

THE PUBLIC UTILITIES COMMISSION OF OHIO

Case No. 07-1132-EL-UNC

Case No. 07-1191-EL-UNC

Case No. 07-1278-EL-UNC

Case No. 07-1156-EL-UNC

Pursuant to Section 4903.10, Revised Code, and Rule 4901-1-35, Ohio Administrative Code, Ormet Primary Aluminum Corporation (“Ormet”) respectfully seeks leave to apply for rehearing in this case and submits this Application for Rehearing of the Public Utilities Commission of Ohio’s (“Commission”) January 30, 2008 Opinion and Order in the above-captioned case.

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In support of Ormet's Application, we note that the Commission may grant leave for a party not having entered a prior appearance in a case to seek rehearing where it first finds:

(1) The applicant's failure to enter an appearance prior to the entry upon the journal of the Commission complained of was due to just cause; and (2) the interests of the applicant were not adequately considered in the proceeding.¹ As explained more fully in the attached Memorandum of Support, Ormet submits that it had just cause for not entering a prior appearance in this proceeding and that its interests were not given adequate consideration in this proceeding.

The Commission's January 30 Opinion and Order unfairly and unreasonably approved a Stipulation that shifts \$4 million of costs to Ormet, who was not party to the Stipulation. The unjust and unreasonable cost shift results from the recovery of generation costs through a transmission rider and from a double-recovery of these costs by AEP-Ohio under both the Stipulation in this case and a prior 2006 Stipulation and Recommendation between AEP-Ohio and Ormet. Ormet's failure to enter a prior appearance was caused by the fact that it had no notice that it would be affected by the 2008 Stipulation in this case. The 2008 Stipulation's shifting of substantial costs to Ormet violates the Commission's criteria for approving a settlement, which require that (1) the settlement be the product of serious bargaining among capable, knowledgeable parties; (2) the settlement, as a package, benefits ratepayers and the public interest; and (3) the settlement package does not violate any important principle or practice.²

More specifically, rehearing is required because:

- The 2008 Stipulation violates the Commission's criteria for approving a settlement because it has substantial harmful effects on parties not at the bargaining table, who were not

¹ Ohio Revised Code Section 4903.10.

² *Office of Consumers' Council v. Public Utilities Comm'n of Ohio*, 592 N.E.2d 1370, 1373 (Ohio 1992).

represented by and whose interests differ from the bargainers, and thus the outcome of the settlement as applied to Ormet is not the product of serious bargaining among capable, knowledgeable parties;

- The 2008 Stipulation as applied to Ormet violates the Commission's criteria for approving a settlement because it is not in the public interest and harms ratepayers by allowing parties to a settlement to shift millions of dollars in costs to non-parties; and
- The 2008 Stipulation package violates both the important regulatory principle that costs should be allocated to the function causing the costs to be incurred and the important regulatory principle against double-recovery.

The specific reasons for Ormet's Application for Rehearing are set forth in the attached Memorandum in Support which is incorporated herein by reference.

Respectfully submitted,



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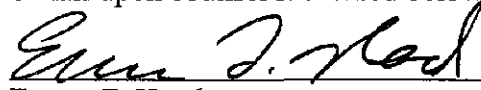
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Dated: February 29, 2008

CERTIFICATE OF SERVICE

I hereby certify that a copy of this Ormet Primary Aluminum Corporation's Application for Rehearing was served by U.S. Mail and electronic mail upon counsel identified below for all parties of record this 29th day of February, 2008.


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FILE

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbus
Southern Power Company and Ohio Power
Company for Approval of an Additional
Generation Service Rate Increase Pursuant to
Their Post-Market Development Period Rate
Stabilization Plan.

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) Case No. 07-1132-EL-UNC
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In the Matter of the Application of Columbus
Southern Power Company and Ohio Power
Company for Approval of an Additional
Generation Service Rate Increase Pursuant to
Their Post-Market Development Period Rate
Stabilization Plan.

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) Case No. 07-1191-EL-UNC
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In the Matter of the Application of Columbus
Southern Power Company and Ohio Power
Company for Approval of an Additional
Generation Service Rate Increase Pursuant to
Their Post-Market Development Period Rate
Stabilization Plan.

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) Case No. 07-1278-EL-UNC
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In the Matter of the Application of Columbus
Southern Power Company and Ohio Power
Company to Update Each Company's
Transmission Cost Recovery Rider.

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) Case No. 07-1156-EL-UNC
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MEMORANDUM IN SUPPORT OF
ORMET PRIMARY ALUMINUM CORPORATION'S
APPLICATION FOR REHEARING

Pursuant to Section 4903.10, Revised Code, and Rule 4901-1-35, Ohio Administrative Code, Ormet Primary Aluminum Corporation ("Ormet") respectfully submits this Application for Rehearing of the Public Utilities Commission of Ohio's ("Commission") January 30, 2008 Opinion and Order ("January 30 Opinion and Order") in the above-captioned case. The Stipulation and Recommendation ("2008 Stipulation") approved by the Commission in the Order

fails to meet the Commission's criteria for the approval of such stipulations. The 2008 Stipulation permits the recovery of generation costs through a transmission rider and in so doing permits the shifting of substantial costs onto Ormet, that, in combination with Ormet's contract with Columbus Southern Power Company ("Columbus Southern") and Ohio Power Company ("Ohio Power") (collectively "AEP-Ohio"), will permit double-recovery of costs by AEP-Ohio. Additionally, Ormet was never given sufficient notice of the captioned proceedings to have intervened in advance of the issuance of the Order.

I. BACKGROUND

Ormet, a subsidiary of Ormet Corporation, is a major producer of aluminum and, therefore, a very large consumer of electric power and particularly sensitive to electric rates. Historically, power costs (including transmission costs) have accounted for approximately one-third of the cost of aluminum production. The aluminum business is very competitive, very sensitive to overall economic conditions and normally survives on small margins. Ormet competes with smelters throughout the world, and most – if not all – U.S. smelters facing high delivered power costs have been shut down.

Ormet owns an aluminum reduction facility in Hannibal, Ohio. The reduction facility is physically located in the AEP zone of PJM, and takes generation, transmission and distribution service from AEP-Ohio under an electric service agreement entered into on November 8, 2006 in accordance with the Stipulation reached in Commission Case No. 05-1057 ("2006 Stipulation") (Attachment C). Ormet's full contract capacity is 520 MW of power, 24 hours per day, 365 days per year. Ormet's current load is approximately 500 MW.

When the reduction facility is fully operating, Ormet Primary (1) has 1,000 employees with wages totaling approximately \$40,000,000 per year; (2) covers approximately 3,300 of its

workers' and family members' health care, at a cost of more than \$10,000,000 per year; (3) pays approximately \$1,000,000 annually in taxes to Monroe County and its School District; and (4) purchases approximately \$15,000,000 to \$18,000,000 per year in goods and services in the Monroe County area.

From its inception, Ormet relied upon low-cost power in the coal-rich Ohio Valley to fuel its energy-intensive aluminum reduction facility. Ormet's special relationship with what became AEP was based upon an expectation that Ormet would be able to continue to use these low-cost resources. Pursuant to agreements negotiated between Ormet and Ohio Power in the 1950s, Ormet owned two of three 237.5 MW generating units of the coal-fired Kammer Generating Station ("Kammer"), which were constructed by Ohio Power. Ormet also received back-up power for its two units from the third unit owned by Ohio Power. These agreements were key to Ormet's decision to locate its facilities in the Ohio Valley. The relationship between Ormet and Ohio Power was governed by these agreements until 1966, when Ormet agreed to sell its two Kammer units and its two-thirds interest in the Kammer general facilities to Ohio Power in exchange for an all requirements power agreement. Prices in that agreement were based upon the investment and operating costs of the Kammer units. The contract expired November 30, 1997.

When the contract between Ormet and Ohio Power expired, Ohio Power was only willing to sell Ormet reasonably-priced electric power for a limited period of time. Ormet and Ohio Power entered into an Interim Agreement which was effective simultaneously with the expiration of the 1966 contract and expired at the end of 1999. Although Ormet ceased purchasing service from Ohio Power in 1999, from a physical standpoint, Ormet is still served from Kammer.

In 1999, Ormet was unable to obtain power at a reasonable price from Ohio Power, and therefore Ohio Power and South Central Power Company (“South Central”), a rural electric cooperative, agreed to transfer Ormet’s reduction facility from the service area of Ohio Power to the service area of South Central commencing January 2000. At that time, there was sufficient low-cost power in the wholesale market to enable South Central to meet its obligation to serve Ormet by having Ormet self-supply almost all of its load. Ormet’s energy manager obtained various wholesale contracts for the benefit of Ormet and ultimately served Ormet directly pursuant to the terms and conditions of those contracts. Ormet’s arrangement with its energy manager expired on December 31, 2004.

Beginning January 1, 2005, Ormet purchased power for its aluminum reduction facility directly from the marketplace.¹ Two double circuit 138 KV lines extend from the Kammer switchyard to Ormet’s delivery point.² Due to its bankruptcy proceeding³ and various circumstances beyond Ormet’s control, such as the high cost of electricity, a work stoppage at the Hannibal smelter and the closing of the Ohio River to navigation, in mid-January 2005, Ormet was forced to curtail operations at its reduction facility. Since that time Ormet has been working diligently to return its Hannibal smelter to full operating capacity.

Recognizing that it would be unable to obtain power from the market at a sufficiently low price to enable it to return to full operation, in 2005, Ormet sought to return to Ohio Power’s service territory. Ormet brought suit before this Commission in Case No. 05-1057. That case

¹ Attachment A, Affidavit of Thomas G. Temple at para. 9 (“Temple Aff.”).

² *Id.* at para. 6.

