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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda Breathitt
Commissioner

August 15, 2013

PARTIES OF RECORD

Re: Case No. 2013-00221
Joint Application of Kenergy Corp. and Big Rivers Electric Corporation for
Approval of Contracts and for a Declaratory Order

Attached are copies of two memorandums which are being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandums, please do so within five days of receipt of this letter. If you have any questions, please contact Aaron Ann Cole, Staff Attorney, at 502-782-2591.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

AAC/kar

Attachments

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Aaron Ann Cole, Staff Attorney

DATE: August 12, 2013

RE: Case No. 2013-00221
Joint Application of Kenergy Corp. and Big Rivers Electric Corporation for
Approval of Contracts and for a Declaratory Order

Pursuant to the scheduling order issued on June 28, 2013, an informal conference was held at the Commission's offices on July 12, 2013. The purpose was to provide Big Rivers Electric Corporation ("Big Rivers") and Kenergy Corp. ("Kenergy") an opportunity to present a detailed summary of the proposed electric service agreements that would allow Kenergy to access market-priced power for Century Aluminum of Kentucky General Partnership ("Century") following Century's termination of its current wholesale and retail contracts with Big Rivers and Kenergy, respectively. The electric service agreements as proposed in this case are referred to collectively herein as the Century Transaction. A list of attendees is attached to this memo.

Robert Berry, Chief Operating Officer of Big Rivers, made a formal presentation of the Century Transaction. A copy of Mr. Berry's presentation was provided to all of the attendees and is attached hereto. Mr. Berry provided a synopsis of Big River's goals and objectives in negotiating the Century Transaction; a summary of the agreements that comprise the Century Transaction; an overview of the terms and timeline associated with the Century Transaction; a discussion of credit support and billing; and provided preliminary information on System Support Resource ("SSR") costs as well as those costs that are to be reimbursed by Century.

There being no further discussions, the informal conference adjourned.

Attachment 1 – List of Attendees

Attachment 2 – Big Rivers Presentation

cc: Parties of Record w/out Attachment 2

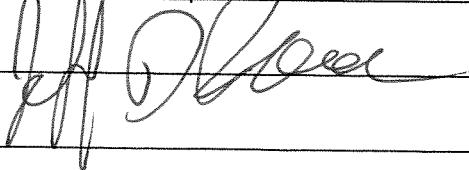
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF KENERGY CORP.)
AND BIG RIVERS ELECTRIC CORPORATION) CASE NO.
FOR APPROVAL OF CONTRACTS AND FOR A) 2013-00221
DECLARATORY ORDER)

July 12, 2013

Please sign in:

NAME	REPRESENTING
RICHARD RAFF	PSC-LEGAL
PSC JEFF SHAW	PSC - FA
Chris Whelan	PSC - FA
Quang D Nguyen	PSC
Greg Starheim	Kenergy
Bob Beung	Big Rivers
Mike Kurtz	KIUC
JENNIFER BLACK HANS	OAG
JIM MILLER	Smsm / BR
KYLE DREEKE	Orrick BR + Kenergy
Chris HOPGOOD	Kenergy
	PSC

NAME

REPRESENTING

Joe Childers
Kurt Boehm
Michael Abate
Tijp Depp
Billie J. Rickett
Debra Speed
Taline Marshews

Sierra Club
KIOC
Big Rivers/Dismore
Big Rivers/Dismore
Big Rivers
Big Rivers
PSC




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Century Transaction Summary

July 12, 2013




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Goal / Objective

- **Negotiate a structure to allow Kenergy to obtain power from the wholesale market to resale to Century.**
 - Once Kenergy obtains the Century power requirements from the wholesale market, Big Rivers is no longer obligated to supply Kenergy power from its generation resources to serve Century.
 - The deal can not increase the Members rates more than if the smelter ceased operation.
 - Successfully accomplished both objectives




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Century Transaction

- **10 Agreements make up the Century Transaction**
 1. **Electric Service Agreement** - A retail electric service agreement for the sale of electricity, electric capacity and electricity-related ancillary services, including transmission services, by Kenergy to Century. It is intended to be in place regardless of who the Market Participant is.
 2. **Arrangement and Procurement Agreement** - The power arrangement and procurement agreement entered into between Big Rivers and Kenergy pursuant to which Big Rivers arranges and procures electricity, electric capacity and electricity-related ancillary services for Kenergy for resale to Century under the Electric Service Agreement. This agreement will be terminated if Big Rivers is not the Market Participant.



