

Case No. 2010-00228

DORSEY, KING, GRAY, NORMENT & HOPGOOD

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June 3, 2010

RECEIVED

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PUBLIC SERVICE
COMMISSION

Mr. Jeff DeRouen
Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602

Re: Kenergy Corp. interim retail electric service to
Aleris Rolled Products, Inc. as successor-in-
interest to Commonwealth Aluminum
Lewisport, LLC

Dear Mr. DeRouen:

The purpose of this letter is to notify the Commission concerning the above interim retail electric service currently in effect and the events leading up to the commencement of this service.

Kenergy Corp. ("Kenergy") entered into an agreement for retail electric service with Commonwealth Aluminum Lewisport, LLC ("Commonwealth Aluminum") on June 6, 2002, which was amended on December 9, 2003. Service was being provided under this agreement, as amended, to the customer's Lewisport facility when Commonwealth Aluminum filed a Chapter 11 Petition in Bankruptcy on February 12, 2009. Commonwealth Aluminum is an affiliate of Aleris International, Inc. ("Aleris") and the bankruptcy proceeding involved Aleris and its affiliates.

Service continued during the pendency of the bankruptcy proceeding. At the time of the bankruptcy filing Commonwealth Aluminum had provided Kenergy a letter of credit as a security deposit to cover 2/12's estimated annual billings. When this letter of credit was exhausted Kenergy was provided an adequate assurance deposit in the bankruptcy proceeding in the amount of \$230,000.00. Kenergy and Aleris entered into a letter agreement dated April 7, 2009, which acknowledged this adequate assurance deposit and shortened the billing cycles, the time for payment, and the time necessary to give notice of termination of service for nonpayment. A copy of said letter agreement is attached hereto as "Attachment 1."

On May 13, 2010, a reorganization plan was confirmed by the bankruptcy court. Kenergy was notified that the June 6, 2002, service agreement with Commonwealth Aluminum, as amended, had been rejected and that the debtors would be

emerging from bankruptcy June 1, 2010, at which time the adequate assurance deposit would terminate.

Kenergy has been negotiating with Aleris to come to terms for interim service to the Lewistown facility until a comprehensive written agreement can be finalized, executed and submitted to the Commission for acceptance. One of Kenergy's primary concerns has been to obtain a security deposit in an amount that will adequately protect Kenergy in the event of nonpayment and termination of service. An agreement was reached and a letter agreement was entered into on June 1, 2010, for interim service to Aleris Rolled Products, Inc. ("Aleris RP") as successor-in-interest to Commonwealth Aluminum, a copy of the letter agreement being attached as "Attachment 2." Under the terms of the letter agreement Kenergy has received a cash security deposit in the amount of \$397,625.00. The letter agreement continues the shortened billing cycles, time for payment, and time necessary to give notice of termination of service for nonpayment.

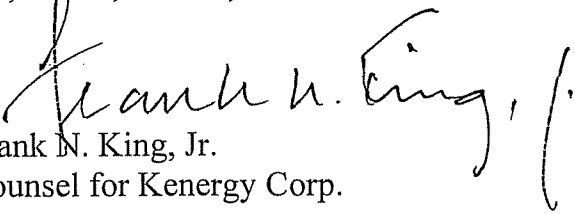
Negotiations are beginning for a retail service agreement between Kenergy and Aleris RP. Kenergy also will enter into an agreement with Big Rivers Electric Corporation to cover the wholesale side of the transaction. These agreements will be submitted to the Commission for acceptance when completed and signed.

Please contact the undersigned if there are any questions or comments about the foregoing.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By


Frank N. King, Jr.
Counsel for Kenergy Corp.

FNKJr/cds

Encls.

COPY/w/encls.: Ms. Cathy Griffin
Legal Department
Aleris International, Inc.

Mr. James M. Miller
Counsel for Big Rivers Electric Corporation

Mr. Sanford Novick
President and CEO, Kenergy Corp.

WEIL, GOTSHAL & MANGES LLP

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WASHINGTON, D.C.

April 7, 2009

BY ELECTRONIC MAIL AND REGULAR MAIL

Frank King, Esq.
Dorsey, King, Gray, Norment & Hopgood
318 Second Street
Henderson, KY 42420
Direct: 270 826-3965
fking@dkgnlaw.com

Re: Aleris International, Inc.

Dear Mr. King:

On February 12, 2009 (the "**Commencement Date**"), Aleris International, Inc. ("**Aleris**") and its affiliated debtors in the above-referenced chapter 11 cases (collectively, the "**Debtors**") filed petitions for voluntary relief under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**") (Case No. 09-10478 (BLS)). These chapter 11 cases are pending before the Honorable Judge Brendan L. Shannon.