³ Ormet filed for Chapter 11 Bankruptcy on January 30, 2004 and emerged from bankruptcy on April 1, 2005. It could not, however restart its Hannibal operations at that time, due to continuing high market power prices and other unfavorable economic factors. Attachment B, Affidavit of Whitfield A. Russell at para. 4 (“Russell Aff.”)

ended in a settlement under which Ormet was returned to the service territory of AEP-Ohio.⁴ Under that settlement for the period January 1, 2007 through December 31, 2008, Ormet agreed to pay \$43 per megawatt-hour for generation service and to pay tariff rates and all applicable riders for transmission and distribution service equivalent to Ohio Power's Schedule GS-4 for 50 percent of Ormet's load and Columbus Southern's Schedule GS-4 for 50 percent of Ormet's load.⁵

Paragraph 11 of the 2006 Stipulation in Case No. 05-1057 states that each year AEP-Ohio must make a filing to set a market rate for generation service to Ormet's Hannibal facilities which shall reflect all generation-related service, including, but not limited to, the market for capacity, energy (on-peak and off-peak), losses to the metering point, and load following to meet the requirements of Ormet's Hannibal facilities.⁶ The 2006 Stipulation further specifies at paragraph 12 that for the purpose of compensating AEP-Ohio for the differential between service at the market rate established in such annual filings and the \$43 per megawatt-hour charge for generation service, AEP-Ohio will be permitted to amortize to income, in the amount of each differential, without reducing rates, its Ohio Franchise Tax phase-out regulatory liability.⁷ Thus, under the 2006 Stipulation approved by this Commission in Case No. 05-1057,⁸ Ohio Power and Columbus Southern are compensated for, *inter alia*, losses to the metering point with regard to Ormet.

⁴ In the Matter of the Complaint of Ormet Primary Aluminum Corporation and Ormet Aluminum Mill Products Corporation v. South Central Power Company and Ohio Power Company, Case No. 05-1057, Supplemental Opinion and Order, filed November 8, 2006 at p. 10 ("November 8, 2006 Order").

⁵ 2006 Stipulation at para. 7.

⁶ 2006 Stipulation at para. 11; Russell Aff. at para. 6(d).

⁷ 2006 Stipulation at para. 12.

⁸ November 8, 2006 Order at p. 10.

Ormet never received notice of the instant proceeding sufficient to alert it to the potential effect the case would have on Ormet, nor did it receive copies of any of the pleadings prior to the issuance of the January 30 Opinion and Order.⁹ In the instant proceeding, the Commission's January 30 Opinion and Order approved the 2008 Stipulation between AEP-Ohio, Commission Staff, Ohio Consumers' Counsel, Ohio Energy Group, Industrial Energy Users-Ohio, Ohio Hospital Association, Appalachian People's Action Coalition, and Ohio Partners of Affordable Energy which agrees, *inter alia*, that \$78 million that should be recovered through the Generation Cost Recovery Rider ("GCRR") of AEP-Ohio (to which Ormet is not subject under its Stipulation with AEP-Ohio) and would instead be recovered through the Transmission Cost Recovery Rider ("TCRR") (to which Ormet is subject).¹⁰ This shift will result in an increase in TCRR costs to Ormet of approximately \$4 million¹¹ in 2008 improperly allowing AEP-Ohio to recover directly from Ormet through the TCRR the same losses that its 2006 Stipulation with Ormet in Case No. 05-1057 specified it should recover through its Ohio Franchise Tax phase-out regulatory liability.¹²

The 2006 Stipulation between Ormet and AEP-Ohio provides that AEP-Ohio is to recover the difference between (1) the market price for generation, including transmission losses and (2) the fixed price for generation that Ormet pays, through its Ohio Franchise Tax phase-out regulatory liability. However, under the 2008 Stipulation, the terms of which are now being imposed on Ormet, AEP-Ohio recovers the same transmission losses through the TCRR. This

⁹ Temple Aff. at para. 17.

¹⁰ In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of an Additional Generation Service Rate increase Pursuant to Their Post-Market Development Period Rate Stabilization Plan, Case No. 07-1132, Opinion and Order at 10, filed January 30, 2008.

¹¹ Russell Aff. at para. 8.

¹² 2006 Stipulation at para. 12.

results in an impermissible double recovery by AEP-Ohio that will cost Ormet approximately \$4 million in 2008. In its 2006 Stipulation, Ormet bargained for, and the Commission approved, an arrangement under which it would be insulated from the risk of changes in generations costs, defined in that stipulation to include transmission losses.¹³ By empowering AEP-Ohio to recover transmission losses through the TCRR without any compensating adjustments to the rate Ormet pays for generation services, the 2008 Stipulation departed from the rates approved for Ormet in the 2006 Stipulation and shifted approximately \$4 million in costs onto Ormet.

Ormet is anxious to bring its aluminum reduction facility back up to full capacity, a facility which contributes substantially to the economy in Monroe County, an extremely economically depressed area of Ohio. However, high-priced electricity will add to the economic disincentives that for so long frustrated Ormet's efforts to restart its aluminum reduction facility.

II. REQUEST FOR LEAVE TO SEEK REHEARING

Section 4903.10, Revised Code, and Rule 4901-1-35 provide that upon leave of the Commission, any affected party may seek rehearing of an order, even without having entered an appearance in the proceeding. Because the Order regarding which Ormet seeks rehearing here would cause \$4 million in costs to be improperly allocated to Ormet, Ormet is an "affected party." Ormet seeks such leave to make an application for rehearing.

The Commission may grant leave for a party not having entered a prior appearance in a case to seek rehearing where it first finds: (a) The applicant's failure to enter an appearance prior to the entry upon the journal of the Commission complained of was due to just cause; and (b) the

¹³ Russell Aff. at para. 16.

interests of the applicant were not adequately considered in the proceeding.¹⁴ Ormet had just cause not to have entered a prior appearance in this proceeding and its interests were not adequately considered.

Ormet did not have sufficient notice that costs it believed to be accounted for under its 2006 Stipulation with AEP-Ohio would be shifted in a manner inconsistent with that agreement through a settlement process. Prior to the issuance of the order approving the 2008 Stipulation in this docket, Ormet had no reason to believe that its interests would be impacted by this proceeding. Ormet was never served any of the applications in this proceeding, and due to the nature of its contract with AEP-Ohio, had no reason to believe that proceedings regarding generation riders would impact its rates. Under its power service agreement with AEP-Ohio, Ormet pays AEP-Ohio a fixed price for generation service, but is subject to the transmission and distribution riders applicable to service schedule GS-4 of each utility. Thus, Ormet was unaware that its rates would be impacted by a charge that was proposed to be a change to a generation rate schedule.

Ormet's interests were not given adequate consideration in this proceeding. No other party to the proceeding has interests that align with Ormet's. Due to Ormet's unique contractual arrangement with AEP, Ormet is subject to the TCRR but not to the GCRR. Most customers of AEP-Ohio are indifferent as to whether costs are recovered through the TCRR or the GCRR, but in Ormet's case the difference amounts to \$4 million in 2008. Additionally, no other party has a contractual arrangement with AEP-Ohio that would permit a double recovery of transmission losses by AEP-Ohio by shifting that cost from the GCRR to the TCRR. Thus no other party to

¹⁴ Ohio Revised Code Section 4903.10.

this proceeding could have adequately represented Ormet's interests in the negotiations and Commission proceedings that resulted in approval of the settlement at issue.

III. SPECIFICATION OF ERROR

The Commission's January 30 Opinion and Order unfairly and unreasonably approved the 2008 Stipulation which shifts \$4 million of costs to Ormet, who was not party to the 2008 Stipulation, and who had no notice that it would be affected by the 2008 Stipulation. As applied to Ormet, this result violates the Commission's criteria for approving a settlement, which require that (1) the settlement be the product of serious bargaining among capable, knowledgeable parties; (2) the settlement, as a package, benefits ratepayers and the public interest; and (3) the settlement package does not violate any important principle or practice.¹⁵

More specifically, rehearing is required because:

- The 2008 Stipulation violates the Commission's criteria for approving a settlement because it has substantial harmful effects on parties not at the bargaining table, who were not represented by and whose interests differ from the bargainers, and thus the outcome of the settlement as applied to Ormet is not the product of serious bargaining among capable, knowledgeable parties;
- The 2008 Stipulation as applied to Ormet violates the Commission's criteria for approving a settlement because it is not in the public interest and harms ratepayers by allowing parties to a settlement to shift millions of dollars in costs to non-parties; and
- The 2008 Stipulation package violates both the important regulatory principle that costs should be allocated to the function causing the costs to be incurred and the important regulatory principle against double-recovery.

IV. ARGUMENT

A. The Outcome of the 2008 Stipulation is Not The Product Of Serious Bargaining Among Capable, Knowledgeable Parties

The Commission's requirement that a settlement be the product of serious bargaining among capable, knowledgeable parties ensures that no party is taken undue advantage of as a

¹⁵ *Office of Consumers' Council v. Public Utilities Comm'n of Ohio*, 592 N.E.2d 1370, 1373 (Ohio 1992).

result of the settlement. While there may have been serious bargaining in this case, that Ormet's interests were not represented by any "capable, knowledgeable" party in the negotiations is clearly evidenced by the fact that the 2008 Stipulation results in \$4 million of costs being shifted onto Ormet, with no corresponding benefit to Ormet whatsoever. This is precisely the type of abuse that the Commission's rule requiring serious bargaining among capable, knowledgeable parties was designed to protect against.

Had Ormet been given adequate notice that this proceeding could affect it in such a manner, it could have protected its interests by taking a seat at the bargaining table. Absent meaningful notice, however, Ormet had no indication that it needed to intervene to be at the bargaining table. Ormet had no indication that this shifting of costs from the GCRR to the TCRR was a possibility in this proceeding or that it would not be shielded from such costs through its 2006 Stipulation with AEP-Ohio. Indeed, Ormet had no notice of the substance of this proceeding at all. It was never served a copy of any of the documents in this proceeding prior to the Opinion and Order. Thus, the 2008 Stipulation, as applied to Ormet, cannot be the outcome of serious bargaining among capable, knowledgeable parties, at least as to Ormet because no party knowledgeable about and capable of defending Ormet's interests was participating in the case.

