

FILE Sonnenschein
SONNENSCHHEIN NATH & ROSENTHAL LLP

FAX

1301 K Street, N.W.
Suite 600, East Tower
Washington, D.C. 20005-3364
202.408.6400
202.408.6399 fax
www.sonnenschein.com

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MESSAGE*

RE: In the Matter of the Application of Ormet Primary Aluminum Corporation for Approval of a Unique Arrangement with Ohio Power Company and Columbus Southern Power Company, Case No. 09-119-EL-AEC.

Enclosed please find the Reply of Ormet Primary Aluminum Corporation to Comments of Ohio Consumers' Counsel.

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**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 and Columbus)	
Southern Power Company)	

**REPLY OF ORMET PRIMARY ALUMINUM CORPORATION TO
COMMENTS OF OHIO CONSUMERS' COUNSEL**

On December 17, 2009, the Ohio Consumers' Counsel ("OCC") filed comments by letter on the September 17, 2009 executed Power Agreement between Ormet Primary Aluminum Corporation ("Ormet") and Ohio Power Company ("OP") and Columbus Southern Power Company ("CSP") (collectively "AEP Ohio") filed in compliance with the Commission's Order and Opinion in this proceeding. Ormet submits this brief reply to the OCC's comments.

The OCC raises two concerns with the executed Power Agreement and one concern with the revised Schedule A for 2010. First, the OCC expresses a concern about the maximum monthly discount set forth in Article 5.08(a) of the Power Agreement. The OCC argues that the maximum monthly discount should be reached by multiplying the annual discount by 8.3%. The Commission's July 15 Opinion and Order ("Order") in this proceeding specifies an annual maximum discount for the years 2010 through 2018, however it does not specify a maximum monthly discount. Ormet does not believe that it was the Commission's intent to allow the full annual discount to be consumed in the first month or two of any given year. Given the Commission's acknowledgement of the volatility of aluminum prices in the Opinion and Order,¹ Ormet also does not believe the Commission intended for Ormet to go out of business in a year

¹ *In the Matter of the Application of Ormet Primary Aluminum Corporation for Approval of a Unique Arrangement with Ohio Power Company and Columbus Southern Power Company, Case No. 09-119-EL-AEC, Opinion and Order, issued July 15, 2009 at pp. 10-11.*

where it would otherwise have consumed less than the full discount solely because it needed more than 1/12 of the annual discount in a particular month. To that end, in the executed Power Agreement Ormet included a monthly maximum discount that attempts to strike a balance between not allowing the annual discount to be too heavily frontloaded, but still allowing some protection against the volatility of prices in the aluminum market. As set forth in the executed Power Agreement, the maximum rate discount would allow Ormet to continue to operate the Hannibal Facilities in years when the price of aluminum starts low but increases over the course of the year, or where there is a sharp, but short, downturn in aluminum rates. Under the executed Power Agreement, if Ormet were to consume the full annual discount prior to the end of the year, it would pay full tariff rates for the remainder of the year.²

The second concern OCC raises regarding the executed Power Agreement is that it does not address the pricing arrangement for usage above the 540 MW referenced in Article 4.01. The OCC argues that the executed Power Agreement should provide that if usage exceeds 540 MW, power will be priced at prevailing tariff rates. Such an addition to the Power Agreement is unnecessary. Ormet's aluminum production process does not have the capability to utilize power in excess of 540 MW. Furthermore, because the executed Power Agreement only addresses usage below 540 MW, and utilities may only charge rates on file at the Commission,³ any additional power usage could only be priced at either prevailing tariff rates or under a separate contract for discounted rates or an amendment to the executed Power Agreement that would have to be filed and approved at the Commission. Ormet opposes any revision to the executed

² Ormet also notes that the OCC's concern that Article 5.08(a) could cause AEP to charge customers earlier than expected is misplaced given that AEP Ohio has proposed in Case No. 09-1095-EL-UNC to levelize the recovery of delta revenues associated with the executed Power Agreement.

³ See e.g., Ohio Revised Code §§4905.32, 4509.31(e) and 4905.30.

contract, such as that proposed by the OCC, that could arguably prevent Ormet from negotiating a separate contract for discounted rates or an amendment to the executed Power Agreement for power usage exceeding 540 MW should Ormet expand its Hannibal facilities to be able to utilize more than 540 MW in the next ten years.

Finally, with regard to the revised Schedule A for 2010 filed by Ormet in this proceeding on September 30, 2009, the OCC requests that the Commission require Ormet to file and serve all parties with backup data to support the revised LME Target Price. Under Article 5.03 of the executed Power Agreement, the Commission may require an independent third-party review, at Ormet's expense, of any schedule submitted. Ormet is prepared to provide any such independent third-party auditor with full access to the necessary information, and expects that interested parties will have the opportunity to review the results of the independent audit and seek any further information needed at that time. However, Ormet opposes giving parties access to highly confidential business information. The change in Target Price between the sample 2010 Schedule A provided earlier in this proceeding and the revised Schedule A filed on September 30, 2009, is simply the result of two factors: (1) the impact of AEP Ohio's ESP rates becoming effective (and thereby increasing the standard GS-4 Tariff Rate) and (2) the reduction of Ormet's production from 6 potlines to 4 potlines, which increases Ormet's per-unit cost of production.

WHEREFORE, Ormet respectfully requests that the Commission find that the executed Power Agreement is in compliance with its Opinion and Order and approve the revised Schedule A for 2010 filed in this proceeding.

Respectfully submitted,



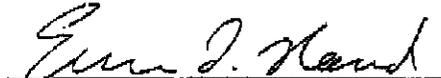
Clinton A. Vince
Douglas G. Bonner
Daniel D. Barnowski
Emma F. Hand
Sonnenschein Nath & Rosenthal LLP
1301 K Street NW
Suite 600, East Tower
Washington, DC 20005
202.408.8004 Telephone
202.408.6399 Facsimile
cvince@sonnenschein.com
dbonner@sonnenschein.com
dbarnowski@sonnenschein.com
ehand@sonnenschein.com

Attorneys for Ormet Primary Aluminum Corporation

Dated: December 23, 2009

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by U.S. Mail upon counsel identified below for all parties of record this 23rd day of December, 2009.


Emma F. Hand

SERVICE LIST

Marvin Resnik, Counsel of Record
Steven T. Nourse
American Electric Power Corporation
1 Riverside Plaza
Columbus, OH 43215

Samuel C. Randazzo, Counsel of Record
Lisa McAlister
Joseph M. Clark
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215-4228

Maureen Grady
Gregory Poulos
Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215

Duane Luckey
Attorney General's Office
180 E. Broad Street, 9th Floor
Columbus, OH 43215

David F. Boehm
Michael Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

John W. Bentine
Mark S. Yurick
Matthew S. White
Chester Wilcox & Saxbe LLP
65 East State Street, Suite 1000
Columbus, OH 43215

Jennifer Duffer
Armstrong & Okey, Inc.
222 East Town Street 2nd Floor
Columbus OH 43215

Denis George
1014 Vine Street-G07
Cincinnati, OH 45202