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PUBLIC SERVICE  
COMMISSION

**VIA OVERNIGHT MAIL**

November 6, 2008

Stephanie Stumbo Executive Director,  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

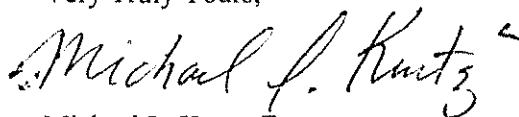
**Re: Case No. 2007-00455**

Dear Ms. Stumbo:

Please find enclosed the original and twelve (12) copies each of the RESPONSES OF ALCAN PRIMARY PRODUCTS CORPORATION AND CENTURY ALUMINUM OF KENTUCKY GENERAL PARTNERSHIP TO ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION filed in the above-referenced matter.

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

Very Truly Yours,



Michael L. Kurtz, Esq.  
**BOEHM, KURTZ & LOWRY**

MLKkew  
Attachment

cc: David C. Brown, Esq.  
Certificate of Service

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by regular U.S. mail (unless otherwise noted) to all parties on the 6<sup>th</sup> day of November, 2008.

  
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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION  
CASE NO. 2007-00455

RESPONSES TO  
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION  
TO ALCAN PRIMARY PRODUCTS CORPORATION AND  
CENTURY ALUMINUM OF KENTUCKY

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1. AG Request

Please update responses to all previous data requests from the Office of Attorney General with any additional responsive documents and information since the date of the last response to such data requests. If no update exists for a specific question, the responses indicating that fact can be grouped in a joint response.

Response:

Except for the attached updated response to Initial Request #19, there are no updates required.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY  
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CASE NO. 2007-00455

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---

1. AG Request (Continued)

Please update responses to all previous data requests from the Office of Attorney General with any additional responsive documents and information since the date of the last response to such data requests. If no update exists for a specific question, the responses indicating that fact can be grouped in a joint response.

Updated Response to Initial Request 19

AG Request 19: Please reference the testimony of Fayne, page 16, line 6-7. State the cost of financing level at which "if the cost of financing is higher than reflected in the financial model, the transaction may no longer be viable."

Updated Response: As explained in our initial response filed in February 2008, interest expense, other than interest expense related to the sale-leaseback transaction is expected to average about \$45.4 million/year during the first three years of the contract (2008-2010), and decline thereafter. Interest expense related to the sale-leaseback transaction was projected to average \$13.9 million during the first three years of the contract, and increase thereafter. As a result, total interest expense was projected to be \$59.3 million/year during the first three years of the contract.

The sale-leaseback transactions with Bank of America and Philip Morris have been terminated. As a result, there is no longer interest expense associated with the sale-leaseback transaction. Interest expense is now expected to average \$51.5 million/year for the first two years of the contract (2009-2010), and to decline thereafter.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY  
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2. AG Request:

Assume the Unwind Transaction is approved as proposed. State the extent to which smelting operations in Kentucky under the proposed electric service agreements can be viewed as "high cost" or "low cost" relative to other competing smelting operations in the marketplace.

- a. Please provide quantification and analysis to support the response.

Response:

The Smelters respectfully object to this Item 2 on the ground that the information requested from each Smelter is confidential and proprietary to each Smelter and should not be disclosed absent a showing that it is relevant to the public interest inquiry of this docket. Without waiving this objection, the Smelters submit attached Schedule "AG Supplemental-2" which ranks the U.S smelters based on the cost of electricity for 2008. As shown on that schedule, both Sebree and Hawesville smelters fall in the middle of the pack. The cost of Wenatchee, Massena East and Massena West are based on hydroelectric power; the costs, therefore, are not expected to escalate rapidly. Both Hawesville and Sebree have protected the value of their current contracts through 2010 and 2011 respectively. The remaining smelters are subject to fuel price escalation. On that basis, Sebree and Hawesville are expected to continue to be in the middle relative to other competing smelting operations in the U.S. marketplace, at least for the next few years. Thereafter, we would expect the smelters to be in the middle, based on the expected operation of Big Rivers and its proximity to the Illinois Basin coal fields.