B. The 2008 Stipulation Is Not In The Public Interest

The settlement approved in the Commission's January 30 Opinion and Order as applied to Ormet is not in the public interest and harms ratepayers. It permits parties to a settlement to shift costs onto non-parties without notice, thus benefiting the participating parties at the expense of other utility customers. Allowing parties to a settlement to shift substantial costs onto non-parties without regard for the non-parties' interests would set an unacceptable precedent for future settlements. Additionally, in this case, the parties are shifting \$4 million of costs directly

onto a single ratepayer, Ormet. The harm to Ormet is particularly egregious because, under the 2006 Stipulation, the recovery of transmission losses related to AEP-Ohio's service to Ormet is different than the recovery of transmission losses from other AEP-Ohio customers and magnifies the negative impact upon Ormet. Parties should not be permitted to shift costs via a settlement onto non-parties not represented at the bargaining table, particularly where the cost-shifting is inconsistent with contractual arrangements between the party and non-party.

C. The 2008 Stipulation Violates Regulatory Principle that Costs Should Be Allocated to the Function Causing the Costs and the Regulatory Principle Against Double Recovery of Costs

1. The 2008 Stipulation Improperly Allocates Generation Costs to a Transmission Rider

An important regulatory principle in assuring that rates are just and reasonable is to ensure that costs are properly classified and allocated to the function that causes those costs to be incurred.¹⁶ Proper classification of costs is essential so that a customer is charged rates that reasonably reflect the cost of providing service to that customer. The 2008 Stipulation approved in this case violates that principle by allocating locational marginal pricing losses, which are generation costs, to a transmission rider.¹⁷

Locational marginal pricing losses are generation-related costs. Under the 2008 Stipulation, the locational marginal pricing losses included in the TCRR are still allocated among customer classes based on a percentage of base generation revenue consistent with AEP's application in the GCRR case, rather than in the manner that transmission costs are allocated under the TCRR.¹⁸ Additionally, the locational marginal pricing losses are calculated based

¹⁶ Russell Aff. at para. 18.

¹⁷ *Id.*

¹⁸ *Id.* at para. 13.

upon the embedded cost of generation fuel, which is unusual for a “transmission” charge.¹⁹

Finally, ratepayers other than Ormet are protected from the consequences of shifting these costs to the TCRR because the 2008 Stipulation continues to include the locational marginal pricing losses in the determination of whether Columbus Southern or Ohio Power exceed the amount of generation rate increase that is permissible under Section 3 of AEP’s Rate Stabilization Plan. These facts illustrate that the parties are consistently treating the locational marginal pricing losses as generation, rather than transmission costs.

AEP-Ohio witnesses Roush and Dias in the GCRR and TCRR cases stated that locational marginal pricing losses are related to generation service and/or are generation costs.²⁰ In referring to locational marginal pricing losses at page 9, lines 14-15 of his testimony in Case No. 07-1132, AEP-Ohio witness David M. Roush states, “Since these costs are generation-related, the Companies propose that the Rider be designed as a percentage increase to base generation rates. . .”²¹ Additionally, at page 6 of his testimony, he notes that “as a result, the actual cost of meeting the total PJM load is reduced by using the Marginal Loss method.”²² That is, the increase in base generation rates is offset by the reduction in the cost of meeting the PJM load.

Ormet, however, does not realize any such offsetting benefit from this arrangement. Because Ormet’s cost of generation service is fixed under its agreement with AEP-Ohio, Ormet cannot benefit from the reduction in the cost of meeting PJM load.²³ Thus Ormet is being asked to bear all the costs of generation-related Marginal Losses, but cannot reap any of the associated

¹⁹ *Id.* at para. 14.

²⁰ Direct Testimony of David M. Roush, at 5:6-14, Case No. 07-1132 EL-UNC (“Roush Testimony”); Direct Testimony of Selwyn J. Dias at 6:22-25 to 7:1, Case No. 07-1132 EL-UNC.

²¹ Roush Testimony at 9:14-15.

²² Roush Testimony at 6:15-16.

²³ Russell Aff. at para. 11.

benefits. This disconnect is illustrative of the problems that arise when costs are not properly classified and allocated to the function that causes those costs to be incurred.

The outcome of the violation of this regulatory principle with regard to proper classification is that Ormet is being charged \$4 million in 2008 that it should not owe. Under its 2006 Stipulation with AEP, Ormet's generation costs, including losses, should be fixed at \$43 per megawatt-hour. The 2008 Stipulation approved by the Commission violates the 2006 Stipulation by allowing AEP to hide generation costs which should not be charged to Ormet in a transmission rider that Ormet does pay, thus requiring Ormet to pay more than it should owe under its agreement with AEP-Ohio.

2. The 2008 Stipulation Violates the Regulatory Principle Against Double-Recovery of Costs

It is axiomatic that a utility should not be permitted to recover a single cost twice. Yet the 2008 Stipulation approved in the Order does precisely that. AEP's recovery of losses to the metering point as per Ormet is fully addressed in its 2006 Stipulation in Case No. 05-1057. The 2006 Stipulation provides that AEP is to include such losses in its calculation of the market price, and is to then recover the difference between the market price and the fixed price for generation that it collects from Ormet through its Ohio Franchise Tax phase-out regulatory liability.²⁴ Thus, any shortfall in recovery of losses from Ormet due to the \$43 per megawatt-hour price cap is specifically to be recovered through the Ohio Franchise Tax phase-out regulatory liability, and not directly from Ormet.²⁵ In reaching the 2006 Stipulation, Ormet

²⁴ 2006 Stipulation at para. 12; Russell Aff. at para. 6(e).

²⁵ Russell Aff. at para 6(e).

bargained for, and the Commission approved, an arrangement under which it would be insulated from the risk of changes in generation costs, which were defined to include transmission losses.²⁶

The market price filing made by AEP-Ohio for 2008 includes the cost of marginal transmission losses, as the 2006 Stipulation requires.²⁷ Allowing AEP-Ohio also to collect these losses from Ormet through the TCRR pursuant to the 2008 Stipulation would permit an impermissible double-recovery of approximately \$4 million in costs by AEP-Ohio.²⁸

D. Remedy

The remedy that would best hold Ormet harmless from the 2008 Stipulation's violations of these regulatory principles, without disrupting the agreement between the settling parties, would be to require that Ormet be given a credit on its transmission rider equivalent to the transmission losses allocated to Ormet under that rider.²⁹ Such a remedy would allow the settlement to remain in place, but would assure that Ormet is not charged for losses that it should not owe under its contract with AEP-Ohio. Moreover, such a remedy would not harm AEP because AEP would still be recovering the losses through its Ohio Franchise Tax phase-out regulatory liability.

V. CONCLUSION

WHEREFORE, Ormet respectfully requests that the Commission grant its request for rehearing to address the unjust and unreasonable impact of the settlement on Ormet, and require AEP-Ohio to provide Ormet with a credit on its bills equal to the portion of its TCRR arising from losses.

²⁶ Russell Aff. at para. 16.

²⁷ *Id.* at para. 21.

²⁸ *Id.* at paras. 8 and 19.

²⁹ *Id.* at para. 22.

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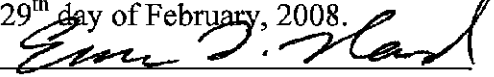
202-293-2275 (fax)

*Attorneys for Ormet Primary Aluminum
Corporation*

Dated: February 29, 2008

CERTIFICATE OF SERVICE

I hereby certify that a copy of this Memorandum In Support of Ormet Primary Aluminum Corporation's Application for Rehearing was served by U.S. Mail and electronic mail upon counsel identified below for all parties of record this 29th day of February, 2008.


Emma F. Hand

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ATTACHMENT A
Thomas G. Temple Affidavit

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbus)	
Southern Power Company and Ohio Power)	Case No. 07-1132-EL-UNC
Company for Approval of an Additional)	Case No. 07-1191-EL-UNC
Generation Service Rate Increase Pursuant)	Case No. 07-1278-EL-UNC
To Their Post-Market Development Period)	
Rate Stabilization Plans.)	

In the Matter of the Application of Columbus)	
Southern Power Company and Ohio Power)	Case No. 07-1156-EL-UNC
Company to Update Each Company's)	
Transmission Cost Recovery Rider.)	

**AFFIDAVIT OF
THOMAS G. TEMPLE**

February 26, 2008

Burnside,
Louisiana

Thomas G. Temple, being duly sworn, deposes and says:

1. I am the Vice President, Alumina & Engineering of Ormet Corporation ("Ormet" or "Ormet Corporation"), which is the parent corporation of a number of companies, including Ormet Primary Aluminum Corporation ("Ormet Primary"). My business address is 43840 State Route 7, Hannibal, Ohio 43931.
2. Part of my duties at Ormet include the purchase of power for Ormet for its Hannibal, Ohio Reduction Plant.
3. Ormet Primary owns and operates an aluminum reduction facility in Hannibal, Ohio. When fully operational, the aluminum reduction facility utilizes 520 MW of electricity 24 hours per day, 365 days per year. Electricity is a raw material in the aluminum industry. When reasonably priced electricity is available, it constitutes approximately 30 percent of the cost of producing aluminum. However, when electric rates are excessive, aluminum reduction facilities simply cannot operate.

