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NEWS RELEASE

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PSC Approves Power Contract for Century Aluminum *Agreement allows Kenergy to obtain market power for Hawesville smelter to remain in operation; Big Rivers Electric will no longer provide power for smelter*

FRANKFORT, Ky. (Aug. 14, 2013) – The Kentucky Public Service Commission (PSC) today approved agreements that allow the Century Aluminum of Kentucky smelter in Hawesville to be supplied with electric power purchased on the open market by Kenergy Corp. rather than power generated by Big Rivers Electric Corp.

Century has said that approval of the agreements is necessary for the continued operation of the smelter. The company has said that market power will be less costly than the power produced by Big Rivers.

In an order issued today, the PSC said that the agreements achieve a “delicate balance” between “keeping the Hawesville smelter viable” and not imposing costs on the remaining Big Rivers customers beyond those that would occur if the smelter closed. The smelter has nearly 700 employees.

The agreements “are designed to provide Century Kentucky an opportunity to continue operating the Hawesville smelter, which will provide significant benefits to the western Kentucky economy,” the PSC said in today’s order.

The nine agreements set out the terms under which Big Rivers and Kenergy Corp. will provide electric service to the Hawesville smelter. They replace the current power agreement between the two utilities and Century, which terminates Aug. 20.

Century, Big Rivers and Kenergy must execute the agreements by Aug. 19 in order for the Hawesville smelter to continue to receive electric service.

Big Rivers operates the power plants and transmission lines that currently serve the Hawesville smelter. Kenergy is the retail electric service provider in Hawesville and is one of three electric distribution cooperatives that own and purchase power from Big Rivers.

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Century notified Big Rivers last year that it intended to terminate its power supply contract with the utility and to close the smelter this month. Subsequent negotiations led to the agreements that the PSC approved today.

Under the agreements, Kenergy remains the retail service provider to the Hawesville smelter. Big Rivers will purchase power on the open market on behalf of Century and transmit that power to Kenergy for delivery to the smelter in Hawesville.

The agreements were filed with the PSC on June 12. A public hearing was held at the PSC on July 30. In addition to Big Rivers, Kenergy and Century (known formally as Century Aluminum of Kentucky General Partnership), other parties to the case included the Kentucky Office of Attorney General; the Kentucky Industrial Utility Customers, Inc., which represented three other large customers of Big Rivers; and Jackson Purchase Energy Corp. and Meade County Rural Electric Cooperative Corp., the two other distribution cooperatives in the Big Rivers system.

In today's order, the PSC addressed an additional issue that was not covered by the agreements, but that arose during the hearing – “live line maintenance,” or the practice of maintaining high-voltage transmission lines while they are energized. The issue was not raised in the case until Century filed testimony five weeks after the agreements were filed with the PSC.

Century wants Big Rivers to use live line maintenance on three transmission lines near the smelter in order to prevent any maintenance-related reductions in power to the smelter. Big Rivers objects to doing live line maintenance because of safety concerns.

The PSC stated that live line maintenance is “consistent with good and reasonable utility practice.” But it declined to order Big Rivers to use the practice to maintain the three lines.

“The issue of live line maintenance is one that the parties to the Century (agreements) must resolve among themselves,” the PSC said in today's order.

Today's decision is separate from a pending decision in a rate increase request filed by Big Rivers. In that case, Big Rivers is seeking to adjust rates to compensate for the revenue it will lose when it is no longer selling power to the Hawesville smelter.

Big Rivers also supplies power to a smelter in Sebree, which is owned by the same parent company that owns the Hawesville smelter. The power agreement under which service is provided to the Sebree smelter is due to terminate in January. Big Rivers has filed a second rate case in anticipation of the further loss of revenue.

Century's parent company has said it will seek a similar open market power supply arrangement with Big Rivers and Kenergy in order to continue operations at the Sebree smelter. Together, the two smelters consume about two-thirds of the electricity produced by Big Rivers and account for about 70 percent of the utility's revenue.

Today's order, case records and a video of the hearing are available on the PSC website, psc.ky.gov. The case number is 2013-00221. Records in the two Big Rivers rate cases, case numbers 2012-00535 and 2013-00199, also are available on the website.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 90 employees.

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