

Steven L. Beshear
Governor

Leonard K. Peters, Secretary
Energy and Environment
Cabinet



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda K. Breathitt
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovich
502-782-2564 or 502-564-3940
502-330-5981 (cell)
Andrew.Melnykovich@ky.gov

PSC Approves Second Power Contract for Century Aluminum ***Agreement allows Kenergy to obtain market power for Sebree smelter to remain in operation; Big Rivers Electric will no longer provide power for smelter***

FRANKFORT, Ky. (Jan. 30, 2014) – The Kentucky Public Service Commission (PSC) today approved agreements that allow the Century Aluminum of Kentucky smelter in Sebree to be supplied with electric power purchased on the open market by Kenergy Corp. rather than power generated by Big Rivers Electric Corp.

Century has said that approval of the agreements is necessary for the continued operation of the smelter. The company has said that market power will be less costly than the power produced by Big Rivers.

In an order issued today, the PSC said that the agreements are substantially the same as those it approved in August 2013 for the Century Aluminum smelter in Hawesville, which permitted that smelter – which has about 700 employees - to remain in operation. The Sebree smelter employs about 500 people.

The agreements “are designed to provide Century Kentucky an opportunity to continue operating the Sebree smelter, which will provide significant benefits to the western Kentucky economy,” the PSC said in today’s order.

The eight agreements set out the terms under which Big Rivers and Kenergy will provide electric service to the Sebree smelter. They replace the current power agreement between the two utilities and Century, which terminates Jan. 31.

Century, Big Rivers and Kenergy must execute the agreements by Friday in order for the Sebree smelter to continue to receive electric service.

Big Rivers operates the power plants and transmission lines that currently serve the Sebree smelter. Kenergy is the retail electric service provider in Sebree and is one of three electric distribution cooperatives that own and purchase power from Big Rivers.

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Rio Tinto Alcan, the previous owner of the Sebree smelter, notified Big Rivers a year ago that it intended to terminate its power supply contract with the utility and to close the smelter this month. Subsequent negotiations with Century, which purchased the smelter in June of last year, led to the agreements that the PSC approved today.

Under the agreements, Kenergy remains the retail service provider to the Sebree smelter. Big Rivers will purchase power on the open market on behalf of Century and transmit that power to Kenergy for delivery to the smelter in Hawesville.

The agreements were filed with the PSC on Nov. 20. A public hearing was held at the PSC on Jan. 6. In addition to Big Rivers, Kenergy and Century (known formally as Century Aluminum Sebree LLC), other parties to the case included the Kentucky Office of Attorney General; the Kentucky Industrial Utility Customers, Inc., which represented three other large customers of Big Rivers; and Jackson Purchase Energy Corp., one of the two other distribution cooperatives in the Big Rivers system. (Meade County Rural Electric Cooperative Corp. was not a party to the case.)

In today's order, the PSC addressed an additional issue that was not covered by the agreements – “live line maintenance,” or the practice of maintaining high-voltage transmission lines while they are energized, instead of shutting down the lines while work is being done.

Century asked the PSC to issue a finding that conducting live line maintenance is a necessary component of Big Rivers' legal obligation to provide adequate service. Big Rivers objects to doing live line maintenance because of safety concerns.

As it did in the Hawesville case, the PSC said in today's order that “the issue of live line maintenance is one that the parties to the Century (agreements) must resolve among themselves,” adding that it is up to Big Rivers to decide whether to conduct live-line maintenance on its transmission system.

Also in dispute in the case was PSC jurisdiction over a “load curtailment agreement” filed in the case which addresses the question of reducing power to the Sebree smelter in order to maintain stability of the electric transmission system.

The parties disagreed over how disputes arising from the agreement should be resolved. Big Rivers and Kenergy argued that jurisdiction lies primarily with the Federal Energy Regulatory Commission while Century took the position that the PSC has authority.

The PSC did not rule on the issue, saying it would be premature to do so. Only when a dispute arising from the load curtailment is presented to the PSC will it be possible for the PSC to determine whether it or another entity has jurisdiction over the specific issues arising in that dispute, the Commission said in today's order.

Today's decision is separate from a pending decision in a rate increase request filed by Big Rivers. In that case, Big Rivers is seeking to adjust rates to compensate for the revenue it will lose when it is no longer producing the power sold to the Sebree smelter.

Big Rivers in October was granted a rate adjustment to compensate for the loss of revenue from the Hawesville smelter. Prior to their departure from the Big Rivers system, the two smelters together consumed about two-thirds of the electricity produced by Big Rivers and accounted for about 70 percent of the utility's revenue.

Today's order, case records and a video of the hearing are available on the PSC website, psc.ky.gov. The case number is 2013-00413. Also available on the website are case records in the pending Big Rivers rate case, case number 2013-00199, and the contract case (2013-00221) and rate case (2012-00535) related to the Hawesville smelter.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 90 employees.

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