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Century Transaction

3. **Direct Agreement** - An agreement between Big Rivers and Century relating to direct, bilateral obligations to each other in connection with the Transaction, including obligations relating to SSR Costs.
4. **Tax Indemnity Agreement** – Agreement between Kenergy, Century and Century Parent that insulates Kenergy from the risk of incurring any additional tax liabilities, if this transaction were to jeopardize Kenergy’s tax exempt status.
5. **Guarantee of Century Parent** – Agreement between Big Rivers, Kenergy and Century Parent which covers all the agreements except the Capacitor and Protective Relay Agreement.


Century Transaction

6. **Security and Lock Box Agreement** – Agreement between Kenergy, Big Rivers and Century to provide payment to a single source for disbursement to Big Rivers and Kenergy.
7. **Capacitor Agreement** - An agreement entered into between Big Rivers, Kenergy, Century and Century Parent relating to obligations for the design, development, purchase, installation, operation, maintenance and risk of the Capacitor Additions at Century.

Century Transaction

8. **Protective Relay Agreement** - An agreement entered into between Big Rivers, Kenergy, Century and Century Parent relating to obligations for the design, development, purchase, installation, operation, maintenance and risk of the Protective Relays at Century.
9. **Capacitor Additions and Protective Relay Guarantee** – A contract between Century Parent, Big Rivers, and Kenergy by which Century Parent unconditionally guarantees the prompt payment and performance of Century Kentucky’s obligations under the Capacitor Agreement and the Protective Relay Agreement.
10. **Alternate Service Agreement** – The Alternate Service Agreement provides up to 10 MW of energy to Century at the large industrial rate for non-smelting operations. This agreement is required if the Electric Service Agreement is not approved or if the ESA is terminated at a later date.




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Overview

- The stated term (Service Period) of the transaction is August 20, 2013 through December 31, 2023, subject to an evergreen renewal.
- Big Rivers will initially be the Market Participant for Kenergy to arrange and schedule the required energy, capacity and associated services for Kenergy to sale to Century.
- Kenergy may elect, subject to the consent and approval of Century, to become the Market Participant.
- Century may designate a alternative Market Participant with a 120 day notice to Kenergy and to Big Rivers if the Arrangement Agreement is in effect, subject to limited approval rights of Kenergy.




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Overview Continued

- Century plans to purchase the maximum amount of energy (Base Load) that can be imported into the Hawesville smelter without the Coleman Plant operating. (332 MW)
- This will require Capacitors to be installed at Century to maintain the appropriate voltage support.
- Century is investigating the possibility of purchasing additional energy on an interruptible basis (Curtailable Load) by utilizing protective relays.




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Overview Continued

- Lead times of the Capacitors and approval for the Protective Relays cannot be accomplished before August 20, 2013.
- To avoid interruption in service Big Rivers agreed to enter into a short term (9 months) System Support Resource (SSR) agreement with MISO to operate the Coleman Plant until the earlier of; when the Capacitors and Protective Relays are in place or June 1, 2014.
- Century has agreed to pay all of the operating cost of Coleman that is allocated to Big Rivers during this 9 month period and during other SSR periods.
- Big Rivers agreed to offset the SSR cost with the additional transmission revenue we receive from Century. This only applies during the SSR period.




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Credit Support

- Century shall provide and maintain credit support, cash or letter of credit from a bank rated A+ or better for the following:
 - The amounts reasonably estimated by Kenergy and Big Rivers to be due with respect to Century's obligation under the Electric Service Agreement for a period not longer than the payment terms.
 - The amounts reasonably estimated by Big Rivers to be due with respect to Century's additional obligations to Big Rivers for a period of two months for amounts under the Direct Agreements.
 - The amounts estimated by Kenergy to be due with respect to Century's obligation under the Tax Indemnity Agreement.
 - All other amounts reasonably projected by Kenergy or Big Rivers to become payable to either of them by Century.




