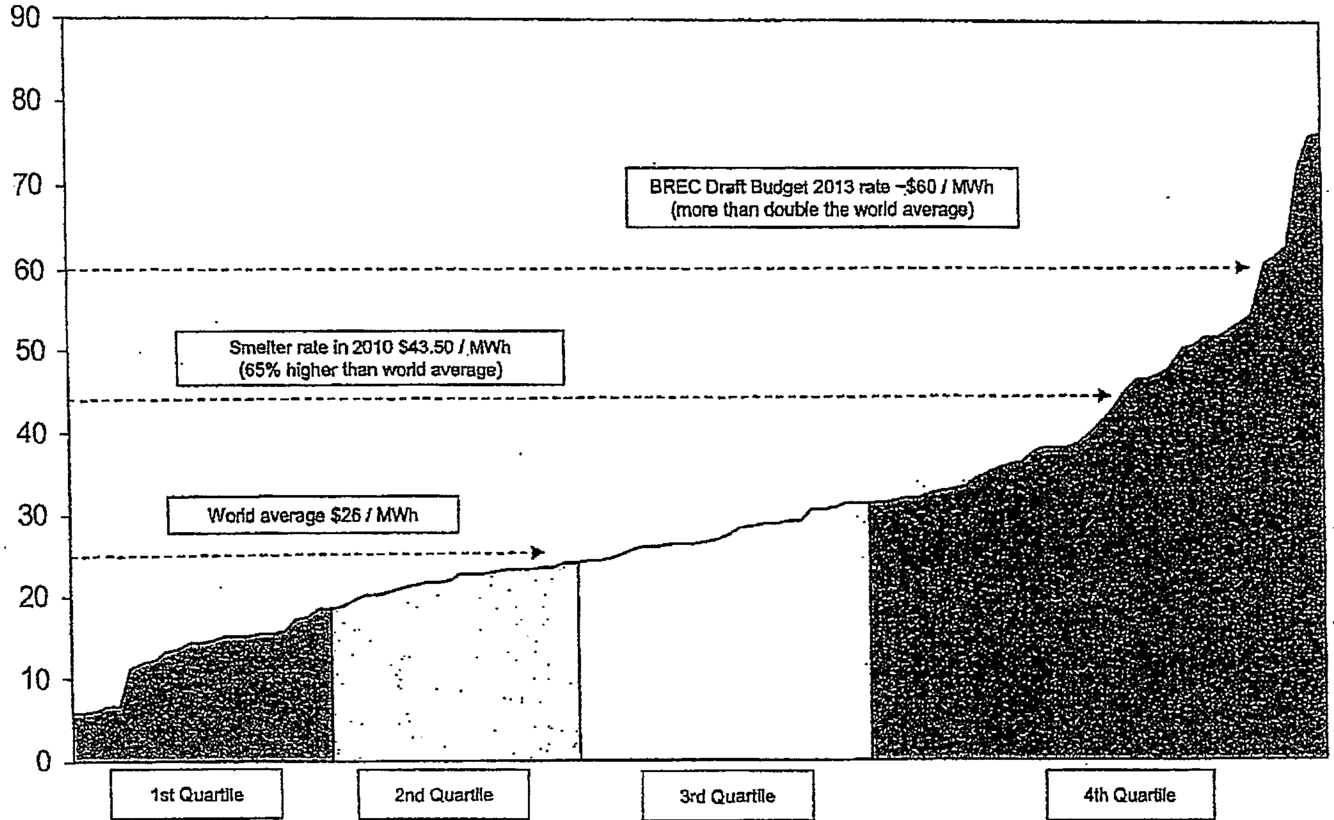


EVERYTHING IS LINKED

Rio Tinto

Smelter power costs worldwide - $/MWh 2010

Electricity is the most important single cost for a smelter.



Source: CRU. Excludes China.

EVERYTHING IS [illegible]

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.

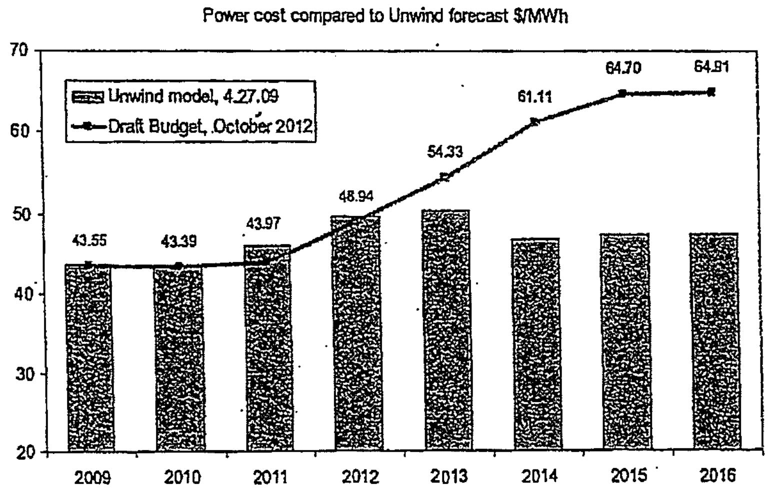
- At $56-60/MWh power, the Sebree smelter is not sustainable.