On March 16, 2009, Judge Shannon signed the *Final Order Pursuant To Sections 105(a) and 366 of the Bankruptcy Code (I) Prohibiting Utilities From Altering, Refusing, or Discontinuing Service; (II) Approving the Debtors' Proposed Adequate Assurance; and (III) Approving Procedures for Resolving Requests for Additional Adequate Assurance* (the "**Order**"). By this Order, the Bankruptcy Court approved the Debtors' offer of adequate assurance of payment to utilities that do not already hold a letter of credit in the form of a letter of credit or deposit equal to two (2) weeks of utility services (the "**Proposed Assurance**"). The Order further provides procedures by which any utility that deems the Proposed Assurance inadequate may request additional assurance.

Attachment

Mr. Frank King, Esq.
April 7, 2009
Page 2

For the eight accounts Aleris holds with Kenergy Corporation ("**Kenergy**"), Kenergy has requested, and Aleris has agreed to provide, additional assurance in the form of invoicing on a two week cycle, and two weeks of average billing costs in the form of the letter of credit currently held by Kenergy (the "**Letter of Credit**"), or a deposit placed into an escrow account (the "**JPM Escrow Account**") for the benefit of Kenergy (the "**Deposit**") pursuant to that certain Escrow Agreement, dated as of March 4, 2009 by and among Aleris and JP Morgan Chase Bank, N.A. Aleris and Kenergy agree that on average, two weeks of billing costs equals \$235,000.00. Not including amounts Kenergy expects to draw for nonpayment of amounts due to Kenergy for nonpayment of prepetition invoices, the Letter of Credit currently has \$364,616.82 remaining undrawn. Therefore, no further Deposit for the benefit of Kenergy is required at this time.

If the Letter of Credit is drawn following nonpayment of any Kenergy invoices by Aleris, and the undrawn amount remaining on the letter of credit is below \$235,000.00, then Aleris will place into the JPM Escrow Account, for the benefit of Kenergy, a Deposit in an amount equal to the difference between the undrawn amount remaining on the Letter of Credit and \$235,000.00. Thus the undrawn amounts on the Letter of Credit, combined with the Deposit, shall be at least \$235,000.00. If the Letter of Credit expires or is terminated, Aleris will issue a replacement letter of credit acceptable to Kenergy and/or place funds into the JPM Escrow Account so that the sum of undrawn amounts on any newly issued letter of credit and the Deposit equals \$235,000.

Billing cycles shall run from the first day of the month to the fourteenth day of the month, and from the fifteenth day of each month to the last day of each month (each a "**Billing Cycle**"). Invoices shall be sent by Kenergy to Aleris within two days after each Billing Cycle, and payment will be due and payable within five days of Aleris' receipt of the invoice. Invoices shall be sent to the attention of Angela Rhynard by email at angie.rhynard@aleris.com.

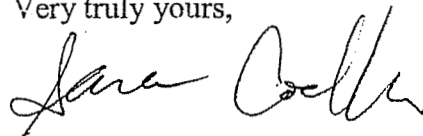
If payment is not received by Kenergy when due, Kenergy may terminate service to Aleris after providing four days notice by email and overnight mail to the following parties: (i) Aleris International, Inc., 25825 Science Park Drive, Suite 400, Beachwood, Ohio 44122 (Attn: Pauline L. Moorman, Senior Corporate Counsel (pauline.moorman@aleris.com), and (ii) the attorneys for the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Debra A. Dandeneau, Esq. (debra.dandeneau@weil.com)) and Richards, Layton & Finger, P.A., 920 North King Street, Wilmington, Delaware, 19801 (Attn: Paul N. Heath, Esq. (heath@rlf.com)). Notice shall be effective upon the earlier of (i) the time an email is sent, *provided that* the sender has not received a return message indicating the email was not delivered or (ii) the day after deposit for next day delivery with a recognized overnight courier.

Mr. Frank King, Esq.
April 7, 2009
Page 3

Kenergy acknowledges and agrees that the assurance described above is adequate for purposes of section 366 of the Bankruptcy Code, and will not terminate or disrupt service, or object to such assurance as inadequate under section 366 of the Bankruptcy Code, so long as Aleris timely pays its postpetition invoices to Kenergy. Kenergy further acknowledges that it remains bound by the provisions of the Order.

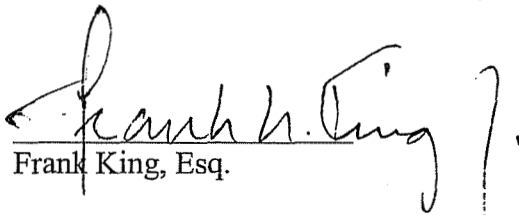
If Kenergy agrees to the terms of the above-described assurance, please sign below and return a copy of this letter by email, and the original by regular mail.

