

May 28, 2014

Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort KY 40602

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PUBLIC SERVICE
COMMISSION

Re: Management Audit of Big Rivers Electric Corporation.

Dear Mr. Derouen:

In its April 25, 2014 order In Case No. 2013-00199, the Commission found, pursuant to KRS 278.255, that it would engage an independent consultant to perform a focused management audit of Big Rivers with the "major focus... on the steps that Big Rivers has taken or should undertake to mitigate any further financial impact relating to the loss of the smelter load." Such issues include "the optimal timing, pricing, terms, and conditions for marketing surplus power or selling generation assets." (emphasis added)

While Century's Hawesville smelter and Sebree smelter are no longer served from Big Rivers' generation resources, Century has a substantial interest in both BREC's past actions regarding the smelters leaving the system (including the financial impact on Century as an energy and transmission customer) as well as any actions Big Rivers may take going forward that may impact Century as an energy or transmission customer and as a potential purchaser of the Coleman Generating Station. Century's interests in the process include:

- In Case No. 2013-00221 in which the Commission approved the new contracts among Big Rivers, Kenergy and Century, the record shows that the closure of the Coleman Generating Station imposed a significant risk that the transmission system could not reliably deliver the full amount of power needed by the Hawesville smelter. Coleman is now closed and even with the Special Protective System in place, Hawesville's operation remains at significant risk. For this reason Century has an interest in whether Big Rivers has taken, or should take, all reasonable actions to restart Coleman or to sell Coleman to Century or another entity.
- In connection with the reliability issue, the potential closure of the Hawesville smelter will also have a direct impact on Big Rivers' power customers. In its April 25, 2014 order, the Commission included in Big Rivers' revenue requirement the transmission revenues associated with service to Sebree. But, because continued operation of the Hawesville

Century Aluminum Company
One South Wacker Drive
Suite 1000
Chicago, Illinois 60606-4616
312-696-3101 Phone
312-696-3102 Fax

CenturyALUMINUM

smelter was uncertain due to the transmission issue discussed above, the Commission did not include transmission revenues associated with Hawesville in the revenue requirement. Rather these revenues, to the extent available, would replenish the ER fund. If operation of Hawesville was more certain, then these revenues could also be included in the revenue requirement.

- Also in Case No. 2013-00221, Big Rivers testified that it would not perform live-line transmission maintenance, even though the Commission found it was as safe as maintenance on de-energized lines. This decision increased the risk that the Hawesville smelter would be curtailed and the associated transmission revenues lost, thereby failing to further mitigate the impact on other customers.

Century believes that the scope of the management audit should encompass these matters. Given its substantial interest in the process and outcome of the audit, Century, like KIUC, the Attorney General and Sierra Club, urge the Commission to modify the procedures for participation in the audit. KRS 278.255 and 807 KAR 5:013 address the process for management audits, but 807 KAR 5:013 Section 6 provides that for good cause shown, the Commission may modify this process.

As the Commission knows, Big Rivers' rate filings have been widely reported and followed by the press, the public, and legislators. The audit to investigate whether Big Rivers' actions to mitigate the rate increase now in place and the additional increase that customers will pay when the reserve funds are depleted deserves broader input from interested parties, including Century, and more transparency than the standard audit process provides.

Accordingly, Century requests that:

1. Any entity with a substantial interest in the audit, such as Century, should be allowed to participate in the process and, subject to signing a confidentiality agreement, should be provided access to all confidential materials in Case Nos. 2012-00063, 2012-00535, 2013-00199 and other relevant cases and to any further materials provided by Big Rivers to the consultant.
2. Century should be allowed to review and comment on the draft RFP for the consultant, including the scope of the audit.
3. Century should be allowed to review and comment on each RFP respondent's proposal and to participate in interviews, if any, with RFP respondents.
4. Century should be allowed to meet with and provide information to the selected consultant.

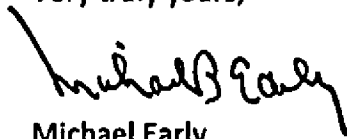
Century Aluminum Company
One South Wacker Drive
Suite 1000
Chicago, Illinois 60606-4616
312-696-3101 Phone
312-696-3102 Fax

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5. Century should be allowed to review and comment on the draft report.

Century looks forward to your response.

Very truly yours,



Michael Early
Corporate Energy Director

CC:

Big Rivers Electric Corporation
Kentucky Industrial Utility Customers
Attorney General of Kentucky
Sierra Club

Century Aluminum Company
One South Wacker Drive
Suite 1000
Chicago, Illinois 60606-4616
312-696-3101 Phone
312-696-3102 Fax