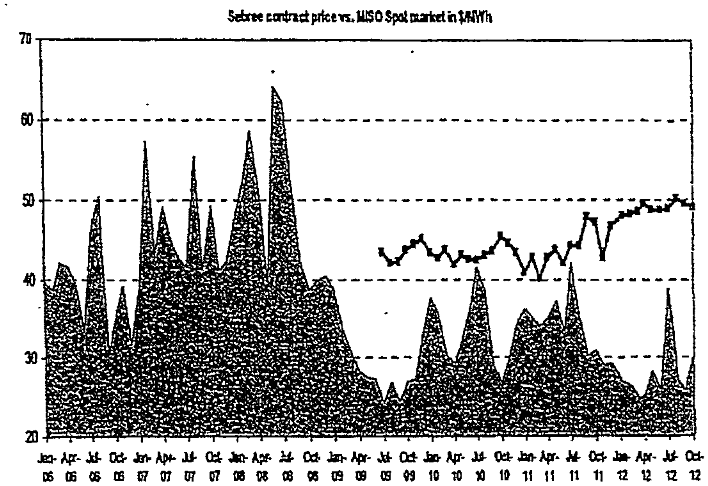
What's different now compared to 2009

EVERYTHING IS LINKED

Rio Tinto

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





- 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 LIMITLESS

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

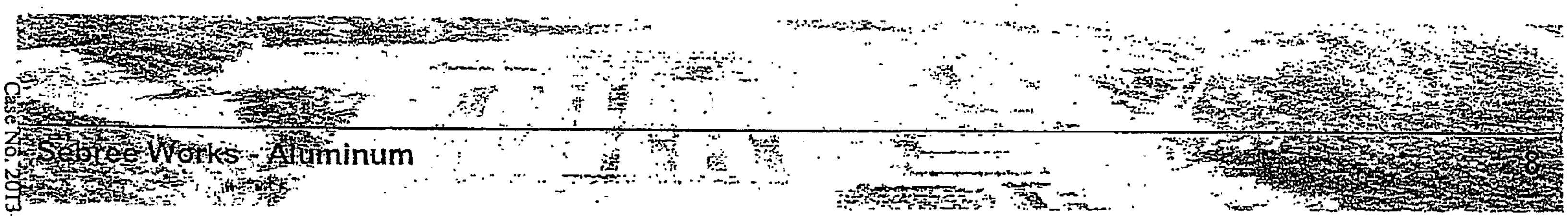
All rates estimated. Non-Smelter rates are based on wholesale rate before Member Rate Stability Mechanism. Assumed that Sebree's power will be sold to the market at $35/MWh after smelter closure.

EVERYTHING IS LINKED

Rio Tinto

"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.

- 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

Case No. 2013-00413
Attachment for Response to KIUC 1-12(a)
Page 20 of 39

Rate impacts on Customers with Sebree solution - 2014

EVERYTHING IS LINKED

RioTinto

	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

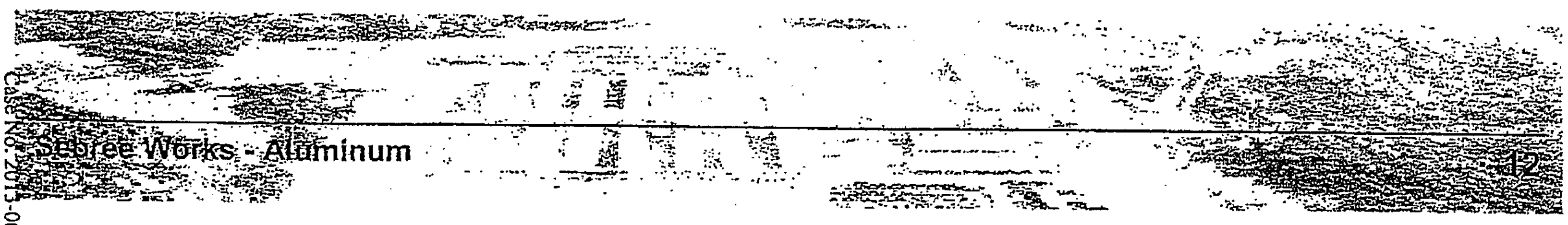
Compared to Sebree smelter shutdown, this proposal offers

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

EVERYTHING IS LINKED

RioTinto

Questions / comments



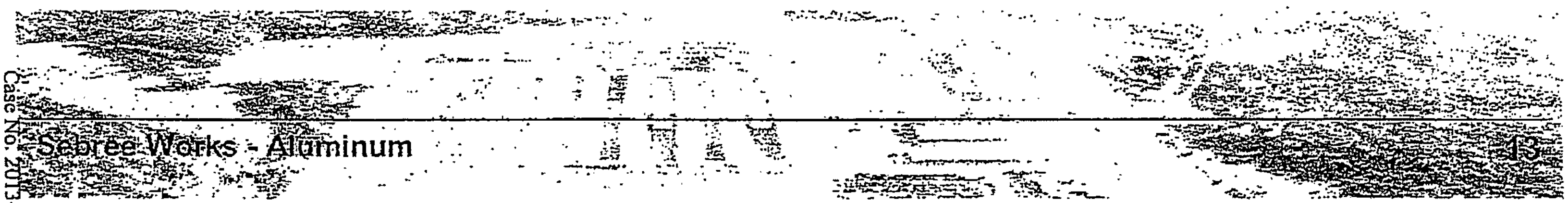
EVERYTHING IS LINKED

Next steps

Depend on our ability and willingness to work together

-
-
-

Rio Tinto



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; 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 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

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 (jbwkenergy@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

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

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

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
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.

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

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@kenergycorp.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* 202.339.8434
> *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

Rio Tinto

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. Starheim 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

EXHIBIT ____ (LK-5)

Item 16) *Refer to pages 4-5 of Mr. Berry's Direct Testimony wherein he describes his role as the "principal negotiator" in both the Century Hawesville Transaction and the Century Sebree Transaction.*

a. *Please describe all efforts by Big Rivers to require Century to pay a stranded cost fee or market access fee in addition to the direct costs to serve Sebree under the new market transaction structure. Provide a copy of all correspondence, all other documents, and all analyses in conjunction with such efforts.*

b. *Please describe all efforts by Big Rivers to determine the profitability of the Sebree smelter and/or its ability to pay a stranded cost fee or market access fee in addition to the direct costs to serve them under the new market transaction structure. Provide a copy of all correspondence, all other documents, and all analyses in conjunction with such efforts.*

c. *Please describe all analyses by, prepared on behalf of, or otherwise provided or otherwise available to, Big Rivers to quantify the savings that Alcan and/or Century would achieve by terminating the currently effective* *contract and instead acquiring the power requirements for the Sebree smelter in the market.*

Response)

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

b. For the reasons stated above, Big Rivers did not try to determine the ability of Century Sebree to pay a stranded cost or exit fee.

c. No analyses have been performed to quantify the potential savings the owner of the Sebree smelter might experience by allowing the Sebree smelter to obtain market priced power on the terms provided in the Century Sebree transaction. Please find attached a market price power estimate Big Rivers provided to APPC on March 12, 2013.

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**			

EXHIBIT ____ (LK-6)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______.

Commission file number 1-34474

Century ALUMINUM

Century Aluminum Company

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**13-3070826** (IRS Employer Identification No.)
One South Wacker Drive **Suite 1000** **Chicago, Illinois** (Address of principal executive offices)	**60606** (Zip Code)

Registrant's telephone number, including area code: (312) 696-3101

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ Yes ☒ No

The registrant had 88,682,931 shares of common stock outstanding at October 31, 2013 .

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements.

