

**Shaw, Jeff S (PSC)***Case No. 2006-00066*

**From:** Frank King [fking@dkgnlaw.com]  
**Sent:** Tuesday, February 14, 2006 11:06 AM  
**To:** jsshaw@ky.gov  
**Cc:** David Brown; Mark Bailey  
**Subject:** CG&E/Kenergy/Alcan Transaction; Filing No. TFS 2006-00193  
**Attachments:** Comparison of BREtoCinGibson1.xls

JEFF:

Thanks for you call back this morning. Regarding the two (2) points we discussed, first of all this 25 MW block definitely replaces higher cost energy. If Alcan does not receive this energy, then under the 1998 agreement it receives a like amount of Tier 3 Back-up energy, which is 110% of market indexed at the Big Rivers' LMP. The CG&E energy is priced off of the Gibson unit LMP. Attached is a print-out showing a comparison of prices for July, August and September 2005 and for the first 28 days of January 2006. You can see that the Gibson price is considerably less on average.

Second, the CG&E energy results in an overall rate reduction. The subject 25 MW are at reduced rates and there is no corresponding increase in rates for the remainder of Alcan's energy flow. Thus there is an overall rate reduction.

Your willingness to further consider the effective date issue is appreciated. Let me know if you need any additional information. If not, please notify me of the decision on this issue when known.

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2/14/06

Actual 05	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Gibson Day Ahead				50.48	57.46	54.98			
BREC Hourly	40.76	31.19	42.2	56.49	70.04	57.81	61.42	59.59	65.06

	1	2	3	4	5	6	7	8	9	10	11	12
January 06 Gibson1DA	24.09	25.94	40.42	33.89	42.5	41.58	33.73	29.81	41.39	41.15	40.67	31.31
January 06 BREC Hourly	25.51	32.38	33.07	33.22	54.78	53.81	38.15	30.86	46.37	37.12	34.24	35.45