

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ormet)	
Primary Aluminum Corporation for)	
Approval of a Unique Arrangement with)	Case No. 09-119-EL-AEC
Ohio Power Company)	

AFFIDAVIT OF JAMES BURNS RILEY

Hannibal :
Ohio : ss

James Burns Riley, being duly sworn deposes and states:

1. I am the Chief Financial Officer of Ormet Corporation ("Ormet Corp."), which is the parent corporation of Ormet Primary Aluminum Corporation ("Ormet"). I have held this position with Ormet Corp. since July 1, 2007. My responsibilities include the oversight of all financial and IT functions. My business address is 43840 State Route 7, P.O. Box 176, Hannibal, Ohio 43931.

2. Ormet owns and operates an aluminum reduction facility in Hannibal, Ohio (the "Hannibal Facility"). The Hannibal Facility, encompassing 256 acres, is located on the Ohio River in Hannibal, Ohio. It consists of six potlines and is the second largest aluminum smelter in the United States, with the capability of producing approximately 271,000 metric tons of molten aluminum annually.

3. On July 15, 2009, the Commission approved as modified by the Commission an amended application for a Unique Arrangement, pursuant to Section 4905.31, Revised Code between Ormet and AEP Ohio. The purpose of the Unique Arrangement was to assist Ormet with competitive energy costs such that it could sustain high quality jobs in Monroe County. Ormet continues to

operate and maintain high quality jobs as contemplated when receiving the economic development incentives contemplated in the agreement.

4. Ormet had anticipated receiving the economic development discounts when the LME was at low levels which would result in electric rates that would allow Ormet to maintain the prescribed employment levels. Unfortunately the numerous rate increases by AEP, including the significant rate increase in August 2012 and various increases in the many riders applicable to Ormet have resulted in base rate increases before discounts from 2009 to present of over \$130 million which equates to a compound annual increase of 12.2 percent compared to a compound annual increase as measured by the Bureau of Labor Statistics for the PPI for electric power of less than 2.1 percent.

5. On February 25, 2013 Ormet filed bankruptcy due in part to high energy prices. During bankruptcy Ormet established a collaborative effort to achieve four primary objectives: eliminate legacy pension costs, negotiate with the USW to modify contributions to Hannibal VEBA Trust, convert a significant portion of the outstanding Term loan to equity and achieve competitive power rates. Ormet has successfully achieved each of these goals with the exception of the achieving competitive power rates. Ormet engaged Evercore Partners to solicit buyers of the Ormet assets that would exceed the credit bid valued at \$282.8 million provided by Wayzata to no avail. In addition, Evercore reached out to find a new investor to provide sufficient liquidity to maintain ongoing operations without success. Wayzata provided \$30 million of liquidity throughout the bankruptcy proceeding and has agreed to provide an additional \$30 million of liquidity upon closing to ensure ongoing operations based upon specific conditions precedent. In addition, Wayzata has received an offer to provide an additional incremental \$20 million of liquidity from an Asset Based Lender upon a closing of the sale to Smelter Acquisition LLC. The single outstanding condition precedent necessary for the closing of the transaction is achieving the amended power supply agreement.

6. On June 14, 2013, Ormet filed a petition with the Commission requesting specific relief in order to facilitate the sale to Wayzata and maintain operations. The specific relief requested of the Commission is as follows:

Emergency Relief

a. Amendment to the Term of the Unique Arrangement:

Shorten the term of the Unique Arrangement from December 31, 2018 to December 31, 2015.

b. Amendment to the rate charged Ormet for power to support its current four line operation for the year 2013:

Commencing with approval of this motion, Ormet, in lieu of paying the AEP Ohio rate GS-4 (all riders including the Fuel Adjustment clause) minus discounts, shall pay a fixed rate per MWh for the balance of calendar year 2013 that will result in an average fixed fee of \$45.89/per MWh for the entire calendar year 2013 plus payment of Riders PIRR, RSR, TURR, TCRR, ESRR, USF, DIR, EE/PDR, EDR, GridSMART, DARR and the tariff distribution fees excluding the discounts. In order to achieve an average fixed fee of \$45.89 per MWh for the entire calendar year of 2013, the fixed rate per MWh paid during the remainder of 2013 may be less than \$45.89 per MWh to offset higher payments earlier in the year before discounts are applied.