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
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
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

See notes to consolidated financial statements

CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
NET SALES:				
Third-party customers	$ 271,016	$ 170,023	$ 680,480	$ 542,884
Related parties	128,912	134,612	372,659	411,560
	399,928	304,635	1,053,139	954,444
Cost of goods sold	387,574	301,385	1,028,901	924,645
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	(4,242)	(13,320)	(27,925)	(9,919)
Interest expense – third party	(5,406)	(6,041)	(17,706)	(17,966)
Interest income – third party	141	72	458	324
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	(8,854)	(11,981)	(28,042)	(23,433)
Income tax expense	(1,384)	(1,168)	(4,714)	(7,384)
Loss before equity in earnings of joint ventures	(10,238)	(13,149)	(32,756)	(30,817)
Equity in earnings of joint ventures	731	1,126	2,118	2,116
Net loss	$ (9,507)	$ (12,023)	$ (30,638)	$ (28,701)
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

See notes to consolidated financial statements

CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Comprehensive loss:				
Net loss	$ (9,507)	$ (12,023)	$ (30,638)	$ (28,701)
Other comprehensive income before income tax effect:				
Net unrealized gain (loss) on financial instruments	—	2	—	(218)
Net loss reclassified to income on financial instruments	—	68	—	549
Net gain on foreign currency cash flow hedges reclassified as income	(46)	(47)	(139)	(140)
Defined benefit plans and other postretirement benefits:				
Net gain arising during the period	—	—	10,349	49
Amortization of prior service benefit during the period	(968)	(1,029)	(2,912)	(3,085)
Amortization of net loss during the period	1,880	2,562	6,362	7,687
Other comprehensive income before income tax effect	866	1,556	13,660	4,842
Income tax effect	(383)	(382)	(1,148)	(1,147)
Other comprehensive income	483	1,174	12,512	3,695
Total comprehensive loss	$ (9,024)	$ (10,849)	$ (18,126)	$ (25,006)

See notes to consolidated financial statements

CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine months ended September 30, 2013	Nine months ended September 30, 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	42,458	21,085
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	$ (93,926)	$ (27,078)

CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)
(Unaudited)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
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 the period	183,976	183,401
Cash and cash equivalents, end of the period	$ 140,801	$ 173,375

See notes to consolidated financial statements

CENTURY ALUMINUM COMPANY

Notes to the Consolidated Financial Statements for the Three and nine months ended September 30, 2013 and 2012
(in thousands, except share and per share amounts)
(Unaudited)

1. General

The accompanying unaudited interim consolidated financial statements of Century Aluminum Company should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 . In management's opinion, the unaudited interim consolidated financial statements reflect all adjustments, which are of a normal and recurring nature, that are necessary for a fair presentation of financial results for the interim periods presented. Operating results for the first nine months of 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013 . Throughout this Form 10-Q, and unless expressly stated otherwise or as the context otherwise requires, "Century Aluminum," "Century," "we," "us," "our" and "ours" refer to Century Aluminum Company and its consolidated subsidiaries.

2. Acquisition of Sebree aluminum smelter

On June 1, 2013, our wholly owned subsidiary, Century Aluminum Sebree LLC ("Century Sebree"), acquired the Sebree aluminum smelter ("Sebree") from a subsidiary of Rio Tinto Alcan, Inc ("RTA"). Sebree, located in Robards, Kentucky, has an annual hot metal production capacity of 205,000 metric tons of primary aluminum and employs approximately 500 people. The purchase price for the acquisition was $ 61,000 (subject to customary working capital adjustments), of which we have paid approximately $48,000 as of September 30, 2013. The remaining portion of the purchase price will be paid following final determination of the applicable working capital adjustments, which will be determined based on the amount of working capital transferred to Century Sebree at closing versus a target working capital amount of $71,000 . As part of the transaction, RTA retained all historical environmental liabilities of the Sebree smelter and funded the pension plan assumed by Century Sebree in accordance with the purchase agreement.

Purchase Price Allocation

Allocating the purchase price to the acquired assets and liabilities involves management judgment. We allocated the purchase price to the assets acquired, liabilities assumed, and the bargain gain in accordance with Accounting Standards Codification ("ASC") 805 "Business Combinations." Once it has been determined that recognition of an asset or liability in a business combination is appropriate, we measure the asset or liability at fair value in accordance with the principles of ASC 820 "Fair Value Measurements and Disclosures." Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The determination of the fair value of certain intangible assets and/or liabilities requires management judgment in each of the following areas:

- *Identifying the acquired intangible assets or liabilities.* In the case of the Sebree acquisition, we assumed a power contract liability as the contracted power price was in excess of current market prices.
- *Estimating the fair value of the intangible assets and/or liabilities.* We consider various approaches to value the acquired intangible assets and/or liabilities. These valuation approaches include the cost approach, which measures the value of an asset based on the cost to reproduce it or replace it with a like asset; the market approach, which values the asset through an analysis of sales and offerings of comparable assets; and the income approach, which measures the value of an asset (or liability) by measuring the present worth of the economic benefits (or costs) it is expected to produce.

CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements (continued)
(Unaudited)

The allocation of the purchase price to the assets acquired and liabilities assumed is based on the estimated fair values at the date of acquisition. The purchase price allocation is preliminary and subject to change based on the finalization of the valuation of certain assets and liabilities. Based on the preliminary purchase price allocation, we recorded a gain on bargain purchase of approximately $5,253 . In connection with the recognition of the bargain purchase gain and related net deferred tax liabilities, we partially released a valuation allowance associated with recorded deferred tax assets of $2,090 . The gain on bargain purchase reflects the London Metal Exchange (the "LME") market and the market risk associated with the power supply agreement for the facility at June 1, 2013. We revised our second quarter financial results for 2013 for certain measurement period adjustments, which are reflected in the year-to-date financial statements (and not in the financial statements for the quarter). The measurement period adjustments to date include adjustments to the valuation of the pension liability, asset retirement obligations, certain inventory balances and related tax effects. The following table summarizes the preliminary estimates of fair value of the assets acquired and the liabilities assumed as of the acquisition date:

	Acquisition Date Estimated Fair Value as of June 1, 2013	Measurement Period Adjustments	Acquisition Date Estimated Fair Value as of September 30, 2013
Consideration:			
Cash (1)	$ 47,373	$ 710	$ 48,083
Assets Acquired:			
Inventories	58,496	522	59,018
Prepaid and other current assets	363	—	363
Property, plant and equipment – net	55,520	—	55,520
Total assets acquired	$ 114,379	$ 522	$ 114,901
Liabilities Assumed:			
Accrued and other current liabilities	$ 44,121	$ (805)	$ 43,316
Accrued pension benefit costs	5,039	(4,043)	996
Accrued post retirement benefit costs	6,544	—	6,544
Other liabilities	8,003	(527)	7,476
Deferred taxes	1,257	1,976	3,233
Total liabilities assumed	$ 64,964	$ (3,399)	$ 61,565
Gain on bargain purchase:	$ 2,042	$ 3,211	$ 5,253

(1) This amount represents our preliminary estimate of consideration based on our expectation of the working capital adjustments. The working capital adjustments have not yet been finalized.