In addition, Schedule "AG Supplemental-2" provides global electricity costs by region. As shown on that schedule, the U.S cost of electricity fall in the middle, with the average U.S. cost of electricity slightly lower than the global average.

The data shown on Schedule "AG Supplemental-2" reflects information from CRU.

Witness Responsible: H.W. Fayne

**RANKING - U.S. SMELTER ELECTRICITY PRICES - 2008**

<b>Smelter</b>	<b>Average Electricity Price (\$/mWh)</b>	<b>Production (MT 000s)</b>
Wenatchee	12.03	100.0
Massena East	24.07	125.0
Massena West	25.98	130.0
Sebree	28.41	196.0
Ravenswood	29.14	174.0
Alcoa Tennessee	29.28	219.0
Rockdale	30.97	194.0
Hawesville	35.31	246.9
New Madrid	36.97	256.5
Warrick	37.08	271.9
Mount Holly	43.91	229.0
Hannibal	49.50	266.0
Columbia Falls	58.00	75.6
Ferndale	58.00	188.5
<b>TOTAL</b>	<b>36.47</b>	<b>2,672.5</b>

**RANKING - Electricity Cost by Region - 2008**

<b>Region</b>	<b>Average Electricity Price (\$/mWh)</b>	<b>Production (MT 000s)</b>
CIS	18.47	4,907.7
Africa	22.13	1,708.6
Middle East	22.35	2,297.9
Canada	24.15	3,495.7
Oceania	29.58	2,303.2
Northern Europe	29.80	2,610.8
Latin America	34.77	2,697.6
Asia	35.08	1,630.1
USA	36.47	2,672.5
Southern Europe	37.77	1,160.2
Eastern Europe	44.42	830.6
China	52.08	13,678.0
Central Europe	72.75	942.3
<b>TOTAL</b>	<b>37.26</b>	<b>40,935.2</b>

COMMONWEALTH OF KENTUCKY  
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CENTURY ALUMINUM OF KENTUCKY

---

3. AG Request

Assume the Unwind Transaction is approved as proposed, and also that the current prices for aluminum persist for an indefinite period. Please describe the viability of continued production at the smelting operations in Kentucky under those circumstances.

b. Please provide quantification and analysis to support the response.

Response:

The Smelters respectfully object to this Item 3 on the ground that the information requested from each Smelter is confidential and proprietary to each Smelter and should not be disclosed absent a showing that it is relevant to the public interest inquiry of this docket. Without waiving this objection, the Smelters state that if the current prices for aluminum were to persist for an indefinite period, we would likely be experiencing a world-wide deep recession. In such a scenario, we would also expect the cost of many materials and supplies, including coal and reagent, to fall as well. It is not possible to calculate with any precision how Big Rivers' cost structure would change in the face of such a prolonged recession, but we believe that the smelting operations in Kentucky would have a reasonable chance of continuing in such a circumstance.

As shown on attached Schedule "AG Supplemental 3", which reflects data prepared by CRU, the cost of production for 2008, excluding the cost of electricity, was approximately \$1500 - \$1600/tonne for the lower cost smelters. On the assumption that it takes 7 kilowatthours to produce one pound of aluminum, it would cost approximately \$600/tonne for electricity if the price of electricity were \$40/mWh. At that cost, Sebree and Hawesville would have a reasonable opportunity to continue operations even if LME price of aluminum were to stay depressed. We believe it is reasonable to assume that Big Rivers could achieve a correspondingly lower cost if a deep recession were to be prolonged, that the Smelters would be able to take advantage of the mitigation measures provided in the contract, and ultimately that all parties will work in good faith and take all reasonable actions to maintain Smelter operations and their substantial contributions to the economic welfare of their western Kentucky community.