c. Amendment to permit Ormet to purchase power at market rates to support the minimum employment stipulated in the Unique Arrangement as of January 1, 2014:

Effective January 1, 2014, in accordance with existing policy, Ormet shall be permitted to transition to choice and purchase up to its full power requirement for the four pot lines from a competitive retail electric service provider at market rates pursuant to the Commission's rules governing retail power purchases.

d. Amendment to the discount applicable to Ormet to support the minimum employment stipulated in the Unique Arrangement:

Maintain the current monthly average discount of five million five hundred thousand per month in calendar year 2013 including if necessary adjustments so that for calendar year 2013 the monthly discounts do not exceed or fall below sixty six million dollars for the calendar year. For the period of calendar year 2014, Ormet's monthly discount shall be reduced to four million five hundred thousand dollars per month.

e. The affirmation of the assignment of the Unique Arrangement:

The Commission is requested to affirm the assignment by Ormet of its interest in the Amended Unique Arrangement to Smelter Acquisition LLC under Section 13.04 of the current arrangement.

Non-Emergency Relief

a. Amendment to the discount applicable to Ormet to support the minimum employment stipulated in the Unique Arrangement:

For the first five months of 2015, Ormet shall continue to receive a monthly discount of four million five hundred thousand dollars.

b. Amendment to provide for incremental power purchases by Ormet:

Permit Ormet to increase operations to six pot lines, which is anticipated to be no earlier than July 1, 2014 and not to exceed 160 MW of capacity for pot lines 5 and 6. Should Ormet elect to reopen one or both of pot lines 5 and 6, Ormet shall be permitted to purchase up to its full power requirement for the incremental pot lines from a competitive retail electric service provider at market rates. To support the operations of the incremental lines, Ormet will increase its minimum employment to 1,000 once the two incremental pot lines are fully restarted. Ormet shall receive a shopping credit of \$9/MWh through May 31, 2015 on the additional 160 MW.

c. Amendment clarifying repayment of the deferral:

Ormet shall repay the amount billed to Ormet for October and November 2012 which was deferred starting January 2014 and continuing through December 2015. Payment shall be in equal monthly installments equal to $1/24^{\text{th}}$ (or 4.1667%) of the cumulative amount of those two deferred invoices.

d. Amendment to the target price for the payment of premiums by Ormet:

The target price for aluminum based on the London Metals Exchange which would trigger a premium payment by Ormet shall be lowered to the target prices of \$2650/metric ton for 2013 and \$2490/metric ton for 2014 and the first five months of 2015, from the current 2013 target price of \$2805/metric ton.

e. Amendment to provide that Ormet will demonstrate sustainable power pricing after 2015:

Ormet shall submit to the Commission a business plan which demonstrates a sustainable energy price post 2015 from a newly constructed on site power plant which achieves power prices per MWh which will support the ongoing operation of Hannibal Facility. The plan will be submitted under seal to the Commission no later than 30 days following the filing of the Application.

f. Amendment to provide for Ormet to submit a detailed construction plan:

As soon as practical following the filing of the business plan, Ormet shall provide the Commission with more detailed information, including specific milestones, for construction of the power plant including pricing projections which confirm that Ormet's power prices will be sustainable without further incentives.

g. Amendment to provide for backup power for up to a seven month delay in the construction of an Ormet power plant:

Due to weather, regulatory, financial or other factors outside the control of Ormet, the proposed power plant may not be in full operation on May 31, 2015. If construction of the power plant extends past June 1, 2015, Ormet shall be permitted to purchase up to its full 540 MW power requirement from a competitive retail electric service provider at market rates. To bridge the gap between June 1, 2015 and December 31, 2015, Ormet shall receive a shopping credit of \$6/MWh. Such shopping credit shall terminate the earlier of when the Ormet generation plant is placed into full service or December 31, 2015.

7. On July 15, 2013, Ormet filed an interlocutory appeal of the Attorney Examiner's July 11, 2013 Entry, which denied the emergency relief as Ormet needed immediate additional funding to continue operations. The schedule set in the July 11, 2013 Entry delays any Commission decision on Ormet's motion until well after the end of August. By Entry of July 31, 2013, the Commission affirmed the Attorney Examiner's July 11, 2013 Entry.