Through September 30, 2013 , the actual revenue and net loss of Sebree since the acquisition date of June 1, 2013 included in the consolidated statement of operations is as follows:

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Sebree revenue	$ 101,531	$ 140,284
Sebree net loss	(1,800)	(2,044)

The following unaudited pro forma financial information for the nine months ended September 30, 2013 and three and nine months ended September 30, 2012 reflects our results of continuing operations as if the acquisition of Sebree had been completed on January 1, 2012. This unaudited pro forma financial information is provided for informational purposes only and is not necessarily indicative of what the actual results of operations would have been had the transactions taken place on January 1, 2012, nor is it indicative of the future consolidated results of operations or financial position of the combined companies.

CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements (continued)
(Unaudited)

	Three months ended September 30,	Nine months ended September 30,	
	2012	2013	2012
Pro forma revenues	$ 410,009	$ 1,261,533	$ 1,300,869
Pro forma loss from continuing operations	(12,620)	(57,853)	(16,951)
Loss per common share, basic	(0.14)	(0.65)	(0.19)
Loss per common share, diluted	(0.14)	(0.65)	(0.19)

3. Asset purchase

In June 2012, our wholly owned subsidiary, Century Aluminum Vlissingen ("Century Vlissingen") purchased substantially all of the assets of the Zalco anode production facility located in Vlissingen, the Netherlands for approximately $12,500 . In connection with the purchase, we entered into a ground lease with respect to the facility that is renewable at our option. Century Vlissingen did not assume, and is indemnified by the seller against, historical liabilities of the facility.

Following the acquisition, we have undertaken a significant capital investment to modernize the facility, comply with environmental regulations and optimize anode production for our smelter in Grundartangi. We expect the first 75,000 metric tons of capacity will be restarted in late 2013 and will provide an anode supply to replace third-party anode supply contracts that terminated in 2013.

4. Fair value measurements

The following section describes the valuation methodology used to measure our financial assets and liabilities that were accounted for at fair value and are categorized based on the fair value hierarchy described in ASC 820 "Fair Value Measurements."

Overview of Century's valuation methodology

	Level	Significant inputs
Cash equivalents	1	Quoted market prices
Trust assets (1)	1	Quoted market prices
Surety bonds	1	Quoted market prices
E.ON U.S. ("E.ON") contingent obligation	3	Quoted LME forward market, management's estimates of the LME forward market prices for periods beyond the quoted periods and management's estimate of future level of operations at Century Aluminum of Kentucky, our wholly owned subsidiary ("CAKY")
Primary aluminum sales premium contracts	3	Management's estimates of future U.S. Midwest premium and risk-adjusted discount rates
Midwest premium contracts	3	Management's estimates of future U.S. Midwest premium

(1) Trust assets are currently invested in money market funds. These trust assets are held to fund the non-qualified supplemental executive pension benefit obligations for certain of our officers. The trust has sole authority to invest the funds in secure interest producing investments consisting of short-term securities issued or guaranteed by the United States government or cash and cash equivalents.

Fair value measurements

Our fair value measurements include the consideration of market risks that other market participants might consider in pricing the particular asset or liability, specifically non-performance risk and counterparty credit risk. Consideration of the non-performance risk and counterparty credit risk are used to establish the appropriate risk-adjusted discount rates used in our fair value measurements.

EXHIBIT ____ (LK-7)

CHAIRMAN ARMSTRONG:

Yes, sir.

MR. KURTZ:

Thank you.

CROSS-EXAMINATION

BY MR. KURTZ:

Q. Good morning, Mr. Blackburn.

A. Good morning.

Q. I'd like to ask you to turn the Big Rivers Redirect Exhibit No. 4. Am I correct that this document . . .

A. Just a moment, please.

Q. Okay.

A. Since I didn't write the exhibit number down, would you give me the heading on that?

Q. This is the document showing the rate increases with the Unwind versus the rate increases without the Unwind.

A. Thank you.

Q. Do you have that?

A. Yes, sir, I do.

Q. Okay. Am I correct in understanding that, if the Unwind goes forward as forecasted, after six years, the rural rates will have increased by 14.79 percent?

A. That's correct.

Q. And that would be $5.51 per megawatt-hour?

A. Correct.

Q. Okay. Now, if there is no Unwind, rates are going to go up in any event; is that right?

A. That is correct.

Q. Okay. If there's no Unwind under the arbitrage case, rates are going to go up by 9.6 percent after six years or $3.57 per megawatt-hour; is that right?

A. That's what we've projected; yes.

Q. Now, that's a savings of - that's a benefit, then, to the rural customers of $1.94 per megawatt-hour; is that right?

A. That's correct; dollar savings.

Q. Now, I've looked at your Exhibit No. 16 and the megawatt-hours that the rural customers buy for the year shown. It's 2,428,167. Do you want to check that or will you accept that, subject to check?

A. I'll accept that, subject to check.

Q. So that means that the benefit to the rural customers, if there's no Unwind and you sell all the excess power off-system, the arbitrage case, . . .

A. Yes.

Q. . . . it's a $1.94 per megawatt-hour or $4.7 million per year; is that right?

A. Subject to check your math, that's correct. I'll accept that.

Q. Okay. Now, the average residential customer uses - we can either use 1,000 kilowatt-hours a month; is that fair, or 1,200 more fair?
A. Well, I'm not a distribution man, so . . .
Q. Okay. Approximately, the average residential customer will get a benefit, then - I'll use that, "benefit" - if there's no Unwind and you sell all of your excess power off-system, of about $2 a month; is that right?
A. I think that's correct.
Q. Okay, and the total benefit to the rural customers would be $4.7 million per year. Okay. Is that right?
A. Yes, sir.
Q. Now, the No Unwind arbitrage case, where you're taking all - that assumes you're selling no power to the smelters; is that right?
A. If we were selling power to the smelters, it would be at full market; right.
Q. Now, you've read the testimony of the smelters that, if the smelters are exposed to full market pricing, it's very likely that these smelters will not be able to operate?
A. I have read that; yes, sir.
Q. Okay. Are you aware that smelters all across the country have shut down when exposed to full market pricing; the Eastalco smelter in Maryland? There was a

smelter in Texas last week that shut down, having been exposed to full market pricing.
A. We are aware of that; yes, sir.
Q. Okay. So, now, are you aware of the Professor Coomes testimony? Have you looked at that?
A. Yes, sir.
Q. Now, he, Professor Coomes, a University of Louisville professor, has done a study as to what the economic impacts on Western Kentucky would be if these two smelters shut down. Are you aware of that?
A. Yes.
Q. Okay. Now, Professor Coomes concludes that, if both smelters shut down, 5,000 families would lose their jobs; is that right?
A. That's approximately the number; yes, sir.
Q. Okay. Well, that's exactly the number he used.
A. All right. My memory is approximately.
Q. Okay, and Professor Coomes has calculated in his testimony that the average wage that those families, those 5,000 families, would lose is $54,000 per year. Do you remember that?
A. Subject to check the exact number, yes, sir.
Q. Do you remember the total benefit package is over $80,000 per year for those 5,000 families that would lose their income if these smelters shut down under the