Very truly yours,



Sara Coelho

Accepted and agreed to:


Frank King, Esq.

4-13-09
Date

cc: (by email only)
Pauline Moorman (Pauline.Moorman@aleris.com)
Scott Stewart (Scott.Stewart@aleris.com)
Angela Rhynard (Angie.Rhynard@aleris.com)
Debra A. Dandeneau (debra.dandeneau@weil.com)



P.O. Box 18 • 6402 Old Corydon Road
Henderson, Kentucky 42419-0018
(800) 844-4832

June 1, 2010

By Email and Regular Mail

Aleris Rolled Products, Inc., as successor-in-interest to Commonwealth Aluminum Lewisport, LLC
Attn: Greg Eberhardt
25825 Science Park Drive
Beachwood, Ohio 44122


Re: Interim Retail Electric Service from Kenergy Corp. to
Aleris Rolled Products, Inc.

Dear Mr. Eberhardt:

The purpose of this letter agreement is to confirm the understanding between Kenergy Corp. ("*Kenergy*") and Aleris Rolled Products, Inc. ("*Aleris RP*"), as successor-in-interest to Commonwealth Aluminum Lewisport, LLC ("*CAL*") regarding retail electric service until the parties enter into a written agreement providing for ongoing service.

As we have discussed, CAL's bankruptcy case is pending before the United States Bankruptcy Court for the District of Delaware. On May 13, 2010, the Court entered the *Order Confirming the First Amended Plan of Reorganization of Aleris International, Inc. and Its Affiliated Debtors, as Modified* [Docket No. 2073], pursuant to which CAL has rejected the Agreement for Retail Electric Service between Kenergy and CAL, dated June 6, 2002, as amended (the "*Agreement*"). The Effective Date of CAL's plan of reorganization occurred on June 1, 2010, after which time the existing adequate assurance deposit will no longer be available. In connection with the Effective Date, Kenergy is requiring Aleris RP to provide adequate assurance while the parties negotiate a new service agreement for the supply of electricity to Aleris RP's Lewisport, Kentucky facility.

Aleris RP agrees to make a cash security deposit to Kenergy in the amount of \$397,625.00, by the close of business on June 1, 2010. This cash deposit will be returned upon the earlier of (i) termination of service with Kenergy and (ii) entry into a new written service agreement. The parties may agree to apply this cash deposit to secure any new written service agreement that the parties enter into. Until a new written service agreement is in effect, Kenergy will continue providing retail electric service to Aleris RP under the provisions of the aforementioned Agreement (with rates being those currently in effect; subject to any future modification ordered by the Kentucky Public Service Commission), except that the terms for billing, payment and termination of service for nonpayment shall be as follows:

Your Touchstone Energy[®] Cooperative 

Attachment

Page 2
June 1, 2010

Billing cycles shall run from the first day of the month to the 14th day of the month and from the 15th day of each month to the last day of each month. Invoices shall be sent by Kenergy to Aleris RP at the address set forth below within two (2) days after each billing cycle, and payment will be due and payable within five (5) days of Aleris RP's receipt of the invoice. Invoices shall be sent to the attention of Procurement Department, Attn: Angie Rhynard, by email at angie.rhynard@Aleris.com.

If payment is not received by Kenergy when due, Kenergy may terminate service to Aleris' RP's Lewisport, Kentucky facility after providing four (4) days' notice by email and overnight mail to

Aleris Rolled Products, Inc.
25825 Science Park Drive
Beachwood, Ohio 44122
Attn: Procurement Department, Angie Rhynard
Email: angie.rhynard@aleris.com

With copy to:
Aleris International, Inc.
25825 Science Park Drive
Beachwood, Ohio 44122
Attn: Legal Department, Cathy Griffin
Email: cathy.griffin@aleris.com

Notice shall be effective upon the earlier of (i) the time an email is sent, provided that the sender has not received a return message indicating the email was not delivered, or (ii) the day after deposit for next day delivery with a recognized overnight courier.

Page 3
June 1, 2010

If Aleris RP agrees to the terms of the foregoing please sign below and return a copy of this letter by email, and the original by regular mail.

Very truly yours,

KENERGY CORP.

By Steve Thompson

Steve Thompson, Vice President of Accounting & Finance

ACCEPTED AND AGREED TO:

ALERIS ROLLED PRODUCTS, INC., AS SUCCESSOR-IN-INTEREST TO
COMMONWEALTH ALUMINUM LEWISPORT, LLC

By 

Theodore J. Lehman

(printed name)

Aleris CFO Americas

(title)

Date:

6/1/10