

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Proposed Rules)	
4 CSR 240-3.162 and 4 CSR 240-)	EX-2008-0105
20.091, Environmental Cost Recovery)	
Mechanisms)	

COMMENTS ON SELECTED ISSUES BY
NORANDA ALUMINUM CO.

COMES NOW Noranda Aluminum Co. (Noranda), through its attorney, and submits these comments on the proposed Environmental Cost Recovery Mechanism (ECRM) Rule proposed in this matter.^{1/}

1. Noranda is the largest customer of AmerenUE and the largest consumer of electricity in Missouri. Noranda, therefore, continues to have significant interest in rules and regulations applicable to its supplier, Union Electric Company d/b/a AmerenUE. AmerenUE has supplied Noranda's electricity since June 1, 2005 under the Large Transmission Service rate schedule. Noranda, for its part, presents a load of 475 MW, day and night, 7 days a week and maintains over a 98% load factor.

2. As Missouri's only aluminum smelter, one of the few remaining aluminum smelters operating in the United States, and as a industrial consumer that is responsible for over 10% of the entire United States' aluminum production, Noranda must

^{1/} Noranda personnel expect to be available for additional comments or to respond to questions from the Commissioner at the time of the hearing on this matter.

5. Noranda understands the proposed rule, therefore, as maintaining the Commission's ability to determine the portion of costs to receive the automatic rider treatment versus base rate treatment. Thus, if there is to be a rider at all, this approach ensures that the Commission can determine the extent to which portions of environmental costs will continue to be subject to the incentives inherent in base rates. Preservation of this option is desirable. Noranda encourages an approach that would maintain a healthy measure of the beneficial incentives inherent in base rates. Noranda understands that proposed rule (2)(D) provides for such an approach.

6. In addition, Noranda also understands that Senate Bill 179 provides for a cap on rate increases due to the ECRM. Although some aspects of the operation of this cap are unclear, the proposed rules carry rate cap provisions. Noranda supports the concept of rate stability and low rates. A rate cap can offer some protection to this end.

7. In further development of these points, proposed rule (2)(D) will have the Commission determine the extent to which eligible environmental costs are passed through to customers via the more or less automatic provisions of an ECRM and the extent to which the costs continue to be passed on through the traditional base rate mechanism. For example 50% of environmental cost changes might continue to receive base rate treatment and 50% might flow through the ECRM. Rule (2)(D) is an important provision because it provides the flexibility to maintain some of