arbitrage case?
A. Yes, sir.
Q. Okay. Do you also recall the testimony whether Professor Coomes calculated that the economy would lose $193 million in total, total payroll?
A. Yes, sir.
Q. Okay, and that the state and local governments in Western Kentucky would lose $16.7 million per year if these two smelters shut down?
A. Yes, sir.
Q. So do you think that the, quote, "benefit" that the rural customers would get if there's no Unwind - $2 per month per average residential customer or $4.7 million per year - do you think that benefit is great enough to outweigh the loss of 5,000 jobs, the loss of $193 million per year in annual payroll, and the loss of $16.7 million per year in annual state and local taxes?
A. Obviously, Big Rivers is aware of the risk that the smelters have if they are at open market. We're aware of this study. We're also aware of the increase over the life of the Unwind Transaction. Rates are just higher. That's just a fact. They are higher than if we stay in the Existing Transaction. Big Rivers is going - would go forward, is going forward, with this

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Unwind Transaction because it does believe that the benefits outweigh the additional increased cost to that class of customer.

Q. Just using those numbers I just quoted you, the benefits exceedingly outweigh the costs of going forward with the Unwind, which I presume is one of the reasons Big Rivers is so supportive of this transaction; is that correct?

A. Big Rivers is supportive of this transaction because it does believe it's best for its three member distribution cooperatives and provides the best reliable and cheapest power and the economy, the benefits to West Kentucky, that it can.

Q. Okay. Now, let's look at your other No Unwind scenario. That's where Big Rivers would sell 200 megawatts of its excess power under the existing lease agreement to the smelters. Is that the second scenario?

A. Yes, it is.

Q. Okay. Under that scenario, rural customers - so, under that scenario, if the Commission - if Big Rivers decided to try to keep some of these smelter jobs and give some of Big Rivers' excess power - sell some of Big Rivers' excess power to the smelters, rates for the rural customers would actually even be higher than the

Unwind; is that right?
A. That is correct.
Q. All right, and you understand that there would be a dispute or a probable, possible dispute between the smelters as to whether or not all of Big Rivers' excess should be sold to the smelters rather than being about half of it sold out of state under this smelter sale scenario?
A. I understand we have a disagreement on what the requirements are.
Q. And, of course - so the Unwind - and you've read the smelter testimony that says the Unwind is the best case the smelters have for keeping those 5,000 families' supportive jobs in Western Kentucky?
A. Yes, sir, I have.
Q. You're familiar with the existing power contract, the existing lease arrangement, with WKE, the LG&E, the E.ON lease?
A. Yes.
Q. Okay. There was some discussion yesterday about carbon dioxide global warming costs under the existing lease arrangement versus what would happen under a situation where Big Rivers got all of its power plants back and became a regulated utility?
A. Yes.

Q. Okay. Now, under the existing lease arrangement, Big Rivers is still exposed to some level of global warming costs; is it not?
A. Absolutely.
Q. Okay, and, if you're a regular utility, post Unwind, you'll deal with those costs like all the other utilities in the country will deal with it?
A. Absolutely.
Q. Okay. Under the existing lease arrangement, if there's a CO2 tax, you're no better or no worse off with the Unwind or without the Unwind because Big Rivers will still be responsible for the same proportional global warming costs; is that correct?
A. That's correct. To make sure that we're on the same page, Big Rivers, if a tax is applied, as Mr. Spainhoward said yesterday on the energy, Big Rivers would have to absorb 100 percent of that tax related to its share of the energy that it takes, just as, if we take the power plants back and when we take the power plants back under the Unwind Transaction, we'll be responsible for the tax on 100 percent of the energy. So it's the same relationship for the amount of energy that we have.
Q. Okay. Thank you, and, if there's a, quote, "cap and trade," then Big Rivers will be somewhat better off

under the existing lease versus the Unwind?
A. That is Big Rivers' interpretation of the contract. I think E.ON, as Mr. Thompson said on the stand yesterday, would take a different approach.
Q. Is "cap and trade" or "tax" defined in the existing lease arrangement?
A. I believe the tax is clearly defined, and I believe the other category is more open, but that's really a better question for Mr. Spainhoward than for myself.
Q. Okay. So this is the type of ongoing litigation that Mr. Thompson warned about, or it's probably in your testimony, too; if there's no Unwind, that's a big area of potential litigation?
A. It is absolutely a big area for potential litigation.
Q. Okay. I'd like to just ask you a few questions about your Supplemental Testimony, your Exhibit 15, CWB-15. This is where you outline all the . . .
MR. MILLER:
Excuse me, which Supplemental?
MR. KURTZ:
The most recent.
MR. MILLER:
Okay. The October?
MR. KURTZ:
Yeah.

Q. Where you outline all the benefits to Big Rivers from the Unwind Transaction.

A. I have that.

Q. Okay. I'd like to ask you about each of these categories. You conclude that, if the Unwind goes forward, Big Rivers will get $755.9 million of benefits from E.ON?

A. Yes, sir.

Q. Okay. You've also concluded that Big Rivers would get approximately $327 million of benefits from the smelters because of the Unwind?

A. That's correct.

Q. So the benefits to Big Rivers are in excess - would be in excess of $1 billion, probably closer to $1.1 billion?

A. That's correct.

Q. Okay, and the benefits from the smelters, based upon your calculation, are the amount that the smelters would pay over and above what a regular large industrial customer would pay under the Unwind?

A. That's correct.

Q. And, in fact, under the Unwind, the smelters would pay the highest electric rates on the system; would they not?

A. That is correct.

Q. The smelters, under the Unwind, are not getting any kind of discount; they're paying more than the average commercial customer, more than the average industrial customer, more than the average regular residential customer. Isn't that right?
A. Assuming everything is adjusted for the proper load factor, which you would have to do, that's exactly right.
Q. Now, are you aware of any other utility in this state where the highest load factor transmission voltage customer would pay more than Burger King for power?
A. I'm not familiar with any other utility having that kind of arrangement.
Q. So this is sort of a - you've calculated this as a contribution from the smelters to Big Rivers if there's an Unwind?
A. It absolutely was that. That was our intent when we went through the negotiations.
Q. Okay. From E.ON, Big Rivers would get from the Unwind $387.7 million in cash?
A. Yes, sir.
Q. Does that include half of the Philip Morris buyout cash of approximately $61 million?
A. No. That does not include that.
Q. Okay. Where is the Philip Morris $61 million shown?