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Credit Support & Billing

- Century will provide and maintain credit support in the form and in the amount required by MISO with respect to the of electricity, capacity and ancillary services for resale to Century.
- Big Rivers will invoice Kenergy and Kenergy will invoice Century based on how Big Rivers is invoiced by MISO (weekly) for energy and related services.
- Big Rivers will invoice Kenergy and Kenergy will invoice Century based on how Big Rivers is invoiced by MISO (monthly) for all other ancillary services including transmission.
- Big Rivers will invoice Century monthly for all services associated with the Direct Agreement and all other charges payable by Century.



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Electric Service Agreement

- Agreement between Century and Kenergy where Century is obligated to pay for cost related to Century's operation:
 - Electricity, capacity and ancillary services including transmission services.
 - Kenergy's internal and direct cost including a nominal net margin (equivalent to current net margin).
 - Cost associated with any entity other than Big Rivers serving as the Market Participant.
 - Cost incurred by Kenergy to comply with state or federal renewable energy portfolio or similar standards.
 - Charges to Kenergy for MISO Transmission Expansion Plan (MTEP) or Multi-Value projects (MVP).




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Electric Service Agreement

- Agreement between Century and Kenergy where Century is obligated to pay for cost related to Century's operation: (Continued)
 - Any cost to Kenergy arising out of any bilateral contract in which Century has approved.
 - Cost related to Century's operation incurred by Kenergy to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act.
 - Monthly charges with respect to items charged to Kenergy under the Arrangement Agreement.
 - Excess reactive demand charge.
 - All other direct cost of Kenergy incurred or committed to by Kenergy related to Century's operation.



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Arrangement Agreement

- Agreement between Kenergy and Big Rivers where Kenergy is obligated to pay Big Rivers for cost related to Century's operation:
 - Electricity, capacity and ancillary services to serve Kenergy for the benefit of Century.
 - Cost incurred by Big Rivers to comply with state or federal renewable energy portfolio or similar standards.
 - MISO charges to establish and maintain the Hawesville Node.
 - Charges to Big Rivers for MISO Transmission Expansion Plan (MTEP) or Multi-Value projects (MVP).




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Arrangement Agreement

- Agreement between Kenergy and Big Rivers where Kenergy is obligated to pay Big Rivers for cost related to Century's operation: (Continued)
 - Cost related to Century's operation incurred by Big Rivers to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act.
 - Cost or charges of ACES, or similar service for scheduling , awards and settlements.
 - Cost of a .25 Full Time Equivalent (FTE) employee of Big Rivers if it is serving as the Market Participant.
 - Any other amounts due and owing to Big Rivers under the Definitive Documents including applicable taxes.




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Direct Agreement

- Agreement between Big Rivers and Century where Century is obligated to pay Big Rivers for direct, bilateral obligations related to Century's operation:
 - All SSR (must run) cost of the Coleman generating station, less any transmission revenue received by Big Rivers.
 - All electrical transmission capital cost related to Century's operation allocated by MISO to the Hawesville Node.
 - Other third-party out of pocket cost of Big Rivers incurred or committed to by Big Rivers related to Century's operation.
 - All SSR (must run) cost, including capital if Coleman is forced to restart due to Century's increase in load or if the initial SSR is extended beyond June 1, 2014.




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Direct Agreement

- Agreement between Big Rivers and Century where Century is obligated to pay Big Rivers for direct, bilateral obligations related to Century's operation:
 - All operating costs of the Coleman generating station, less any transmission revenue received by Big Rivers if the SSR agreement has not been approved by the appropriate Governmental Authority.
 - All costs associated with the must run operation of the Coleman plant that are not reimbursed through the SSR process.