Witness Responsible: H.W. Fayne



**RANKING - U.S. SMELTER PRODUCTION COST - 2008**

<b>Smelter</b>	<b>Site Operating Cost (\$/tonne)</b>	<b>Electricity Cost (\$/tonne)</b>	<b>Site Operating Cost, excl. Electricity (\$/tonne)</b>
Mount Holly	2133.14	677.29	1455.85
Sebree	1992.48	410.78	1581.70
Columbia Falls	2572.99	988.43	1584.56
Hawesville	2145.86	559.47	1586.39
Ferndale	2476.94	861.4	1615.54
Warrick	2232.32	596.15	1636.17
Ravenswood	2114.17	465.78	1648.39
Rockdale	2127.52	463.33	1664.19
New Madrid	2212.38	518.99	1693.39
Wenatchee	1892.58	189.01	1703.57
Hannibal	2547.86	800.58	1747.28
Alcoa Tennessee	2193.37	431.87	1761.50
Massena West	2255.05	413.04	1842.01
Massena East	2368.72	397.93	1970.79

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4. AG Request:

Please provide current projection of aluminum prices over a 3-5 year period and state the current price.

Response:

The LME price ranged between \$1886/tonne and \$2395/tonne during the month of October.

Attached Schedule "AG Supplemental-4" shows current projections of aluminum prices.

Witness Responsible: H.W. Fayne

**ALUMINUM PRICE FORECASTS**  
(\$/TONNE)

	Date	2008 LME	2009 LME	2010 LME	2011 LME	LT LME	
Bank of America	10/08/08	2,734	2,646	-	-	-	-
Barclays	10/02/08	2,666	2,600	-	-	3,200	Nominal
BMO Nesbitt Burns	10/03/08	2,712	2,535	2,756	-	2,601	-
Citigroup	10/27/08	2,668	2,205	2,646	3,086	2,866	-
Credit Suisse	10/20/08	2,668	2,535	2,646	2,425	2,425	-
Dahlman rose	09/24/08	2,646	2,205	-	-	-	-
Davenport	09/23/08	2,730	2,515	3,109	2,910	2,900	-
Deutsche Bank	10/20/08	2,606	1,874	2,249	2,535	2,690	-
Friedman Billings	10/17/08	2,205	2,646	-	-	-	-
Goldman Sachs	10/02/08	2,800	2,932	2,976	-	-	-
JP Morgan	10/16/08	2,715	2,400	2,450	2,500	2,500	-
Macquarie Bank	09/25/08	2,864	2,866	2,866	2,866	2,866	2008 \$
Merrill Lynch	10/24/08	2,668	2,425	2,646	2,646	2,646	-
Morgan Stanley	10/09/08	2,712	2,646	2,866	3,086	2,535	-
UBS	10/06/08	2,866	2,535	2,756	-	-	-
CRU	10/24/08	2,614	2,177	2,487	2,755	2,242	2008 \$
Brook Hunt	10/02/08	2,750	2,375	2,350	2,513	2,350	2008 \$
<b>Street Average</b>		<b>2,684</b>	<b>2,504</b>	<b>2,724</b>	<b>2,757</b>	<b>2,723</b>	-
<b>Analyst Average</b>		<b>2,682</b>	<b>2,276</b>	<b>2,419</b>	<b>2,634</b>	<b>2,296</b>	-
<b>Overall Average</b>		<b>2,684</b>	<b>2,477</b>	<b>2,677</b>	<b>2,732</b>	<b>2,652</b>	-
<b>Street Median</b>		<b>2,712</b>	<b>2,535</b>	<b>2,756</b>	<b>2,756</b>	<b>2,668</b>	-
<b>Analyst Median</b>		<b>2,682</b>	<b>2,276</b>	<b>-</b>	<b>2,634</b>	<b>2,296</b>	-
<b>Overall Median</b>		<b>2,712</b>	<b>2,535</b>	<b>2,646</b>	<b>2,700</b>	<b>2,623</b>	-

COMMONWEALTH OF KENTUCKY  
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---

5. AG Request:

Assume the Unwind Transaction is approved as proposed. Please describe the ability of the smelters to maintain production at the smelting operations in Kentucky under current and future recessionary economic circumstances.