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A. The leverage leases on Line 18.
Q. Okay. So - and that would be in the form of cash also; would it not?
A. It is in the form of cash for, I believe, $60 million of that, and the rest of it is an obligation that E.ON took on for Big Rivers, assuming that the Unwind Transaction would close.
Q. And, if the Unwind does not close, E.ON will not reimburse you for half of the $122 million Big Rivers has already spent on that Philip Morris buyout?
A. I'm sure they will not.
Q. Okay. Residual value payment, $141.4 million, what is that?
A. During the life of this contract, when capital expenditures are made, they're placed on the books and they're amortized, depreciated over their useful life, and this is the estimated value of those assets when the lease with E.ON would terminate, and Big Rivers has an obligation to pay E.ON for those assets because they're still workable assets that would - that have been attached to our power plants.
Q. During the life of the existing lease agreement, Big Rivers has to come up with money to fund its share of capital improvements to the power plants; does it not?
A. Yes, it does.

Q. And that is going to be - if this Unwind is not approved by the Commission and it does not close, that will be increasingly more difficult to do, given your weakened financial condition post the $120 million Philip Morris buyout; is that correct?
A. Yeah. Big Rivers cannot currently access the capital markets; that's correct.
Q. LG&E rental income advance, $11.2 million, what is that?
A. LG&E made an advance rental payment on its lease when we entered into the transaction in 1998, and Big Rivers was required to amortize that out over its life. So that's the balance of that lease.
Q. Okay. I won't belabor the rest of this chart, but are you confident that your calculation is fairly accurate, that the benefit to Big Rivers from E.ON would be $755.9 million? Are you confident this number is fairly accurate?
A. Yes, sir.
Q. And Mr. Thompson testified that he - he concluded that the value of the E.ON contributions to Big Rivers was about $90 million more because of different ways that they accounted for things; is that right?
A. That's correct.
Q. Okay. But, still, you believe that the total value of

this transaction to Big Rivers, including the smelter contribution of paying these rates above the regular rate. is about $1.1 billion?

A. Yes, sir

Q. Okay.

MR. KURTZ:

Mr. Chairman, I wonder if we could - if we're going to take a morning break. I have one other line of questioning for Mr. Blackburn, if you please.

CHAIRMAN ARMSTRONG:

Yes. I think we're about ready for a break. Let's take a ten-minute break. We'll come back and finish up with Mr. Blackburn.

RECESS

OFF THE RECORD

CHAIRMAN ARMSTRONG:

I'm going to recommend that we run till twelve-thirty and break and come back at one-thirty. We're back on.

MR. KURTZ:.

Thank you, Mr. Chairman.

Q. Mr. Blackburn, how long have you been at Big Rivers?

A. At the end of this month, it will be 31 years.

Q. Okay. So you have a fairly good institutional knowledge of Big Rivers?

A. Yes, I do.

Q. Okay. I'm going to put that to the test a little bit, if you'll bear with me. Originally, Big Rivers was owned by four distribution cooperatives?

A. That's correct.

Q. Maybe about ten years ago or so, Henderson Union and Green River Electric merged to form Kenergy?

A. Yes, several years ago; that's correct.

Q. Okay. Now, these four distribution cooperatives, they were - or originally they owned - Big Rivers was not in existence when these distribution cooperatives first came into being; is that right?

A. Big Rivers was not in existence. Big Rivers was formed and served three of those distributions. Jackson Purchase was added later, somewhere in the early '80s.

Q. Okay, and, when Big Rivers was formed by the three founding members, when was that, approximately?

A. 1961 to '63.

Q. Okay, and so those distribution cooperatives formed Big Rivers so they would have a wholesale power supply to serve their rural needs rather than buying wholesale electricity from probably KU at that point?

A. I believe that's correct.

Q. Okay, and the first power plant that Big Rivers built

was the 65 megawatt Reid Station?
A. That is correct.
Q. That was about 1963?
A. That's correct; that time period.
Q. And, at that point, the three distribution cooperatives formed Big Rivers, and they're the owners, and they accessed money from the, at that time, the REA . . .
A. Yes.
Q. . . . to get low-cost government financing to build this power plant . . .
A. Yes.
Q. . . . to serve the needs of the consumers?
A. Yes.
Q. Okay. At some point, someone had a - or Big Rivers decided to go on an economic development program, am I right, of combining the proximity of Big Rivers to the West Kentucky coal fields, the Ohio River, to build a power plant to attract industry; is that right? And I'm referring to the decision in the late '60s to build the Coleman power plant near Hawesville to attract, at that point, the Southwire aluminum smelter?
A. My understanding is that the units at Coleman were built to supply mainly the smelter that was being constructed there. Whether they were built in advance of contracts or after contracts had been negotiated, I

really don't know that.

Q. But that Southwire smelter sits less than a mile from the Coleman facility . . .

A. That's correct; yes.

Q. . . . right near the Ohio River near Hawesville?

A. Yes.

Q. And that power plant has at least two, probably three, high voltage transmission lines that run directly into the smelter?

A. It's probably closer to five or six.

Q. Okay. So the coal is mined in West Kentucky; it comes down the river; it goes in the power plant; it's burned and it's fed essentially right into that smelter?

A. Correct.

Q. And the people who developed Big Rivers envisioned this as a way to bring jobs and economy to Western Kentucky; is that right?

A. Yes, sir.

Q. And it worked; didn't it?

A. Yes, sir, it did.

Q. That process was repeated a few years after that when the Station Two unit was built near Sebree to serve, at that point, the Anaconda smelter, which then became the Alcan smelter; is that right?

A. Station Two was added at the same time that the

Anaconda plant was built; that's correct.

Q. And, again, that power plant, that what is now the Reid-Green Station Two complex, sits less than a mile from the Alcan smelter, and it's connected by at least three, I guess, high voltage lines that run directly into the smelter?

A. I think there are four, but yes.

Q. Okay. So the same economic development process, mine the coal, burn it into electricity, sell it to the smelter, and create jobs, and that worked as well; didn't it?

A. Yes, sir.

Q. And, in order to get federal government financing, these aluminum smelters had to sign long-term take-or-pay contracts with their distribution cooperatives so that the government would know that Big Rivers would have a source to repay the debt to build these power plants; is that right?

