Mark Bailey

From: Mark Bailey
Sent: Monday, January 23, 2012 5:15 PM
To: Bob Berry; John Talbert; Marty Littrel
Cc: Albert Yockey; Bill Blackburn; Mark Hite
Subject: FW: Non-smelter member wholesale rate impact of the smelters departing January 2013 and such energy sold into MISO at an assumed market price

FYI. Mark

From: Mark Hite
Sent: Monday, January 23, 2012 5:03 PM
To: Mark Bailey; Bill Blackburn
Subject: RE: Non-smelter member wholesale rate impact of the smelters departing January 2013 and such energy sold into MISO at an assumed market price

Assuming the build option, an additional approximately 3% with the smelters; approximately 9% without the smelters (an additional approximately 6% for the non-smelter members).

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From: Mark Bailey
Sent: Monday, January 23, 2012 4:54 PM
To: Mark Hite; Bill Blackburn
Subject: RE: Non-smelter member wholesale rate impact of the smelters departing January 2013 and such energy sold into MISO at an assumed market price

So, if the environmental compliance costs are factored in, would we still be looking at an ~ 5% incremental costs with and without the smelters above these numbers? Thanks, Mark

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From: Mark Hite
Sent: Monday, January 23, 2012 4:49 PM
To: Bill Blackburn; Mark Bailey
Subject: Non-smelter member wholesale rate impact of the smelters departing January 2013 and such energy sold into MISO at an assumed market price

Please see the attached Excel file, a 10-year member wholesale rate projection without the environmental compliance plan (ECP for CSAPR and MATS). As was discussed this morning, sheet 1 thereof reflects the resulting non-smelter member rate detail through 2021, Rural and Large Industrial, in the event the smelters terminate service 1/1/2013, and such energy is sold into MISO at market price (the assumed market price is per the 2012 Budget and the 2013-2015 Financial Plan, escalated at 3% thereafter). Sheet 2 hereof represents the base case, wherein the smelters continue taking service per contract. Sheet 3 compiles the difference between sheets 1 and 2.

In summary, as you can see, as a result of the smelters departure 1/1/2013, the Economic Reserve would be fully depleted mid-2014 and the Rural Economic Reserve would be fully depleted mid-2016 (the reserve funds), a couple of years earlier than otherwise. On average, the non-smelter member wholesale rates would increase approximately 45%, after factoring in the impact resulting from the MRSM (Economic Reserve and Rural Economic Reserve). So, the Rural wholesale rate would increase from approximately $62/MWh to approximately $90/MWh when the reserve funds are depleted (45%).

Should you desire any key variables be revised, such as market price, please let me know.

Comments welcome.

Thanks,
Mark

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