

FILE

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**Document Description: Proceedings before Sarah Parrot on Tuesday, August 27, 2013**

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# **CONFIDENTIAL**

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*Case # 09-119-EL-AEC*

*Page Count: 10*

*Date Filed: THURSDAY, AUGUST 29, 2013*

*Filed by: MARIA DI PAULO JONES*

*Behalf of: ARMSTRONG & OKEY INC*

*Summary of document: PROCEEDINGS BEFORE SARAH  
PARROT ON TUESDAY, AUGUST 27, 2013*

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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

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

- - -

PROCEEDINGS

before Ms. Sarah Parrot, Attorney Examiner, at the  
Public Utilities Commission of Ohio, 180 East Broad  
Street, Room 11-A, Columbus, Ohio, called at 10 a.m.  
on Tuesday, August 27, 2013.

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- - -

1 APPEARANCES:

2 Vorys, Sater, Seymour & Pease, LLP  
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4 52 East Gay Street  
5 Columbus, Ohio 43216-1008

6 SNR Denton US, LLP  
7 By Mr. Daniel D. Barnowski  
8 1301 K Street NW, Suite 600 East Tower  
9 Washington, D.C. 20005

10 On behalf of the Applicant.

11 American Electric Power Service Corporation  
12 By Mr. Steven T. Nourse  
13 1 Riverside Plaza, 29th Floor  
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15 Porter, Wright, Morris & Arthur, LLP  
16 By Mr. Andrew C. Emerson  
17 41 South High Street  
18 Columbus, Ohio 43215-6194

19 On behalf of the Ohio Power Company.

20 Bruce E. Weston, Ohio Consumers' Counsel  
21 By Ms. Maureen R. Grady  
22 Mr. Edmund "Tad" Berger,  
23 Assistant Consumers' Counsel  
24 10 West Broad Street, Suite 1800  
25 Columbus, Ohio 43215-3485

On behalf of the Residential Consumers of  
Ohio Power Company.

McNees, Wallace & Nurick, LLC  
By Mr. Frank P. Darr  
Fifth Third Center, Suite 1700  
21 East State Street  
Columbus, Ohio 43215-4228

On behalf of the Industrial Energy Users  
of Ohio.

- - -

1 APPEARANCES: (Continued)

2 Boehm, Kurtz & Lowry  
3 By Mr. David Boehm  
4 Ms. Jody Kyler Cohn  
5 Mr. Michael Kurtz  
6 36 East Seventh Street, Suite 2110  
7 Cincinnati, Ohio 45202

8 On behalf of the Ohio Energy Group, Inc.

9 Bricker & Eckler, LLP  
10 By Mr. J. Thomas Siwo  
11 Ms. Maria J. Armstrong  
12 100 South Third Street  
13 Columbus, Ohio 43215-4291

14 On behalf of the OMA Energy Group.

15 Mike DeWine, Ohio Attorney General  
16 By Mr. William L. Wright,  
17 Section Chief  
18 Public Utilities Section  
19 Mr. Thomas W. McNamee,  
20 Principal Assistant Attorney General  
21 180 East Broad Street, 6th Floor  
22 Columbus, Ohio 43215

23 On behalf of the Staff of the PUCO.

24 - - -  
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(CONFIDENTIAL PORTION EXCERPTED.)

EXAMINER PARROT: Mr. Darr, please  
continue. Thank you.

MR. DARR: Thank you, your Honor.

Q. (By Mr. Darr) Do you have a copy of the  
plan that's been filed with the Commission?

1 A. Not in front of me.

2 MR. PETRICOFF: I've got one. Can I  
3 approach, your Honor?

4 EXAMINER PARROT: You may.

5 Q. I would ask you to turn to page 8,  
6 please.

7 A. Yes.

8 Q. At page 8, you list some of the plan  
9 assumptions including one that states that you assume  
10 that the July 10, 2013, LME forward price will  
11 continue through September, 2013. Do you see that?

12 A. Through September, yes.

13 Q. Could you state for us what the forward  
14 price is that you are using.

15 A. Off the top of my head, I'm not sure.  
16 But I thought I had it back here somewhere.  
17 Unfortunately I do not have it in front of me.

18 Q. Okay. Then let's move on. The next part  
19 of that statement or assumption is that you used the  
20 Harbor-based case pricing thereafter.