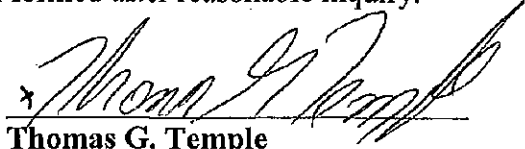
4. When Ormet's aluminum reduction facility is fully operating, Ormet Primary (1) has 1,000 employees with wages totaling approximately \$40,000,000 per year; (2) covers approximately 3,300 of its workers' and family members' health care, at a cost of more than \$10,000,000 per year; (3) pays approximately \$1,000,000 annually in taxes to Monroe County, Ohio and its School District; and (4) purchases approximately \$15,000,000 to \$18,000,000 per year in goods and services in the Monroe County area.
5. Monroe County is an extremely depressed area in Ohio. Ormet's contribution as an employer, taxpayer, and purchaser of goods and services is very important to the area's economy.
6. Until January 2, 2000, Ormet was a retail customer of Ohio Power Company, ("Ohio Power"), an operating subsidiary of American Electric Power Corporation ("AEP"). Although Ormet ceased purchasing service from Ohio Power at that time, from a physical standpoint, Ormet is still served from AEP's Kammer Power Plant. Two double circuit 138 KV lines extend from the Kammer switchyard to Ormet's delivery point.
7. Ohio Power and South Central Power Company ("South Central"), a rural electric cooperative, agreed to transfer Ormet's reduction facility from the service area of Ohio Power to the service area of South Central. At that time, there was sufficient low-cost power in the wholesale market for Ormet to self-supply the overwhelming majority of its load through an energy manager. Ormet's arrangement with its energy manager expired on December 31, 2004.
8. Ormet Corporation and its subsidiaries, including Ormet Primary, filed for Chapter 11 Bankruptcy on January 30, 2004. On December 15, 2004, the Bankruptcy Court approved Ormet's plan of reorganization. Ormet emerged from bankruptcy in April 2005.
9. Beginning January 1, 2005, Ormet purchased power for its aluminum reduction facility directly from the marketplace.
10. In mid-January 2005, Ormet Primary was forced to curtail operations at its aluminum reduction facility for various reasons, including a work stoppage, the closing of the Ohio River to navigation, Ormet's bankruptcy proceeding, and the high cost of electricity on the wholesale market.
11. In August 2005 Ormet brought suit before the Commission in Case No. 05-1057 to return to AEP Ohio's service territory. The Commission in its Supplemental Opinion and Order in November 2006 approved the transfer of Ormet to AEP-Ohio service territory effective January 1, 2007.
12. The Supplemental Opinion and Order provides that generation, transmission and distribution service will be supplied to Ormet's Hannibal, Ohio facility by AEP-Ohio, one-half by Ohio Power Company ("OP") and one-half by Columbus Southern Power Company ("CSP")

13. For the period January 1, 2007 through December 31, 2008, Ormet will pay \$43/MWH for generation service.
14. Ormet will pay the GS-4 tariff rates and applicable riders for transmission and distribution which will be equivalent to OP's Schedule GS-4 for one-half (50%) of Ormet's load and CSP's Schedule GS-4 for one-half (50%) of Ormet's load.
15. At the hearing held in this proceeding, on January 17, 2008, AEP-Ohio submitted a Stipulation and Recommendation ("S&R") signed by AEP-Ohio, the Commission Staff, Ohio Consumers' Counsel, Ohio Energy Group, Industrial Energy Users-Ohio, Ohio Hospital Association, Appalachian People's Action Coalition, and Ohio Partners of Affordable Energy which states that all of the issues in the Generation Cost Recovery Rider ("GCRR") cases and the Transmission Cost Recovery Rider ("TCRR") case have been resolved. The S&R requires that the proposed GCRRs be adjusted to reflect the removal of the net cost of locational marginal pricing losses ("LMPL") and allows AEP-Ohio to recover the LMPL through the TCRR in the amount of \$78 million (\$38,873,715 for CSP and \$39,126,285 for OP). The S&R also adjusts the TCRR, which was approved on December 19, 2007 (effective January 1, 2008), decreasing it by \$18 million for net congestion costs (\$8,427,549 for CSP and \$9,572,451 for OP). On January 30, 2008, the Commission approved the January 17, 2008, S&R and the new TCRR became effective on February 1, 2008.
16. The inclusion of LMPL in the TCRR is projected to increase Ormet's power costs by approximately \$4 million in 2008.
17. To the best of my knowledge Ormet has never received notice of the instant proceeding sufficient to alert it to the potential effect the case would have on Ormet, nor did it receive copies of any of the pleadings prior to the issuance of the January 30 Opinion and Order that shifted approximately \$4 million of cost in 2008 from the GCRR to the TCRR effective February 1, 2008. Under the current contract with AEP-Ohio Ormet is assessed adjustments to the TCRR, but not the GCRR.

This concludes my affidavit.

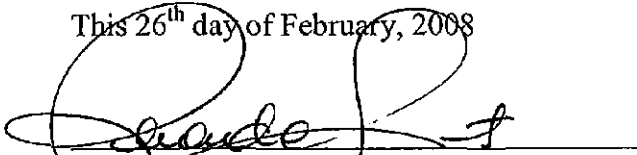
The undersigned, being of lawful age and duly sworn on oath, hereby certifies, deposes and states the following:

I, Thomas G. Temple, certify that this affidavit, on behalf of Ormet Primary Aluminum Corporation, was prepared by me or under my direct supervision and is true and accurate to the best of my knowledge and belief formed after reasonable inquiry.



Thomas G. Temple
Vice President, Alumina &
Engineering
Ormet Corporation
43840 State Route 7
Hannibal, Ohio 43931

Sworn to and subscribed
Before me
This 26th day of February, 2008


Notary Public, Gonzales, Louisiana
My Commission Expires: at death

ATTACHMENT B
Whitfield Russell Affidavit

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbus)	
Southern Power Company and Ohio Power)	Case No. 07-1132-EL-UNC
Company for Approval of an Additional)	Case No. 07-1191-EL-UNC
Generation Service Rate Increase Pursuant)	Case No. 07-1278-EL-UNC
To Their Post-Market Development Period)	
Rate Stabilization Plans.)	
In the Matter of the Application of Columbus)	
Southern Power Company and Ohio Power)	Case No. 07-1156-EL-UNC
Company to Update Each Company's)	
Transmission Cost Recovery Rider.)	

**AFFIDAVIT OF
WHITFIELD A. RUSSELL
ON BEHALF OF
ORMET PRIMARY ALUMINUM CORPORATION**

February 28, 2008

Whitfield A. Russell, being first duly sworn, deposes and says:

1. I am a public utility consultant and principal in Whitfield Russell Associates.
My office is located at 4232 King Street, Alexandria, Virginia 22302-1507.
2. I hold a Bachelor of Science degree in Electrical Engineering from the
University of Maine at Orono, a Master of Science degree in Electrical
Engineering from the University of Maryland, and a Juris Doctor degree from
Georgetown University Law Center. I have been accepted as an expert in
more than 150 proceedings before State and Federal courts, administrative

agencies and other tribunals in more than 30 States and in two Canadian provinces.

3. On December 31, 1999, pursuant to Case Nos. 96-999-EL-AEC and 96-1000-EL-PEB, the Commission approved a joint petition by Ohio Power Company ("OP") and South Central Power Company to reallocate their service territories such that Ormet Primary Aluminum Corporation's ("Ormet") Hannibal facilities were reallocated to South Central's service territory. This allowed Ormet to obtain power contracts at low market prices which allowed it to remain competitive with other aluminum companies in the United States and abroad.
4. Ormet filed for Chapter 11 bankruptcy on January 30, 2004. As a result of various circumstances beyond Ormet's control, such as the high market power prices, its bankruptcy proceeding, a work stoppage at the Hannibal smelter and the closing of the Ohio River to navigation, in mid-January 2005, Ormet was forced to curtail operations at its reduction facility. On April 1, 2005, Ormet successfully completed its Chapter 11 financial reorganization and exited from bankruptcy. However, Ormet could not restart its Hannibal operations as a result of continuing high market power prices and other unfavorable economic factors.
5. It was very clear to Ormet that it could not operate under the economic conditions (high market power prices, aluminum prices, etc.) that existed in 2005. There was no reasonable near-term or long-term economic outlook that would allow Ormet to restart its Hannibal facilities while remaining in South

Central's service territory. On August 25, 2005, Ormet filed a petition (Case No. 05-1057-EL-CSS) seeking to transfer the Hannibal facilities from South Central Power Company back to Ohio Power Company service territory. The Commission in its November 8, 2006, Supplemental Opinion and Order in Case No. 05-1057-EL-CSS ("Supplemental Opinion and Order") approved the transfer of Ormet to AEP-Ohio service territory effective January 1, 2007, and approved the Stipulation submitted by the parties ("2006 Stipulation"). By approving the 2006 Stipulation, the Commission approved the Ormet electric services agreement ("OESA") with AEP-Ohio which was included in the 2006 Stipulation. See the Supplemental Opinion and Order at 10.

6. The 2006 Stipulation and OESA contain the following significant provisions:
 - a. Generation, transmission and distribution service will be supplied to Ormet's Hannibal facilities by AEP-Ohio and such service will be supplied one-half (50%) by OP and one-half (50%) by Columbus Southern Power Company ("CSP"). (See 2006 Stipulation paragraph 5 at pages 6-7.)
 - b. For the period January 1, 2007, through December 31, 2008, Ormet will pay \$43/MWH for generation service (which is significantly higher than the generation service rates under the OP and CSP GS-4 rates). (See 2006 Stipulation paragraph 7 at page 7.)
 - c. Ormet will pay the GS-4 tariff rates and applicable riders for transmission and distribution which will be equivalent to OP's Schedule GS-4 for one-half (50%) of Ormet's load and CSP's

Schedule GS-4 for one-half (50%) of Ormet's load. (See 2006 Stipulation paragraph 7 at page 7.) Ormet was required to pay the TCRR but, at that time, the TCRR did not recover any costs related to transmission losses.

- d. AEP-Ohio will make a filing prior to the start of each of 2007 and 2008 which will set a Market Rate for generation service to Ormet for 2007 and 2008, respectively. "Such Market Rate... shall reflect all generation-related services, including, but not limited to the market for capacity, energy (on-peak and off-peak), **losses to the metering point** and load following to meet the requirements of Ormet's Hannibal facilities." (Emphasis added, see 2006 Stipulation paragraph 11 at pages 9-10.)
- e. For purposes of compensating AEP-Ohio for the differential between service at Market Rate and the \$43/MWH for generation service paid by Ormet, AEP-Ohio will be permitted to amortize to income, in the amount of such differential, without reducing rates, its Ohio Franchise Tax phase-out regulatory liability. (See 2006 Stipulation page 10.)