- c. Please provide quantification and analysis to support the response.

Response:

See response to AG Supplemental #3.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION  
CASE NO. 2007-00455

RESPONSES TO  
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6. AG Request:

Please state whether or not any further agreements or understandings exist between the smelters and any other party or entity regarding the proposed transaction which have not been explicitly identified or presented to the Commission which could be construed or understood as a "side deal" as that term is commonly understood. If any such "side deal" does exist, identify each one and describe it in detail.

Response:

There are no agreements or understandings that exist between the smelters and any other party or entity regarding the proposed transaction which have not been explicitly identified or presented to the Commission.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION  
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RESPONSES TO  
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CENTURY ALUMINUM OF KENTUCKY

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7. AG Request:

Do the Smelters understand the proposed electric supply agreements to permit the rate charged to the smelters to vary to the extent the Commission later varies the Large Industrial Rate? If not, please explain why not.

Response:

Yes, the Smelters understand the proposed electric supply agreements permit the rate charged to the smelters to vary to the extent the Commission later varies the Large Industrial Rate.

Witness Responsible: H.W. Fayne

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION  
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**RESPONSES TO  
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CENTURY ALUMINUM OF KENTUCKY**

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**8. AG Request:**

The Wall Street Journal states "Rio Tinto also plans to review production rates at its higher-cost aluminum-smelting units, although the miner said that the vast majority of its production is at the lower end of the cost curve." ("Rio Tinto Delays Sale of Assets", The Wall Street Journal, October 6, 2008.)

- d. Assume the Unwind Transaction is approved as proposed. Please state whether the smelting operations in Kentucky may be characterized as "higher cost", or in "the vast majority...at the lower end of the cost curve."
- e. Please provide quantification and analysis to support the response.

**Response:**

Rio Tinto Alcan respectfully objects to this Item 8 on the ground that the information requested is confidential and proprietary and should not be disclosed absent a showing that it is relevant to the public interest inquiry of this docket. Without waiving this objection, Rio Tinto states that its Kentucky smelting operation is neither the highest cost nor the lowest cost in its system. Rio Tinto continuously monitors the production rates and costs of all its production facilities for a variety of reasons, including the need for capital improvements, maintenance of best practices and similar management considerations. Also, Rio Tinto Alcan continuously monitors the value that higher cost operations may have to the organization because of location, customer service obligations and similar corporate considerations.

**Witness Responsible: Guy Authier**


**VERIFICATION**

I certify, state and affirm that the foregoing responses to the Attorney General's Supplemental Request for Information for which I am listed as witness are true and correct to the best of my knowledge and belief.

  
Henry Fayne

State of Ohio  
Franklin County

Subscribed and sworn to me by Henry Fayne on this the 3 day of  
November, 2008.

  
Notary Public, State of Ohio  
My Commission expires: JUNE 8, 2011

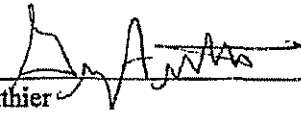


**AMEE VAUGHN**  
Notary Public, State of Ohio  
My Commission Expires June 08, 2011  
Recorded in Franklin County

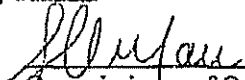


VERIFICATION

The undersigned, Guy Authier, states under oath that he is the Vice-President, Rio Tinto Alcan Primary Metal, Quebec-South & United States and Quebec joint ventures, and that the response to Item 8 of the Attorney General's Supplemental Request for Information is true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
Guy Authier

The foregoing testimony of Guy Authier was Declared before me this 5 day of November, 2008 in Montreal, Province of Quebec, Canada.

  
\_\_\_\_\_  
Commissioner of Oaths  
(Sophie DuFour) 203888-9

5 November 2008  
Date