A. That's correct.

Q. They were long-term take-or-pay cost-based power contracts?

A. That's correct.

Q. Okay, and that whole economic development program has created the aluminum industry in Western Kentucky, including the Aleris rolling mill, the Southwire Rod

and Cable Mill, and others; is that a fair statement?
A. Yes, sir, other industrial customers as well very near these plant locations.
Q. Which would be the two Western Kentucky paper companies who are very energy-intensive?
A. That's correct.
Q. I guess it was Weyerhaeuser or somebody originally. Now it's Domtar and Kimberly-Clark?
A. That's correct.
Q. And so that whole process has been an economic engine for Western Kentucky; is that fair?
A. Yes.
Q. Big Rivers, at some point - and, of course, all the coal mines, too?
A. Yes.
Q. Big Rivers serves many, many coal mines to supply its coal needs as well as the other utilities in the state; is that right?
A. Yes. We have several coal mines in our service area.
Q. At one point, this plant took a turn, a bump in the road, a major bump, and that was with the construction of the Wilson power plant in the late '70s, early '80s?
A. Yes.
Q. Now, Wilson was constructed, as I understand it, primarily because of a Jimmy Carter era decision to try

to gasify Western Kentucky coal and deal with the Arab Oil Embargo, that type of situation; am I right on that?

A. No, sir.

Q. Okay. Well, the Wilson was built and Big Rivers did not have a - the power became excess?

A. The power did become excess; that is correct. Big Rivers had, at the time, under contract through one of its distribution members. One of the aluminum industries was planning on expanding a potline at the time. That was probably 25 percent of Wilson. There were other industrial customers at the time that had indicated, through our load forecasting studies and other agreements, that they were expanding as well. So it was based upon projected needs for industrial as well as for residential.

Q. Thank you, but that plant - those growth projections did not turn out to be correct, and the plant essentially was excess at that time in the early '80s when it was built?

A. That is correct.

Q. And, in the early '80s, there was no developed wholesale power market like there is today?

A. That's correct.

Q. There wasn't open access transmission. The whole power market was different; wasn't it?

A. Yes, sir. That's right.

Q. And Big Rivers was not really able to sell the excess electricity from Wilson into the market to pay for the power plant; is that right?

A. That's correct. Most of the sales out of Wilson barely covered the variable costs.

Q. And so then you came to this Commission, on at least two occasions, seeking rate increases to pay for the power plant, and Big Rivers was essentially turned down?

A. That's correct.

Q. And you were then in default on your federal government loans, the REA loans, at that point?

A. We did default; that's correct.

Q. At that point, the REA slapped an embargo on every cooperative in Kentucky, every telephone cooperative, every distribution cooperative, every G&T, and said, "No more money to Kentucky, because we want Big Rivers to pass back"?

A. That's correct.

Q. And, at that point, the Commission did approve a rate increase; didn't it?

A. At one point in time, the Commission did, whether or not that drove it, but the Commission did grant, I

think, three different phases of rates coming into effect.
Q. And that was the genesis of the aluminum company, the aluminum smelter variable power rates where the rates were changed up or down with the world price of aluminum to try - am I recalling this right?
A. You are correct. At one point, Big Rivers did have an agreement with the aluminum companies that price of power was based off, I believe, the Midwest Transaction market.
Q. And that was an effort to keep these aluminum smelters in business to help Big Rivers pay off the debt on - that it owed?
A. That's correct. The benefits went both directions.
Q. No doubt, but that did not drive Big Rivers into bankruptcy in the mid-1990s; is that correct, that situation?
A. Big Rivers had the debt of D.B. Wilson always hanging over its head, if you will, but it's not the primary driver why Big Rivers sought protection under the Bankruptcy Code; that's correct.
Q. Big Rivers, at one point, the General Manager was an individual that is probably as opposite from Mark Bailey as could be. You know Mark Bailey, a bookish engineer, versus Bill Thorpe. He was - he is what he

is, and he got - he is the individual who was indicted and sentenced for coal fraud.

A. That is correct; he was.

Q. And several people associated with Mr. Thorpe went to jail because of taking coal kickbacks?

A. Folks outside of Big Rivers; yes.

Q. Right, and, in order to get rid of, to discharge in bankruptcy, these long-term coal contracts that Mr. Thorpe had entered into, Big Rivers, among other reasons, went into bankruptcy and in order to also get some relief from RUS at that point, the federal government?

A. Yes. That's all public record.

Q. And you did discharge those coal contracts; you came out of bankruptcy, and that was the genesis of this long-term lease agreement with - at one point, it was going to be Pacific Corp, as Mr. Thompson testified to, but ultimately it became LG&E Energy?

A. That's correct.

Q. And the smelters had new power contracts as a result of this bankruptcy process; is that right?

A. That is correct.

Q. And those are the power contracts that they're operating under today?

A. Correct.

Q. That would be Tier 1, 2, and Tier 3 contracts?
A. Correct.
Q. Okay, and the - LG&E, WKE, now E.ON, essentially became the wholesale power supplier to Kenergy for the majority of the smelter loads, the Tier 1 and Tier 2; is that right?
A. That is correct.
Q. And, at the end of - and these power contracts, existing power contracts, end in 2010 and 2011 for Southwire - for Century and Alcan, respectively?
A. That's correct.
Q. Now, there's a dispute, a debate, a legal difference of opinion as to what would happen to the smelters after these contracts expire in terms of what Big Rivers' service obligations to Kenergy to meet the needs of the smelters would be?
A. Big Rivers' view of that requirement and the smelters' view is different.
Q. And that colored the negotiations leading into this Unwind as to whether or not Big Rivers had an obligation to serve the smelters at cost-based rates, like regular ratepayers, or whether the smelters had negotiated away that right and were essentially deregulated customers?
A. Yes.

Q. Okay, and what came out of the Unwind Transaction is a situation where the smelters are paying above cost, clearly, above cost of service . . .
A. Yes.
Q. . . . and hopefully below market, although market prices change, and so that - but that was the structure behind the smelters/Big Rivers negotiations in this Unwind?
A. Yeah. The structure is a separate contract . . .
Q. Right.
A. . . . between Big Rivers, its members, and the smelters for this power.
Q. And these new smelter contracts above cost are what lead you to believe that there are $327 million of benefit, assuming the smelters operate through the course of the agreements, as an additional contribution to Big Rivers?
A. That is correct.
Q. Okay. Now, I just want to ask you a few elements of these new negotiated smelter contracts. The smelters will pay the same base rate demand and energy charge as the standard large industrial customer plus 25 cents per megawatt-hour?
A. As you adjust that for their load factor, that is correct.