Thus, as noted in paragraph d, the amount by which AEP-Ohio agreed to discount its generation charge in setting the \$43/MWH rate for Ormet's generation service was determined with reference to a Market Rate "at the metering point," a rate adjusted upward from published indices in order to reflect the cost of transmission losses. Accordingly, it is clear that Ormet was not intended to be at risk for changes in the costs of transmission losses and

that the Commission and the parties envisioned that AEP-Ohio would be made whole for any changes in the costs of transmission losses under Ormet's filed rate out of its Ohio Franchise Tax phase-out regulatory liability.

7. At the hearing held in this proceeding, on January 17, 2008, AEP-Ohio submitted a Stipulation and Recommendation ("S&R") signed by AEP-Ohio, the Commission Staff, Ohio Consumers' Counsel, Ohio Energy Group, Industrial Energy Users-Ohio, Ohio Hospital Association, Appalachian People's Action Coalition, and Ohio Partners of Affordable Energy which states that all of the issues in the Generation Cost Recovery Rider ("GCRR") cases and the Transmission Cost Recovery Rider ("TCRR") case have been resolved. The S&R requires that the proposed GCRRs be adjusted to reflect the removal of the net cost of locational marginal pricing losses ("LMPL") and allows AEP-Ohio to recover the LMPL through the TCRR in the amount of \$78 million (\$38,873,715 for CSP and \$39,126,285 for OP). The S&R also adjusts the TCRR, which was approved on December 19, 2007 (effective January 1, 2008), decreasing it by \$18 million for net congestion costs (\$8,427,549 for CSP and \$9,572,451 for OP). On January 30, 2008, the Commission approved the January 17, 2008, S&R and the new TCRR became effective on February 1, 2008.
8. The inclusion of LMPL in the TCRR is projected to increase Ormet's power costs by approximately \$4 million in 2008. I estimated the \$4 million by first applying the latest Ormet load forecast (provided to AEP-Ohio on January 24, 2008) to the current TCRR tariff rates as approved by the Commission on

December 19, 2007 (effective January 1, 2008) and January 30, 2008 (effective on February 1, 2008), which produces a TCRR charge to Ormet of approximately \$19 million for 2008. I then took AEP-Ohio's TCRR as approved by the Commission on December 19, 2007 (effective on January 1, 2008) and reduced it by the net congestion credit approved by the Commission in its January 30, 2008, Order in this case. I then took this adjusted TCRR and applied it to the latest Ormet load forecast which produces a TCRR charge to Ormet of approximately \$15 million in 2008. The difference between the current TCRR rates (\$19 million) and the adjusted TCRR (\$15 million) is approximately \$4 million per year which represents an estimate of the LMPL being charged to Ormet through the TCRR in 2008.

9. As explained earlier, Ormet pays \$43/MWH for its generation service and pays for transmission and distribution services through the OP and CSP GS-4 transmission and distribution rates and related riders. Under the OESA, Ormet is charged a TCRR and is not charged a GCRR. If the LMPL, which is a generation cost, had properly been included in the GCRR, Ormet would not have seen an increase of \$4 million because this cost would have been already covered under the 2006 Stipulation generation rates as discussed later in this affidavit.
10. So far as I am aware, all of the AEP-Ohio bundled customers affected by this proceeding, other than Ormet, pay both the TCRR and the GCRR. Flowing through the additional cost of the LMPL either through the GCRR or TCRR should not make a significant difference in the amount of additional power

costs to these customers. However, it makes a \$4 million difference in Ormet's case.

11. AEP-Ohio witnesses Roush and Dias in the GCRR and TCRR cases state that the LMPL is related to generation service and/or is a generation cost. At page 9, lines 14-15 of his testimony in Case No. 07-1132-EL-UNC, AEP-Ohio witness David M. Roush states:

“Since these costs are generation-related, the Companies propose that the Rider be designed as a percentage increase to base generation rates”

At page 6 of his testimony, he notes that:

“As a result, the actual cost of meeting the total PJM load is reduced by using the Marginal Loss method.”

However, because Ormet's cost of generation service was fixed under the OESA, Ormet cannot benefit from the reduction in the cost of meeting PJM load. Thus, Ormet is being asked to bear the incremental costs of generation-related marginal losses, but cannot reap any of the associated benefits.

12. Ratepayers other than Ormet protected themselves against an adverse consequence of shifting the recovery of the costs of marginal losses from the GCRR to the TCRR. That is, the S&R continues to include the LMPL in the determination of whether either CSP or OP exceed the amount of generation rate increase that is permissible (4% additional generation rate increase cap) under Section 3 of CSP's and OP's Rate Stabilization Plans (“RSP”). (See S&R, page 7, first paragraph.) This treatment provides further evidence that the costs of marginal losses are regarded as generation costs.

13. Under the S&R, the allocation of the LMPL included in the TCRR is still allocated among customer classes based on a percentage of base generation revenue consistent with AEP-Ohio's application in Case No. 07-1132-EL-UNC (GCRR case). (See S&R page 6, first paragraph.) The LMPL is not allocated to customers in the same manner in which transmission costs are allocated under the TCRR. This treatment provides further evidence that the costs of marginal losses are regarded as generation costs.
14. The LMPL is calculated by taking the cost of marginal losses less the marginal losses credit less the embedded fuel cost of energy for average losses which is included in the generation rates. This anomaly in the calculation methodology (basing an adjustment to a transmission charges upon the embedded cost of generation fuel) makes it clear that LMPL should be reflected in an adjustment solely to generation rates and not in an adjustment to transmission rates. Therefore, the LMPL should be included in the GCRR and not in the TCRR.
15. The current tariffs needlessly recover transmission losses through both generation rates and the TCRR. That is, the tariff recovers costs associated with average transmission losses through the generation rates and recovers the cost difference between marginal losses and average losses through the TCRR.
16. The S&R violates regulatory principals and the contractual premises underlying the OESA by empowering AEP-Ohio to recover generation costs (LMPL) through a transmission charge. Ormet bargained for (and contracted

for) an arrangement under which it would be insulated from the risk of changes in generation costs (which were defined to include transmission losses) but remained at risk for adjustments in transmission costs through the TCRR as it was then structured (which transmission costs did not include transmission losses). This arrangement reflected the PUCO's acceptance of AEP-Ohio's proper unbundling of its generation, transmission and distribution costs, under which transmission losses were bundled exclusively with generation. By empowering AEP-Ohio to recover a portion of the transmission losses through the TCRR without any compensating adjustments to the rate Ormet pays for generation services, the S&R departed from Ormet's contract rate and drastically shifted risks and costs to Ormet.

17. The PUCO correctly requires each utility to unbundle its generation, transmission and distribution costs. Proper ratemaking builds upon this unbundling and requires that generation costs be recovered through generation rates and that transmission costs should be recovered through transmission rates. Under the 2006 Stipulation, AEP-Ohio is authorized to recover all costs associated with transmission losses related to Ormet through generation rates. The S&R authorizes AEP-Ohio to recover more than the actual costs of Ormet-related transmission losses through transmission rates (the TCRR, which recovers the difference between the cost of marginal losses and the cost of average losses). The fact that the S&R causes an over-recovery shows that the costs of transmission losses were not unbundled correctly.

18. Ormet's situation is example of the importance of properly allocating generation costs to generation rates and transmission costs to transmission rates. An important regulatory principle in assuring that rates are just and reasonable is to ensure that costs are properly functionalized, classified and allocated. Of particular importance in this case is that transmission losses be properly functionalized to the function (generation) from which those costs arise. The S&R approved in this case violates that principle by directing AEP-Ohio to recover a portion of the costs of locational marginal pricing losses, which are generation costs, through a transmission rider. Two negative consequences of failing to functionalize costs properly in this case are (a) that it makes it harder to detect double recovery and (b) that it makes it more difficult to align costs and benefits. As a result of the incorrect functionalization of costs, the parties failed to note that the S&R departed from the understandings reached in the earlier 2006 Stipulation with respect to the treatment of generation costs related to Ormet.
19. Under the 2006 Stipulation, AEP-Ohio is deemed to be recovering all generation-related costs to serve Ormet through the \$43/MWH generation charge to Ormet and through the differential between (a) the Market Rate, and (b) the \$43/MWH Ormet generation rate. The Market Rate, as defined by the 2006 Stipulation, "...reflect all generation-related services, including but not limited to the market for capacity, energy, (on-peak and off-peak), losses to the metering point and load following to meet the requirements of Ormet's Hannibal facilities." (Emphasis added). It is very clear that the LMPL (cost of

“losses to the metering point”) is to be included in the Market Rate (also referred to as the “Market Price”). To charge Ormet the LMPL through the TCRR would cause AEP-Ohio to recover the LMPL twice.