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SSR Costs

- SSR Agreement for Short Term Operation of Coleman
 - The purpose is to provide for continued operation of one or more of the Coleman units after August 20, 2013 until Century can install the Capacitors and Protective Relays.
 - The term is the earlier of June 1, 2014 or when Century can complete the installation of the capacitors and protective relays.
 - Century will pay all cost allocated from MISO to Big Rivers under the SSR agreement.
 - If a major failure occurs at Coleman during the SSR period, Century will pay the \$1 million insurance deductible, or if less than 3 units are required, the restart of the idled unit.




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Direct Agreement

- Century will hold big Rivers harmless from all direct cost, expenses, liabilities, claims or similar consequences relating to the following to the extent not recovered under the Electrical Service Agreement:
 - Purchasing and transmitting electricity, capacity and ancillary services for resale to Century under the transaction.
 - Claims of bilateral power suppliers under contracts to which Century has agreed for electricity, capacity and ancillary services.
 - Any other amounts due and owing to Big Rivers under the Definitive Documents.



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Century Transaction

Questions

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Aaron Ann Cole, Staff Attorney

DATE: August 15, 2013

RE: Case No. 2013-00221
Joint Application of Kenergy Corp. and Big Rivers Electric Corporation for
Approval of Contracts and for a Declaratory Order

Pursuant to the scheduling order issued on June 19, 2013, an informal conference was held at the Commission's offices on June 20, 2013. The purposes were to discuss the possibility of permitting the proposed electric service agreements that would allow Kenergy Corp. ("Kenergy") to access market-priced power for Century Aluminum of Kentucky General Partnership ("Century"), following Century's termination of its current wholesale and retail contracts with Big Rivers Electric Corporation ("Big Rivers"), to go into effect August 20, 2013, subject to change, and to discuss drafting a procedural schedule. The electric service agreements as proposed in this case are referred to collectively herein as the Century Transaction. A list of attendees is attached to this memo.

KIUC began the informal conference by discussing the Century Transaction and proposing that the contracts should be approved on an interim basis. KIUC also suggested that the parties should craft a procedural schedule. Commission Staff noted that it is within Commission jurisdiction to approve contracts for rates and services. Big Rivers stated that the contracts were drafted with the expectation that the Commission would issue a final Order no later than August 20, 2013, and the contracts lack any provision to accommodate approval on an interim basis subject to possible future modification. There was also a discussion about MISO designating the Coleman Station as a System Support Resource ("SSR") and the resulting costs, which were expected to be known by the end of June. The parties decided that it was necessary to issue a procedural schedule, and tentatively scheduled a presentation by Big Rivers regarding the Century Transaction for early July.

There being no further discussions, the informal conference adjourned.

Attachment 1 – List of Attendees

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF KENERGY CORP.)
AND BIG RIVERS ELECTRIC) CASE NO.
CORPORATION FOR APPROVAL OF) 2013-00221
CONTRACTS AND FOR A DECLARATORY)
ORDER)

June 20, 2013

Please sign in:

NAME	REPRESENTING
<u>RICHARD RAFF</u>	<u>PSC-LEGAL</u>
<u>Chris Whelan</u>	<u>PSC-FA</u>
<u>Larry Cook</u>	<u>OAG</u>
<u>JEFF SHAW</u>	<u>PSC - FA</u>
<u>Quang D Nguyen</u>	<u>PSC</u>
<u>Jennifer Blank Hans</u>	<u>OAG - on telephone</u>
<u>Dennis Howard</u>	<u>OAG - on telephone</u>
<u>Tip Depp</u>	<u>Big Rivers Public Service - on telephone</u>
<u>Melissa Yater</u>	<u>Jackson Purchase - on telephone</u>
<u>Kelly Nickols</u>	<u>Jackson Purchase - on telephone</u>
<u>Mike Kurtz</u>	<u>KIUC - on telephone</u>
<u>Burns Mercer</u>	<u>Meade - on telephone</u>
<u>Greg Starheim</u>	<u>Kenergy - on telephone</u>
<u>Kurt Boehm</u>	<u>KIUC - on telephone</u>