21 A. Correct.

22 Q. Could you be more specific as to what you  
23 are referencing as the Harbor-based case?

24 A. We acquire a financial forecast from the  
25 Harbor Group which provided to us a forecast, I

1 believe it was the June level, that went out for the  
2 balance of '13, '14, and I believe it was annual  
3 thereafter.

4 Q. And specifically that's the base case  
5 forecast that Mr. Vazquez is sponsoring.

6 A. That is correct. There were three  
7 different varieties, a best case, a worst case, and  
8 we've used continually the base or realistic case.

9 Q. And if I remember correctly, that's the  
10 50 percent case; is that correct?

11 A. It was either 50 or 60 percent, yes.

12 Q. Now, that base case set of assumptions  
13 it's fair to say has changed over the years, correct?

14 A. Yes.

15 Q. And, in fact, you relied on the  
16 Harbor-based case assumptions in 2009 to drive the  
17 current unique arrangement.

18 A. That's correct.

19 Q. I'm sorry?

20 A. That is correct.

21 Q. And with regard to the 2013 assumptions,  
22 those have proven to put it mildly somewhat  
23 optimistic.

24 A. Which point of reference?

25 Q. The base case assumption used in 2009



1 anticipated a price well in excess of 2,400 a metric  
2 ton; is that correct?

3 A. That is correct.

4 Q. And, in fact, a -- a 2013 the actual  
5 average price has been somewhere in the neighborhood  
6 of 17 to 18 hundred dollars, correct?

7 A. I believe it's 1,900 average for the  
8 year.

9 Q. 1,900 for the year, okay. And it's been  
10 as low as 1,600.

11 A. I don't think so. I thought it was in  
12 the 17s at the lowest point, but it's also been  
13 2,100. It's been volatile.

14 Q. And I guess that's the point, isn't it,  
15 sir? That the price of aluminum has been relatively  
16 volatile over the last at least three years?

17 A. Last couple of years commodity prices  
18 have moved, yes, up and down.

19 Q. And the volatility has been largely down  
20 according to Mr. Vazquez's most recent report?

21 A. Most recent, yes. But go back to 2008  
22 and we were looking at \$3,100 at this time.

23 Q. And that would have been a prediction for  
24 2013?

25 A. I don't remember what it showed for 2013.

1           Q.    You are currently operating under the  
2 bankruptcy court protection and you have  
3 approximately \$30 million in new money; is that  
4 correct?

5           A.    We had 30 million of new money. We  
6 received an additional \$10 million last week of  
7 liquidity plus what the Public Utilities Commission  
8 provided in the \$5 million deferral.

9           Q.    The deferral, are you referring to that  
10 as new money or just a recognition that certain bills  
11 can be delayed?

12          A.    It's recognition of the liquidity advance  
13 it gave to us.

14          Q.    Liquidity in the sense you can use that  
15 5 million for something other than paying the  
16 electric bill.

17          A.    That's correct.

18          Q.    And at some point that position will  
19 reverse itself.

20          A.    That is correct.

21          Q.    Assuming, of course, that the transaction  
22 closes.

23          A.    That is also correct.

24          Q.    And the ability to reverse that position  
25 also assumes an additional injection of liquidity on

1 the part of Wayzata, correct?

2 A. They have agreed to provide additional  
3 liquidity conditional upon closing.

4 Q. And that would be -- given the dollars  
5 are fungible that could be used for paying the  
6 existing bills?

7 A. Correct.

8 Q. By your own estimate and now looking at  
9 page 13 of the business plan, the expectation when  
10 you put this business plan together was that Ormet  
11 would lose an additional 12 million over the  
12 remaining -- remainder of the calendar year 2013,  
13 correct?

14 A. That is correct.

15 Q. The business plan then assumes a  
16 turnaround in 2014.

17 A. Yes.

18 Q. And that turnaround is driven largely by  
19 the fact that LME prices are expected to go up,  
20 correct?

21 A. Yes, that's correct. Also the additional  
22 volume with the restart, this was based on four lines  
23 going to six about the fifth year.

24 MR. DARR: That's all I have, your Honor.

25 EXAMINER PARROT: Thank you. Let's go

1 off the record.

2 (Discussion off the record.)

3 (OPEN RECORD.)

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