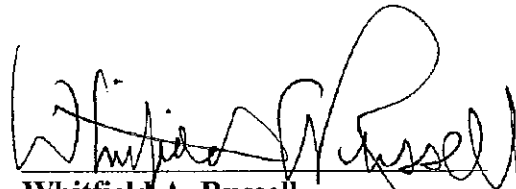
20. As required by the 2006 Stipulation, AEP-Ohio filed its Market Rate submission on December 26, 2006, in Case No. 06-1504-EL-UNC for the year 2007. This filing supported the Market Price of \$47.69/MWH for generation to Ormet’s Hannibal facilities for 2007. The Market Price of \$47.69/MWH included an energy cost of \$46.24/MWH, a capacity cost of \$0.82/MWH, a load factor cost of \$0.25/MWH and a cost of transmission losses of \$0.38/MWH. In 2007, AEP-Ohio was deemed to have recovered the cost of transmission losses related to Ormet’s generation services through the 2006 Stipulation generation rates. The current TCRR includes the cost difference between marginal and average transmission losses (or LMPL) for June 1, 2007 through December 31, 2008. If AEP-Ohio wishes to claim that the cost of transmission losses related to Ormet’s generation service embedded in the Market Price was not enough to cover the actual cost of transmission losses, then AEP-Ohio should claim this under its Market Rate Submission case.
21. As required by the 2006 Stipulation, AEP-Ohio filed another Market Rate submission on December 27, 2007, in Case No. 07-1317-EL-UNC for the year 2008. This filing supported the Market Price of \$53.03/MWH for generation to Ormet’s Hannibal facilities for 2008. The Market Price of \$53.03/MWH included an energy cost of \$50.92/MWH, capacity cost of \$1.92/MWH and a load factor cost of \$0.19/MWH. The energy cost is based on the AEP-Dayton

Hub price adjusted to the AEP Zone LMP price. Since June 1, 2007, PJM has included marginal transmission losses in the Locational Marginal Price (“LMP”). Therefore, the AEP-Dayton Hub energy price (December 2007 prices for the year 2008) and the AEP Zone energy price include marginal transmission losses. Thus, the Market Price includes the cost of marginal transmission losses as the 2006 Stipulation requires. Again, in 2008, AEP-Ohio will recover the cost of marginal transmission losses related to Ormet’s generation service through the 2006 Stipulation generation rates. The current TCRR includes the cost difference between marginal and average transmission losses (LMPL) for 2008.

22. The simplest way of correcting this departure from the 2006 Stipulation rate applicable to Ormet (and AEP-Ohio’s over recovery problem on the LMPL charged to Ormet), would be to simply give Ormet a credit on its AEP-Ohio monthly bill for the LMPL component of the TCRR (approximately \$4 million for 2008).
23. This concludes my affidavit.

The undersigned, being of lawful age and duly sworn on oath, hereby certifies, deposes and states the following:

I, Whitfield Russell, certify that this affidavit, on behalf of Ormet Primary Aluminum Corporation, was prepared by me or under my direct supervision and is true and accurate to the best of my knowledge and belief formed after reasonable inquiry.


Whitfield A. Russell

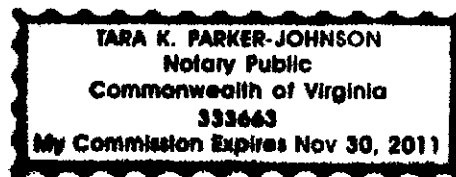
Subscribed and sworn to before me this 28th day of February, 2008, by Whitfield A. Russell.

City of Alexandria
Commonwealth of Virginia

Notary Public: Tara K. Palm-Johnson

Notary registration Number: 333663

My Commission Expires: November 30, 2011



ATTACHMENT C

2006 Stipulation

FILE

AEP

**AMERICAN
ELECTRIC
POWER**

Legal Department

November 21, 2006

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PUCO

19
American Electric Power
1 Riverside Plaza
Columbus, OH 43215-2373
aep.com

Ms. Renee J. Jenkins
Secretary of the Commission
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215-3793

Marvin I. Resnik
Assistant General Counsel -
Regulatory Services
(614) 716-1606
(614) 716-2950 (fax)
miresnik@aep.com

Re: Case No. 05-1057-EL-CSS

Dear Secretary Jenkins:

The Commission's Supplemental Opinion and Order in this docket, dated November 8, 2006, directed that an executed copy of the electric service agreement between AEP Ohio and Ormet shall be filed in this docket within 15 days after execution of the agreement. To that end AEP Ohio is filing copies of the agreement which was executed on November 8, 2006.

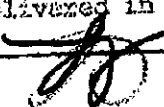
Very truly yours,



Marvin I. Resnik

MIR:llg
Attachments

cc: Parties of Record

This is to certify that the images appearing are an
accurate and complete reproduction of a case file
document delivered in the regular course of business.
Technician  Date Processed 11-21-06

This Contract entered into this ^{November} 8th day of October 2006, by and between Columbus Southern Power Company and Ohio Power Company, hereafter called AEP Ohio, and Ormet Primary Aluminum Corporation, 1233 Main Street, Wheeling, West Virginia 26003, hereafter called the Customer,

Witnesseth:

For and in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree with each other as follows:

AEP Ohio agrees to furnish to the Customer, during the term of this Contract, and the Customer agrees to take from AEP Ohio, subject to AEP Ohio's standard Terms and Conditions of Service as regularly filed with the Public Utilities Commission of Ohio (Commission) and the terms and conditions as set forth in the Stipulation and Recommendation in Case No. 05-1057-EL-CSS as approved by the Commission which is attached hereto and hereby made a part of this Contract, all the electric energy of the character specified herein that shall be purchased by the Customer in the premises located at the Customer's Hannibal, Ohio facilities. In the event the regularly filed Terms and Conditions of Service conflict with the terms and conditions set forth in the Stipulation and Recommendation, the latter terms and conditions will be controlling.

AEP Ohio is to furnish and the Customer is to take electric energy under the terms of this Contract for a period of up to 24 months from the time such service is commenced and ending at midnight on December 31, 2008. The date that service shall be deemed to have commenced under this Contract shall be the later of January 1, 2007 or the effective date of the Stipulation in Case No. 05-1057-EL-CSS.

The electric energy delivered hereunder shall be alternating current at approximately 138,000 volts, 3-wire, 3-phase and it shall be delivered at the interconnection of AEP Ohio's two double-circuit 138-kV steel tower transmission lines with the Customer's two double-circuit 138-kV steel tower transmission lines (i.e. in Ohio Township, Monroe County, Ohio at Tower 39 on double circuit Line #1 and at Tower 38 on double circuit Line #2), which shall constitute the point of delivery under this Contract. The said electric energy shall be delivered at reasonably close maintenance to constant potential and frequency, and it shall be measured by a meter or meters owned and installed by AEP Ohio and located at the Kammer Substation.

The Customer's contract capacity is hereby fixed at 520,000 kW/kVA. Beginning July 1, 2007, the minimum billing demand for this Contract shall be 312,000 kW/kVA.

There are no unwritten understandings or agreements relating to the service herein above provided. This Contract shall be in full force and effect when signed by the authorized representatives of the parties hereto, subject to the approval of the Public Utilities Commission of Ohio in Case No. 05-1057-EL-CSS.

The Customer agrees that its electrical facilities shall not be interconnected with any facilities other than AEP Ohio's facilities unless written authorization is received from AEP Ohio.

Columbus Southern Power Company
Ohio Power Company

By: Mark Gundelfinger
(Signature)

Mark Gundelfinger
(Printed Name)

Title: Manager - Customer Services

Date: 11/9/06

Ormet Primary Aluminum Corporation

By: Ken Campbell
(Signature)

Ken Campbell
(Printed Name)

Title: CEO

Date: 11/8/2006

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Complaint of
Ormet Primary Aluminum Corporation
and Ormet Aluminum Mill Products
Corporation

Complainants

v.

South Central Power Company and
Ohio Power Company

Respondents

Case No. 05-1057-EL-CSS

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code ("OAC") provides that any two or more parties to a proceeding may enter into a written or oral stipulation covering the issues presented in such a proceeding. The purpose of this document is to set forth the understanding of the parties who have signed below (the "Signatory Parties") and to recommend that the Public Utilities Commission of Ohio (the "Commission") approve and adopt, as part of its Opinion and Order in this proceeding, this Stipulation and Recommendation (the "Stipulation") resolving the issues in the above-captioned proceeding. This Stipulation is fully supported by data and information contained in the evidence in the record in this proceeding; represents a just and reasonable resolution of such issues in this proceeding; violates no regulatory principle or precedent; benefits, as a package, ratepayers and the public interest; and is the product of

lengthy, serious bargaining among knowledgeable and capable parties in a cooperative process undertaken by the Signatory Parties to settle this case. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission, where, as here, it is sponsored by parties representing a wide range of interests, including the Commission's Staff. For the purpose of resolving all issues raised by this proceeding, the Signatory Parties stipulate, agree and recommend as set forth below.

This Stipulation is entered into by and among Columbus Southern Power Company (CSP) and Ohio Power Company (OPCO) (collectively, "AEP Ohio"), both of which are electric utility operating companies of the American Electric Power ("AEP") system, Ormet Primary Aluminum Corporation and Ormet Aluminum Mill Products Corporation (collectively, "Ormet"), South Central Power Company ("SCP"), United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW"), Ohio Energy Group ("OEG") and the Commission's Staff. Intervenor Industrial Energy Users-Ohio ("IEU"), while not a Signatory Party, has agreed not to oppose the Commission's approval of this Stipulation. All Signatory Parties fully support this Stipulation and urge the Commission to accept and approve the terms hereof.

