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## Utility board's rate decision for Century Aluminum satisfies major energy users

by Jared Hunt  
Daily Mail Capitol Reporter

CHARLESTON, W.Va. - West Virginia's largest industrial power consumers seem to be satisfied with the state Public Service Commission's decision to grant a special power rate for Century Aluminum's Ravenswood plant.

The PSC handed down a nearly 80-page ruling last week granting Century a special power rate structure that would reflect shifts in aluminum prices.

Century officials said they needed a special rate structure to restart the shuttered Ravenswood aluminum smelter. The plant closed in 2009, resulting in the loss of more than 650 manufacturing jobs in Jackson County.

The PSC rejected Century's proposal to shift some costs to other ratepayers when aluminum prices were low.

That was welcome news to those who opposed Century's rate-shift plan. While Century will still get special power rates, critics of the company's original plan say they can live with the PSC ruling.

"It is a complicated decision, but our initial reaction is generally positive," said Derrick Williamson, attorney for the West Virginia Energy Users Group.

The group is made up of several large industrial companies, including ArcelorMittal, Bayer CropScience, Novelis and DuPont Co., that do business in the state. It strongly opposed the company's cost shift proposal.

Williamson, a Spilman Thomas & Battle attorney who represents the group, said during hearings in July that the idea was "beyond the pale of reason."

Part of Century's plan was to shift costs to other ratepayers to make up for reduced rates it would pay when aluminum prices were low.

Century maintained aluminum prices are predicted to rise over the long term, reducing the impact on other ratepayers. Critics, including the Energy Users Group, said the proposal involved far too much risk.

In a case filing, Williamson described Century's proposal as "a Las Vegas roulette gamble that imposes upon these ratepayers all of the stakes without requiring any 'skin in the game' from Century."

In the end, the PSC sided with critics and rejected Century's proposed rate shift.

The ruling calls for a minimum rate that Century's power payments would have to hit over a 10-year contract period. But the company's actual monthly payment would rise or fall based on the market price of aluminum.

If aluminum prices were low, the company would be allowed to pay less than the minimum rate. If aluminum prices were high, the payment would be higher.

At the end of the 10-year term, Century would have to pay the power company any amount by which it had fallen short of the minimum rate.

The plan essentially gives Century the lower rate it wanted to restart the plant. But it puts all the risk on Century's back by making the company - not ratepayers - pay at the end of the 10-year period.

Williamson said it was important to keep the burden on Century because other manufacturers already had seen their power rates jump 70 percent since Century closed in 2009.

"Our concern has been protecting large commercial and industrial customers in West Virginia - who have continued to provide jobs and support the West Virginia economy while Century has been shut down - from having to further subsidize Century and bear related rate increases at a time when those customers are trying to remain competitively viable in their own business markets," Williamson said.

The PSC's special rate also helps reduce Century's power costs by using \$20 million in annual tax credits state lawmakers approved earlier this year.

They also approved a Century proposal to have Appalachian Power customers continue to absorb nearly \$20 million in annual fixed costs that were passed to them after the plant closed.

These fixed costs represent general costs Appalachian Power incurs to do business and maintain its grid. Those costs are already embedded in customers' current power rates, so keeping them in place will not increase power bills.

While this means ratepayers will have to pay about \$200 million to cover those costs over 10 years, the plan also created a way for customers to recoup that cost.

If at the end of the 10-year term the amount of Century's monthly payments ends up being more than their billed minimum rate - which would happen if aluminum prices were higher than expected - up to \$200 million of that surplus would be used to pay back ratepayers.

If the surplus is more than \$200 million, that amount will be split between ratepayers and Century.

The Legislature passed a bill earlier this year providing \$20 million in annual tax credits to help large manufacturers get discounted power rates. Century's rate structure will use these tax credits over the next 10 years.

While the Century case is the first of its kind in West Virginia, Williamson said he did not expect other companies to begin filing for their own special power rates.

"I am sure that most large electric customers would like to have special, discounted rates," he said.

He said the language in the tax credit bill was narrowly worded to apply only to Century.

"So I do not believe it likely that any other customers in West Virginia can avail themselves of the specific statute at issue in this case," he said.

Century officials are reviewing the PSC ruling to see how it will affect plans to restart the Ravenswood plant.

"Our management team is currently reviewing the order in detail," Century spokeswoman Lindsey Berryhill said Friday.

"We will be prepared to issue a more comprehensive statement once we have a thorough and accurate understanding of the PSC's decision and how it impacts our restart efforts," she said. "In the meantime, we would like to thank the PSC for its diligence, hard work and expedited review of the case."

If the company approves of the PSC's plan, the final step left before restarting the plant would be negotiating a new labor agreement with the United Steelworkers union. Company officials have said they were confident they would have no trouble securing a new labor contract.

Once that contract is signed, the company will begin hiring about 470 workers for the restart. Company officials have said a full restart may take up to four months.

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