

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**TESTIMONY OF JORGE VAZQUEZ**

**Q1. PLEASE STATE YOUR NAME, PROFESSION AND BUSINESS AFFILIATION.**

A1. My name is Jorge Vazquez. I am Founder and Managing Director of HARBOR's Aluminum Intelligence Unit, which specializes and focuses since 1995 on studying the global aluminum value chain, generating industry intelligence, market insight, outlook, and consulting to over 250 clients around the globe.

**Q2. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE AS AN ALUMINUM MARKET ANALYST?**

A2. I hold a Bachelor's degree in Economics from Monterrey's Tec and post graduate studies in Business and Economics from the New Cambridge Institute. I have been involved in studying the aluminum value chain since 1995. My company has clients all over the world and serves the market's leaders in each of the different sub-industries of the aluminum supply chain.. I am an advisor to the most important aluminum market players of the world and sought after as an expert witness in aluminum industry legal disputes and arbitration cases around the globe.

**Q3. PLEASE DESCRIBE THE WORK THAT HARBOR ALUMINUM INTELLIGENCE UNIT PERFORMS.**

1 A3. HARBOR systematically generates, collects, filters, categorizes and analyzes vast  
2 amounts of aluminum's industry strategic data points and market intelligence using its  
3 extensive and exclusive network of industry contacts and access to key industry statistical  
4 agencies. HARBOR then takes its industry and market intelligence to serve its clients via  
5 five business units: a) Industry and market intelligence and outlook reports, b) industry  
6 consulting, c) the Annual Aluminum Outlook Summit (the biggest and most prestigious  
7 industry conference in the Americas), d) Legal disputes and arbitration cases (as industry  
8 expert), and e) Industry networking services (helping link key industry players to do  
9 business). Our clients include aluminum's raw materials producers (bauxite alumina and  
10 carbon), primary aluminum producers, traders, scrap dealers, financial institutions, hedge  
11 funds, aluminum manufacturers, end users (beverage, autos, aerospace, construction,  
12 consumer durables, electrical, etc), recyclers, government agencies among others. Our  
13 experts provide focused, comprehensive and detailed aluminum industry intelligence and  
14 outlook. Our clients get a balanced approach based on our analysis of raw materials,  
15 scrap availability, detailed aluminum output expansions and curtailments, cast house  
16 products demand, semi aluminum products demand by country and region, visible and  
17 invisible inventories and financial flows. HARBOR's headquarters are located in Austin,  
18 Texas.

19 **Q4. ON WHOSE BEHALF DO YOU APPEAR TODAY?**

20 A4. I was requested by Ormet Primary Aluminum to provide an unbiased view of forecasted  
21 aluminum prices out for several years, as well as describe the current and recent past  
22 price for the aluminum in the worldwide market.

**Q5. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE ALUMINUM MARKET?**

A5. The aluminum market today is worldwide in scope with a base price often based on the price set at the London Metal Exchange (LME) plus a premium of varying amounts depending on the geographic location of the delivery point. The outlook for future aluminum demand is positive even under a pessimistic scenario. The global economy is getting more intensive in aluminum with the strongest penetration taking place in the transportation sector and with strong usage growth in the emerging world. Two main regions should deliver the bulk of the aluminum demand growth: Asia and the Americas. Demand for aluminum for the decade of 2011-2020 is forecasted by HARBOR to increase on average by 5.8% percent annually during this period. If that is accurate it will be one of the highest demand growth rates in the history of the industry . However, LME aluminum prices stand today at one of the lowest levels ever in real terms and at the lowest ever given were we stand in the cycle. HARBOR believes that the downside for aluminum prices is limited from here in both, nominal and real terms, even under a downside scenario. The price outlook is consistent with higher prices in both, nominal and real terms, for almost all the rest of the decade, although prices should trade mainly between the low and mid range of past cycles.

**Q6. WHAT IS DRIVING THE RECORD INCREASE IN DEMAND YOU ARE FORECASTING AND HOW WILL THAT DEMAND BE SUPPLIED?**

A6. The driving factors behind aluminum's demand positive outlook are: a) working age population income growth in the Developing World (mainly Asia, the Americas, and the Middle East), b) urbanization and industrialization in Asia, c) low but growing levels of

aluminum consumption per capita in the Emerging World, d) pent up demand in North America, e) and aluminum growing penetration in important industrial sectors like transportation. These growing aluminum needs are expected to be largely met by aluminum greenfield expansions mainly in Northwest China, the Middle East, India, and in a lower extend Russia and Southeast Asia. If we assume that these expansions hit the market as expected in time and size, that every existing smelter in the world has capacity creep of 0.5% every year, and that no capacity curtailments nor production disruptions occur; HARBOR sees the global aluminum industry having a fairly balanced market in nominal terms but at least a slight downward trend in global aluminum inventories in terms of weeks of consumption (from 15.4 weeks in 2012 to 12.7 weeks in 2019) which is one of the main drivers of aluminum prices (falling inventories in terms of weeks of consumption, tend to pressure up aluminum prices). If indeed production curtailments or/and disruptions take place or expansions are delayed (which often happen, even more in contexts of poor industry profitability); the aluminum market could easily experience a nominal deficit and a sharper decline in global aluminum inventories in terms of weeks of consumption than that expected.

**Q7. WHAT IS THE CURRENT PRICE OF ALUMINIUM?**

A7. The average cash price for aluminum on the LME for the period January through June of 2013 was \$1,896 per metric ton. That represented a 25.5% decrease from calendar year 2012.

**Q8. WHAT IS HARBOR'S PROJECTED AVERAGE ANNUAL LME PRICE FOR 2014 AND 2015?**

1    A8.    HARBOR expects prices to increase vs today's levels and average \$2,294 per mton (104  
2           cent/lb) in 2014 and \$2,400 per mton (109 cent/lb) in 2015.

3    **Q9.    DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4    A9.    Yes, it does.

**CERTIFICATE OF SERVICE**

The undersigned certifies that a copy of the foregoing document has been served upon the persons below via electronic mail this 6th day of August, 2013.



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Summary: Testimony Testimony of Jorge Vazquez electronically filed by M HOWARD  
PETRICOFF on behalf of Ormet Primary Aluminum Corporation