WHEREAS, in Case No. 96-999-EL-AEC, OPCO applied to the Commission for approval of a special contract arrangement with Ormet (the "Interim Agreement") which would become effective upon the November 30, 1997 termination of the then-current service agreement between OPCO and Ormet, and would terminate at midnight on December 31, 1999;

WHEREAS, in Case No. 96-1000-EL-PEB, OPCO and SCP jointly petitioned the Commission for reallocation of their certified service territories so that Ormet, then a customer of OPCO, would become a customer of SCP upon termination of the Interim Agreement;

WHEREAS, by Finding and Order in Case Nos. 96-999-EL-AEC and 96-1000-EL-PEB, dated November 14, 1996, the Commission approved the Interim Agreement and the request of OPCO and SCP to reallocate their certified territorial boundaries so that Ormet would become a customer of SCP upon termination of the Interim Agreement;

WHEREAS, pursuant to the terms of a Curtailment and Indemnity Agreement, which was an exhibit to the joint petition in Case No. 96-1000-EL-PEB, after Ormet became a customer of SCP and Ormet's load was removed from the AEP system's control area, OPCO and the AEP system no longer had either the right or obligation to resume control area responsibility for Ormet's load;

WHEREAS, Ormet and SCP entered into a service agreement which provided for the sale by SCP of a maximum 20 MW of electric power and energy to Ormet (5 MW firm, 15 MW interruptible) and for Ormet to obtain from third parties in the market the remaining electricity to service the load for its facilities in Hannibal, Ohio;

WHEREAS, the initial SCP/Ormet service agreement was modified to terminate any obligation of Ormet to buy, and of SCP to sell to Ormet, electric power and energy;

WHEREAS, subsequent to the modification of the initial SCP/Ormet service agreement, Ormet filed for Chapter 11 bankruptcy protection and emerged from bankruptcy in April 2005;

WHEREAS, Ormet curtailed operations at its Hannibal, Ohio facilities in January 2005 and those operations have not been restarted;

WHEREAS, on August 25, 2005, Ormet filed in this docket a petition to transfer rights to furnish electric service and/or to reallocate certified service territories, along with a complaint against OPCO alleging that OPCO was proposing to impose unjust, unreasonable and discriminatory rates if Ormet were to return to OPCO's certified service territory;

WHEREAS, on June 14, 2006, the Commission issued an Opinion and Order in this docket which, among other things:

1. found that the bankruptcy court authorized the rejection of the service agreement between SCP and Ormet and which deferred to that determination
2. found that SCP is legally obligated to serve Ormet's 520 MW load
3. found that, in the context of service to Ormet, SCP does not provide, or propose to provide, physically adequate service
4. directed that a second hearing should be held regarding: whether SCP's failure to propose to provide physically adequate service has been corrected or can be corrected under reasonable operating conditions; whether the Commission should authorize another supplier to serve Ormet; or whether the Commission should order such other remedy authorized by law
5. directed that the issue of an appropriate rate to be charged by OPCO for service to Ormet should be addressed after the Commission completes its proceedings under § 4933.83(B), Ohio Rev. Code, and determines whether another electric supplier should be authorized to serve Ormet.

WHEREAS, on July 14, 2006, SCP and OPCO each filed rehearing applications regarding the June 14, 2006 Opinion and Order;

WHEREAS, on August 9, 2006, the Commission issued an Entry on Rehearing in this docket which denied the rehearing applications filed by SCP and by OPCO;

WHEREAS, on August 25, 2006, SCP filed a second rehearing application which the Commission denied in its September 13, 2006 Second Entry on Rehearing;

WHEREAS, on October 6, 2006, SCP filed a Notice of Appeal to the Supreme Court of Ohio (Case No. 06-1866) regarding the Commission's June 14, 2006 Opinion and Order, August 9, 2006 Entry on Rehearing and September 13, 2006 Second Entry on Rehearing;

WHEREAS, according to Ormet Ex. 4:

1. When Ormet's Hannibal facilities are fully operating it employs approximately 1,000 people with total annual wages of about \$40,000,000

2. Ormet covers approximately 3,300 of its employees and family members' health care at a cost exceeding \$10,000,000 per year
3. Ormet pays about \$1,000,000 annually in taxes to Monroe County, Ohio and its school district
4. Ormet purchases about \$15,000,000 to \$18,000,000 of goods and services every year in the Monroe County area
5. Ormet has been one of Southeastern Ohio's largest employers, particularly of skilled workers such as those who comprise the USW
6. If Ormet is unable to resume operation of its Hannibal facilities there will be no jobs to which the USW laborers can return
7. If the Hannibal, Ohio region loses the significant tax revenues and capital spending Ormet historically has brought to that region, the economy in that region will become further depressed

WHEREAS, as reflected in Ormet Ex. 2, Ormet has characterized its load at full operation as 520 MW at a 99% load factor;

NOW, THEREFORE, the Signatory Parties stipulate, agree and recommend that the Commission make the following findings and issue its Opinion and Order in these proceedings in accordance with the following:

- 1) CSP shall be permitted to intervene in this docket.
- 2) Based upon the anticipated acceptance by the Commission of this Stipulation, without modification, the Commission should consider the Stipulation as presenting a joint petition submitted by CSP, OPCO and SCP under § 4933.83

(E), Ohio Rev. Code, which statute, in pertinent part, provides that:

any two or more electric suppliers may jointly petition the commission for the reallocation of their own territories and electric load centers among them and designating which portions of such territories and electric load centers are to be served by each of the electric suppliers.

Further, the Commission should find that approval of such joint petition is not contrary to the public interest and, therefore, meets the standard of § 4933.85, Ohio Rev. Code, for approval of the joint petition.

- 3) The Commission will reallocate the service territories of CSP and OPCO and SCP such that Ormet's Hannibal facilities will be located in a joint CSP/OPCO certified service territory effective January 1, 2007. SCP shall have no obligation to provide electric service to Ormet's Hannibal facilities prior to January 1, 2007. Provided, however, that SCP will retain its service obligation prior to, on, and after January 1, 2007 with respect to:
 1. Flashing light and sign for the Ormet Plant on Route 7 to the west of the Ormet Plant (South Central Account No. 846-201-006). Installed 4/6/1998.
 2. Ormet employee park just to the south of Route 7 and to the east of the Ormet Plant (South Central Account No. 846-153-001). Installed 6/1/1982.
 3. Sign for the Ormet Plant on Route 7 to the east of the Ormet Plant (South Central Account No. 846-151-001). Installed 8/1/1965.
- 4) As part of this Stipulation, Ormet has entered into an electric service contract (Contract) which reflects the provisions of this Stipulation which are applicable to the Contract. The Contract, a copy of which is attached as Attachment I, shall be deemed to have been approved by the Commission as part of the Commission's approval of the Stipulation.
- 5) Generation, transmission and distribution service will be supplied by AEP Ohio. Such service will meet Ormet's peak demand of approximately 520 MW at a 99% load factor (full operation). AEP Ohio's generation service (which will be

supplied one-half (50%) by CSP and one-half (50%) by OPCO) will be supplied only for consumption at Ormet's Hannibal, Ohio facilities and such power and energy will not be resold or transferred by Ormet, regardless of any opportunities for such transactions.

- 6) This Stipulation will become effective upon approval in a final order of the Commission. Should the Commission's final order be appealed to the Supreme Court, or become involved in some other judicial process, this Stipulation and the related Contract will be suspended for the duration of such appeal or other process and/or during any remand to the Commission. Prior to January 1, 2009, Ormet shall not switch to service from a Competitive Retail Electric Service Provider. Ormet cannot initiate any proceeding or otherwise petition the Commission or any court of competent jurisdiction to require either CSP or OPCO, or both, to provide generation service under any established rate schedule of either CSP or OPCO or at a rate lower than such schedules without the express written consent of AEP Ohio.
- 7) For the period January 1, 2007 through December 31, 2008, Ormet will pay \$43 per megawatt-hour for generation service. This price is agreed upon based on Ormet's representations that after a brief ramp-up period it will operate at a full load of approximately 520 MW at a 99% load factor. In addition, Ormet will pay tariff rates and all applicable riders to AEP Ohio for transmission and distribution service. Such tariff rates and riders will be equivalent to OPCO's Schedule GS-4 for one-half (50%) of Ormet's load and CSP's Schedule GS-4 for one-half (50%) of Ormet's load. A list of the currently existing tariff rate components and riders,

and their location in CSP's and OPCO's Commission-approved tariffs, is attached to this Stipulation as Attachment II. In addition, to the extent required by law, Ormet will self assess the Ohio kWh tax.

- 8) The Contract will not be transferable by Ormet to any other party without the consent of AEP Ohio. In the event of a change in control of Ormet, and assuming the continued operation of the Hannibal facilities, Ormet agrees that it will maintain substantially the same level of operations (approximately 520 MW at a 99% load factor), employment (approximately 1,000) and local purchasing practices (about \$15,000,000 to \$18,000,000 per year in the Monroe County area).
- 9) Ormet will provide AEP Ohio a deposit equivalent to 130% of the anticipated monthly billing for Ormet's Hannibal facilities at full operation. During the ramp-up period which is expected to occur after Ormet reopens its Hannibal facilities, not to exceed six (6) months, Ormet shall provide a deposit equivalent to 130% of the anticipated next month's billing for the Hannibal facilities. The generation- and transmission-related portion of the deposit will be refunded to Ormet upon Ormet's election to take generation and transmission service from another electric supplier after December 31, 2008, provided that Ormet does not have any outstanding balance with AEP Ohio. Ormet agrees to immediately reestablish a deposit equivalent to 130% of the anticipated monthly generation- and transmission-related billing for the Hannibal facilities at full operation should Ormet return from such other electric supplier to once again take generation- and transmission-related service from either CSP or OPCO, or both. All deposits under this Stipulation shall be made by Electronic Funds Transfer not later than

five (5) business days before the beginning of the next month. Should Ormet fail to provide its deposit in accordance with these terms, Ormet agrees that AEP Ohio has the unilateral right to disconnect service to Ormet three (3) days after providing written notice of disconnect to Ormet. This provision shall remain in effect for so long as Ormet takes any service from either CSP or OPCO, or both.

- 10) Ormet will prepay, by Electronic Funds Transfer, its monthly bill for generation, transmission, and distribution service by making payments three (3) business days prior to the start of each month (December 27, 2006 for the first service month of January 2007) and prior to the 15th of each month in an amount equivalent to one-half (50%) of the anticipated billing for that month for the Hannibal facilities.

Except for during the ramp-up period, the anticipated monthly billing will be based upon full operation. Should Ormet fail to make a payment within two (2) business days of when it is due, Ormet agrees that AEP Ohio has the unilateral right to disconnect service to Ormet three (3) days after providing written notice of disconnect to Ormet. This provision shall remain in effect for so long as Ormet takes any service from either CSP or OPCO, or both.

- 11) AEP Ohio will make a filing prior to the start of 2007 which will set a market rate for generation service to Ormet's Hannibal facilities for 2007. AEP Ohio will make a filing prior to the start of 2008 which will set a market rate for generation service to Ormet's Hannibal, Ohio facilities for 2008. Such market rate, which will be subject to the Commission's review, shall reflect all generation-related services, including, but not limited to the market for capacity, energy (on-peak

and off-peak), losses to the metering point and load following to meet the requirements of Ormet's Hannibal facilities.