Q. Okay. The smelters will pay the same fuel adjustment charge as everybody else?
A. Yes, they will.
Q. The smelters will pay the same environmental surcharge as everybody else?
A. That is correct.
Q. The smelters will also pay a purchased power adjustment charge to compensate Big Rivers for purchased power costs that are not recoverable under the fuel adjustment clause?
A. Yes. The smelters will pay that.
Q. That's primarily purchased power costs during forced outages that are higher than Big Rivers' otherwise cost of production?
A. Yes, primarily.
Q. Okay, and that's exactly the situation that's got East Kentucky into trouble right now where they have an application for regulatory assets so that - because they could not recover those forced outage purchased power costs. Are you aware of that case?
A. Yes, I am aware of that case.
Q. Okay. So that covers Big Rivers for that exposure from the smelters?
A. From the smelters' share of that cost, yes, it does.
Q. And the other ratepayers don't have that purchased

power adjustment?
A. They do not have the purchased power adjustment. We have proposed to this Commission a regulatory account.
Q. Okay, and the smelters will pay two surcharges under the proposed agreement; is that correct?
A. Yes, it is.
Q. And the first surcharge is - it averages a dollar per megawatt-hour over the life of the smelter contracts?
A. Yes, sir.
Q. And that will yield about $109 million to Big Rivers?
A. Yes. That's reasonable.
Q. And that flows directly back to the other customers as reductions to their fuel adjustment charge?
A. It flows back to the other customers; that is correct. It does not flow through the FAC. It flows through a separate tariff that Big Rivers has . . .
Q. Okay, and then . . .
A. . . . but every dollar flows back to all the remaining customers.
Q. Okay, and then there's surcharge number two, which is also tied to fuel costs. It's 60 cents per megawatt-hour and another contingent 60 cents per megawatt-hour?
A. Yes, sir.
Q. And that you're projecting to be over $110 million over

the life of the contract?

A. I believe that's correct.

Q. And that, again, was an extra charge that the smelters will pay that will work its way back directly to the other non-smelter ratepayers?

A. That's correct.

Q. Okay. Then also the smelters have a TIER adjustment charge?

A. Yes, sir.

Q. And that is to guarantee, within a bandwidth, that Big Rivers will earn a TIER of 1.24?

A. That is correct.

Q. And the bandwidth ranges from - it's expressed on a dollar per megawatt-hour basis, but it's $14 million in the early years and $35 million per year in the later years; is that right?

A. Yes; that's sounds reasonable.

Q. Okay. So, within those bandwidth, if Big Rivers needs more money to meet its TIER for paper clips or salary or you have to build a new building of any sort, that money will flow - the smelters are responsible to pay through the TIER adjustment charge to guarantee Big Rivers' profitability within the bandwidth?

A. That is correct; the first dollar comes from the smelters within the bandwidth.

Q. And certainly no other customer has that obligation?
A. That's correct.
Q. Okay. Now, if Big Rivers needs more money after having reached the top of the TIER adjustment bandwidth, you're free to file for base rate cases?
A. Yes, sir.
Q. And the smelters are not exempt from those rate cases; are they?
A. Oh, no.
Q. Now, there has been some discussion as to why the smelters haven't agreed to extend their new contracts beyond 2010 and 2011. You're aware of that?
A. Yes.
Q. Now, is Big Rivers able to fix - give the smelters fixed pricing for any of these components I just mentioned; base rates, fuel adjustment, TIER adjustment, environmental surcharge, purchased power adjustment? Can you guarantee what those prices will be?
A. If I had to give you a fixed price, you couldn't afford it.
Q. And because the nature of the contract is that there's all these riders and different charges that add up, the smelters couldn't agree to a longer term because no one knows what the price will be?

A. That's correct.

Q. So is it sort of understandable why these companies would not want to commit longer, since - we know what the model projects, but we really don't know what the price is going to be?

A. Yes, sir; that's correct. We know what the model predicts, but that is not a guarantee of what the future will be.

Q. Let me ask you about the potline reduction sale that's built into the contract. You're familiar with that?

A. Yes.

Q. And the intent of that is, under restrictive conditions, either smelter can shut down one potline; the freed-up power would be sold into the market and the money would come back to the smelter?

A. That's correct, money above what the smelter would have paid to Big Rivers.

Q. And the intent of that is to keep the smelters in business; isn't it?

A. Yes, it is.

Q. It's not intended to allow the smelters to arbitrage the power; it's to make the remaining lines economic if there's a downturn?

A. That is correct, and there are restrictions in the provision of the contracts.

Q. And Big Rivers is no worse off, because you're still getting the same amount of money from the smelters even if they shut down a potline and some of the power is sold off-system; isn't that right?

A. That's correct; we're getting every dollar.

Q. Do you think we're at another major crossroad in this - in the situation of Big Rivers right now?

A. Absolutely.

Q. If the Commission approves this Unwind, Big Rivers will catapult from a negative equity to a positive equity and an investment grade?

A. Yes, sir.

Q. You'll be able to - then be able to borrow to resume your historic mission of economic development?

A. Yes, sir.

Q. Big Rivers will receive over - about $1.1 billion in total contribution from E.ON and the smelters?

A. That's correct.

Q. The smelters will be given their best chance to survive with the Unwind?

A. Yes; to my understanding, that's their best chance.

Q. And the best chance to keep these 5,000 jobs, $193 million in payroll, and $16.7 million in state and local taxes per year?

A. Yes, sir.

Q. And E.ON, if the Commission approves this Unwind, will be allowed to exit its merchant function in the United States and essentially just have the two utilities here?
A. Well, they will be allowed to exit the WKE function.
Q. Right, and then, if the Commission approves the Unwind, do you think the Commission will be giving effect to the will of the members, as expressed through their Board of Directors who have voted 25 to 1 in favor of this transaction?
A. Yes.
Q. If this Commission - if this deal was not approved, what are we looking at? We're looking at 20 to 25 percent rate increases, year one?
A. Yes, sir.
Q. And you'll still be near bankruptcy; won't you?
A. Big Rivers will still be in a very precarious situation; that's correct.
Q. The situation of the 5,000 family jobs from the smelters will be very much in the air; won't it?
A. Yes, sir.
Q. And we'll be in a new era of litigation with CO2 or anything else? Is that a fair estimate of what will happen?
A. I think it's a fair estimate to say we'll be in an era

of litigation
Q. Okay. So all this combined is what leads you to believe the Commission should approve the Unwind?
A. Yes, sir.
Q. Okay.
MR. KURTZ:
Thank you, Mr. Chairman.
CHAIRMAN ARMSTRONG:
Questions?
MR. RAFF:
Yes, sir. Thank you.

CROSS-EXAMINATION

BY MR. RAFF:
Q. Good morning, Mr. Blackburn.
A. Good morning.
Q. Mr. Kurtz was just asking you a couple of questions about how, when the smelters first became customers of Big Rivers, that they had signed long-term take-or-pay power contracts. Were those contracts at fixed rates for the term of the contracts?
A. The contracts had a fixed or a minimum demand charge that the smelters were required to pay.
Q. But the rates were subject to change as Big Rivers' costs changed; were they not?
A. Yes, they were.