8. Ormet filed the July 31, 2013 motion to request an alternative remedy that would enable it to continue limited operation, while at the same time providing the Commission time to fully consider Ormet's June 14, 2013 motion for relief. In its July 31, 2013 motion, Ormet requested that the Commission exercise its authority to permit Ormet to defer its payment obligations on AEP Ohio bills received in August and September for electricity consumed in July and August.

9. Given the July 31, 2013 Entry and the near-term liquidity issues, Ormet must immediately begin the shutdown of half of the existing operations at Hannibal resulting in the layoff of over 200 individuals.

10. To alleviate the necessity to shutdown all remaining operations by early September, Ormet hereby asks the Commission to issue an order allowing it to defer its payment of its July and August bills from AEP Ohio which would be payable in August and September. This deferral, coupled with a Commission decision on the June 14, 2013 motion by September 30, 2013, would allow Ormet to maintain some level of operations through the decision date. The temporary deferral period would provide minimal relief during which time the Commission could complete an evidentiary hearing and carefully consider the benefits of Ormet's request. Most importantly, it would protect southeast Ohio's economy and Monroe County Ohioans in particular from the massive economic harm that would result from an Ormet shutdown.

11. Such temporary deferrals, coupled with a Commission decision on the June 14, 2013 motion by September 30, 2013, would: (a) allow Ormet to continue its operations until the motions are resolved according to the schedule set in the July 11, 2013 Entry, (b) afford the Commission the time it needs to fully consider these issues, (c) give all interested parties an opportunity to be heard in a hearing, (d) protect Ohio from the serious harm that would result from an Ormet shutdown, and (e) avoid imposing substantial new burdens upon AEP and/or its other ratepayers.

12. Ormet requests that the Commission approve a modification to its existing Unique Arrangement pursuant to Section 4905.31, Revised Code, to permit the following temporary deferred payment arrangement: temporary deferral of bills rendered to Ormet with payment dates in August and September, 2013 for electricity purchased in July and August.

13. Ormet will pay the deferred invoices within five business days of the closing of the sale to Smelter Acquisition, LLC.

14. Monroe County, Ohio, the location of the Hannibal Facility is an economically depressed region where Ormet's contribution as an employer, tax payer, and purchaser of goods and

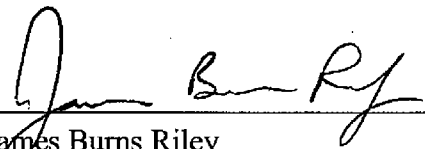
services is vital to the area's economy. The requested deferred payment arrangement is vital to protect thousands of jobs of both Ormet direct employees and those who depend upon Ormet.

15. The deferred payment arrangements do not change the structure of the terms of the Unique Arrangement, and are short in duration.

16. Ormet has provided Staff, under confidential seal, with a detailed business plan identifying the ongoing operational viability upon the exit of bankruptcy.

17. Ormet made a similar request for a deferral of AEP Ohio payments on October 12, 2012, which was approved by the Commission in an Entry dated October 17, 2012.

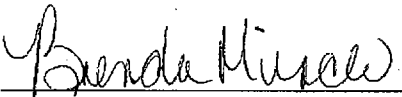
18. Ormet needs immediate relief to survive its immediate cash flow problem and the July 31, 2013 motion requests that the deferrals herein be approved in an expedited manner. The Commission can grant this motion in an expedited manner because the deferrals are minor, do not impose substantive changes to the Unique Arrangement and do not impose additional costs upon the rate payers.


James Burns Riley
Chief Financial Officer
43840 State Route 7
P.O. Box 176
Hannibal, Ohio 43931

Sworn to and subscribed before me in my presence this 7 day of August, 2013.



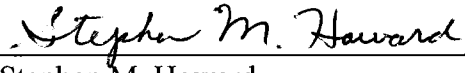
BRENDA MIRACLE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES July 12, 2016


Notary Public

My Commission expires: July 12, 2016
2011-RE-378248

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing document has been served upon the persons below via electronic mail this 7th day of August, 2013.



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Case No(s). 09-0119-EL-AEC

Summary: Affidavit Affidavit of James Burns Riley to accompany the July 31,2013 Motion to
Defer Payments electronically filed by Mr. Stephen M Howard on behalf of Ormet Primary
Aluminum Corporation