- 12) For the purpose of compensating AEP Ohio for the differential between service at the market rate established by AEP Ohio's filings under Paragraph 11 and the \$43 per megawatt-hour charge for generation service under Paragraph 7, AEP Ohio will be permitted to amortize to income, in the amount of such differential, without reducing rates, their Ohio Franchise Tax phase-out regulatory liability, totaling \$56,968,000.
- 13) In the event that the amortization of the Ohio Franchise Tax phase-out regulatory liability does not fully compensate AEP Ohio for the differential between service at the market rate established by AEP Ohio's filings under Paragraph 11 and the \$43 per megawatt-hour charge for generation service under Paragraph 7, AEP Ohio will be permitted to recover that differential under the "Additional 4%" provision of the current Rate Stabilization Plan. See Section 3, pages 8 and 9 of AEP Ohio's February 9, 2004 application in Commission Case No. 04-169-EL-UNC. In the event that AEP Ohio recovers the entire differential between service at the market rate established by AEP Ohio's filings under Paragraph 11 and the \$43 per megawatt-hour charge for generation service under Paragraph 7, without having to amortize the entire Ohio Franchise Tax phase-out regulatory liability, AEP Ohio will retain the unamortized portion on its books and the treatment of that balance will be determined by the Commission in AEP Ohio's next base rate proceeding. AEP Ohio's recovery of the differential through either the amortization of the Ohio Franchise Tax phase-out regulatory liability and, if

necessary, the "Additional 4%" provision will be accomplished in a manner which matches the projected differential and the recovery in the same accounting period.

- 14) In the event Ormet files a petition for relief under the Bankruptcy Code or an involuntary petition for relief under Bankruptcy Code is filed against Ormet, Ormet acknowledges and agrees that:

- a. The payment arrangement specified in Paragraph 10 above, with payments made in advance of usage will remain in effect as specified in this Stipulation.
- b. Ormet will not file a pleading with the applicable bankruptcy court that seeks to limit or avoid its obligation under the deposit or advance payment provisions of this Stipulation. See Paragraphs 9 and 10 above, respectively.
- c. Ormet further agrees that in the event of a bankruptcy AEP Ohio has the first claim on any deposit held under this Stipulation for any amounts owed and any future costs to be incurred as result of AEP Ohio's service to Ormet.

In the event that the bankruptcy court does not permit the provisions of either Paragraph 14 a., b., or c. to be implemented, Ormet will provide AEP Ohio, within twenty (20) days of the petition date, with a post-petition security deposit, as adequate assurance under § 366 of the United States Bankruptcy Code (11 U.S.C. § 366), in the amount equivalent to 130% of the anticipated monthly billing for the plant at full operation.

- 15) All necessary waivers of Commission rules shall be considered granted by the Commission's adoption of this Stipulation.
- 16) SCP will withdraw its Notice of Appeal in Supreme Court Of Ohio Case No. 06-1866 after the Commission adoption of the Stipulation and the later of the time for administrative or appellate review of the Commission's order adopting the Stipulation has expired or, if such review is pursued, such review is completed.
- 17) Upon the Commission's adoption of the Stipulation, CSP, OPCO and SCP will submit to the Commission modified territorial maps consistent with the provisions of this Stipulation.
- 18) Since the Signatory Parties are waiving their rights to appeal the factual and legal conclusions contained in the June 14, 2006 Opinion and Order, they agree to not rely on such conclusions in any future proceeding. Further, the Signatory Parties urge the Commission to indicate in its order adopting this Stipulation that such conclusions were unique to the facts and circumstances in this proceeding and do not provide any precedent for any future proceeding.

Nothing in this Stipulation shall be used or construed for any purpose to imply, suggest or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of any Signatory Party.

No Signatory Party will challenge or directly or indirectly support any challenge to the reasonableness or lawfulness of the provisions of this Stipulation.

This Stipulation is submitted for purposes of this proceeding only, and is not deemed binding in any other proceeding, except as expressly provided herein, nor is it to be offered or relied upon in any other proceedings, except as necessary to enforce the terms of this Stipulation.

In fact, none of the Signatory parties have submitted the entirety of the case they would have otherwise filed or will file if this Stipulation is rejected.

The agreement of the Signatory Parties reflected in this document is expressly conditioned upon its acceptance in its entirety and without alteration by the Commission.

The Signatory Parties agree that:

- A. if the Commission rejects all or any part of this Stipulation, or otherwise materially modifies its terms, any adversely affected Signatory Party shall have the right, within thirty (30) days of the Commission's order, either to file an application for rehearing or to terminate and withdraw from the Stipulation by filing a notice with the Commission;
- B. if an application for rehearing is filed, and if the Commission does not, on rehearing, accept the Stipulation without material modification, any Signatory Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within ten (10) business days of the Commission's order or entry on rehearing; and
- C. if any portion of this Stipulation is found by a reviewing Court to be unlawful, or if any law is enacted which prohibits the continued application of any term of this Stipulation, any Signatory Party adversely affected by any such judicial decision or statutory enactment may withdraw its support for this Stipulation by filing a notice to that effect with the Commission within thirty (30) days of such judicial decision becoming final or such law becoming effective.

If a Signatory Party pursues any action provided for in parts A, B or C above, a hearing shall go forward, and the parties shall be afforded the opportunity to present evidence through witnesses, to cross-examine all witnesses, to present rebuttal testimony, and to file briefs on all issues and pursue all remedies available in a court of competent jurisdiction.

The Signatory Parties agree and intend to support the reasonableness and legality of this Stipulation before the Commission, and in any appeal from the Commission's adoption and/or enforcement of this Stipulation.

IN WITNESS WHEREOF, this Stipulation and Recommendation has been agreed to as of this 20th day of October, 2006. The undersigned parties respectfully request the Commission to issue an Opinion and Order approving and adopting this Stipulation.

Chen L. Resnik
Ohio Power Company

Chen L. Resnik
Columbus Southern Power Company

John F. Solent / MCR
Ormet Primary Aluminum Corporation and
Ormet Aluminum Mill Products Corporation

Thomas E. Lodge
South Central Power Company

Thomas W. Markense / by [Signature]
Staff of the Public Utilities Commission of Ohio

Michael Kuntz / MCR
Ohio Energy Group

Mathew Hawthorne / MCR
United Steel, Paper and Forestry,
Rubber, Manufacturing, Energy, Allied Industrial and
Service Workers International Union

This Contract entered into this ___ day of October 2006, by and between Columbus Southern Power Company and Ohio Power Company, hereafter called AEP Ohio, and Ormet Primary Aluminum Corporation, 1233 Main Street, Wheeling, West Virginia 26003, hereafter called the Customer,

Witneseth:

For and in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree with each other as follows:

AEP Ohio agrees to furnish to the Customer, during the term of this Contract, and the Customer agrees to take from AEP Ohio, subject to AEP Ohio's standard Terms and Conditions of Service as regularly filed with the Public Utilities Commission of Ohio (Commission) and the terms and conditions as set forth in the Stipulation and Recommendation in Case No. 05-1057-EL-CSS as approved by the Commission which is attached hereto and hereby made a part of this Contract, all the electric energy of the character specified herein that shall be purchased by the Customer in the premises located at the Customer's Hannibal, Ohio facilities. In the event the regularly filed Terms and Conditions of Service conflict with the terms and conditions set forth in the Stipulation and Recommendation, the latter terms and conditions will be controlling.

AEP Ohio is to furnish and the Customer is to take electric energy under the terms of this Contract for a period of up to 24 months from the time such service is commenced and ending at midnight on December 31, 2008. The date that service shall be deemed to have commenced under this Contract shall be the later of January 1, 2007 or the effective date of the Stipulation in Case No. 05-1057-EL-CSS.

The electric energy delivered hereunder shall be alternating current at approximately 138,000 volts, 3-wire, 3-phase and it shall be delivered at the interconnection of AEP Ohio's two double-circuit 138-kV steel tower transmission lines with the Customer's two double-circuit 138-kV steel tower transmission lines (i.e. in Ohio Township, Monroe County, Ohio at Tower 39 on double circuit Line #1 and at Tower 38 on double circuit Line #2), which shall constitute the point of delivery under this Contract. The said electric energy shall be delivered at reasonably close maintenance to constant potential and frequency, and it shall be measured by a meter or meters owned and installed by AEP Ohio and located at the Kammer Substation.

The Customer's contract capacity is hereby fixed at 520,000 kW/kVA. Beginning July 1, 2007, the minimum billing demand for this Contract shall be 312,000 kW/kVA.

There are no unwritten understandings or agreements relating to the service herein above provided. This Contract shall be in full force and effect when signed by the authorized representatives of the parties hereto, subject to the approval of the Public Utilities Commission of Ohio in Case No. 05-1057-EL-CSS.

The Customer agrees that its electrical facilities shall not be interconnected with any facilities other than AEP Ohio's facilities unless written authorization is received from AEP Ohio.

Columbus Southern Power Company
Ohio Power Company

By: _____
(Signature)

(Printed Name)

Title: _____

Date: _____

Ormet Primary Aluminum Corporation

By: _____
(Signature)

(Printed Name)

Title: _____

Date: _____

Tariff Rate or Rider	Sheet No.	
	CSP	OPCo
Customer Charge	24-1	24-1
Demand Charge	24-1	24-1
Reactive Demand Charge		24-1
Universal Service Fund Rider	60-1	60-1
Energy Efficiency Fund Rider	61-1	61-1
kWh Tax Rider	62-1	62-1
Gross Receipts Tax Credit Rider	63-1	63-1
Municipal Income Tax Rider	65-1	65-1
Franchise Tax Rider	66-1	66-1
Regulatory Asset Charge Rider	67-1	67-1
Provider of Last Resort Charge Rider	69-1	69-1
Monongahela Power Litigation Termination Rider	73-1	
Transmission Cost Recovery Rider	75-1	75-1
Major Storm Cost Recovery Rider	77-1	77-1