

May 08, 2013

IOWA UTILITIES BOARD

AFFIDAVIT

I, David Ciarlone, after being duly sworn, attest as follows:

1. I am the Manager, Global Energy Services, at Alcoa Inc. and am familiar with our businesses' policies regarding the disposition of information, particularly energy information, that our businesses consider trade secret or confidential.
2. Alcoa is not a party to this case, but rather is a member of ICEE, an intervention group. I am familiar with ICEE as a member of its steering committee (Alcoa is not located in IPL's territory, but is in MidAmerican's territory and ICEE collectively will have the same issues in both cases with regard to discovery). Intervention groups are an important way to broaden participation in Board dockets – they allow companies with similar, but limited, interests to share resources where it would not make sense for any individual company to expend the resources (including on discovery) to participate. It also allows for data to be presented in aggregated form for the group, protecting competitively sensitive data where the facts of an individual company are not relevant to a broader policy outcome.
3. I have concerns that the Environmental Intervenor (EI) data requests seek proprietary information that is highly competitively sensitive. The information is such that Alcoa does not share it with anyone, including other members of ICEE. Moreover, I do not see the relevance of the requests: many of the data requests appear to put industrial users under scrutiny, but there is no requirement that these unregulated companies report on or seek Board approval of their energy efficiency plans – this case is about IPL, not members of ICEE.
4. The information requested by EI in Data Requests 2 through 12 are not known any place outside of our businesses (except, in the specific case of energy use or participation in a utility-sponsored energy efficiency program, by the providing utility – and in those cases we seek assurance from the utility that the information will be confidential).
Data Request 2 asks for the energy usage and capacity demand at each separately metered facility by day, week, month, season and year and on-site generation capacities and the energy budget by month and year for a 10-year period. Energy is one of the largest input costs for an Alcoa plant. Accordingly, that information is carefully guarded and not known outside of Alcoa. By reverse engineering, the company's competition could gain a great advantage if this information was known. That information potentially provides competitors with information on how busy (or not) an Alcoa plant is,

and provides a benchmark for how efficiently it operates. The requested information is extremely voluminous (reports by day for 10 years alone is 3,650 data points) and is at a level of granularity that largely allows someone to recreate how the broader market and economy impact Alcoa, how it reacts to events over that period – operating details that non-regulated companies simply never have to disclose.

Data Request 3 asks for a detailed description of the use of IPL's energy efficiency programs including energy audits, feasibility studies, custom rebated, process changes, training received, design assistance, CHP projects, and the use of renewables. It also asks for the costs to complete each project and the estimated savings. That information is not known outside of Alcoa (and, to the extent of participation – but not internal Alcoa results – to the utility). If a competitor knew of the specific energy efficiency programs we employed to reduce energy, it could calculate information that would impede our competitive position. Process changes are not known outside of Alcoa nor are the costs of projects and estimated savings; in a competitive, non-regulated industry, that information is simply not shared and is protected as confidential within the company. EI provides no explanation of why a statement on behalf of ICEE of which IPL programs any of its members use (without identifying the members) would not suffice to analyze IPL's offerings under its EEP – again, it is IPL, not the industrial companies, that is being regulated through this docket.

Data Requests 4 and 5 ask for detailed descriptions of energy efficiency or renewable energy efforts outside of IPL's programs since 2003 including but not limited to project costs and estimated energy savings and the total dollars invested in energy efficiency projects each year since 2003. Because the release of this information would have an adverse impact on Alcoa's ability to be competitive, it is not known outside of Alcoa. This request is essentially the same as Request 3 – only worse in that (a) even IPL doesn't know this information and (b) because these are not selections off of IPL's "menu," there is even more innovation and individuality among companies here, making those choices even more competitively sensitive. Again, if the objective of EI is to see if there are things IPL (for example – the argument is the same regarding MidAmerican) should be incorporating that it is not (and EI doesn't make that clear), a narrative statement of non-IPL initiatives used by ICEE members collectively – without identifying the members – should suffice.

Data Request 6 asks for information that is never known outside of Alcoa. Alcoa has policies in place which guard against the release of these kinds of management decisions, such as what energy efficiency projects were considered but rejected and why. Such decisions involve scores of factors that have no relevance to IPL or to this docket at all – macroeconomic conditions, assumptions about competitive behavior, competing resource allocation needs within the company to name just a few – and reveal the very core decision-making processes that differentiate one private company from another.

Data Requests 7, 8, 9 ask for information about Alcoa's process for evaluating projects; payback periods; budgetary decisions; evaluation of the potential for energy efficiency at each plant including audits and feasibility

studies; the assessment, evaluation and implementation of combined heat and power projects and more. These questions seek information about the management of Alcoa's business and are not known by others outside of Alcoa. If they were, our ability to compete would likely be diminished, if not obliterated. This would be like inviting EI – and, if they were to ever improperly or inadvertently disclose the information, our competitors – into our management meetings, our budget meetings, and our board meetings. This is simply not how a competitive, non-regulated private company is run.

Data Requests 10, 11, and 12 ask for Alcoa's use of the interruptible program offered by IPL, the marketing contacts, and our assessment of the energy efficiency programs offered in other service territories. Whether Alcoa uses an interruptible program in IPL's service territory is known only by IPL.

As far as information about what marketers have contacted Alcoa and when, that is not known outside of Alcoa. The marketers may have this information but we do not release this information because Alcoa believes it would be revealing third party information. Similarly, what Alcoa's opinion is about energy efficiency programs in other service territories is not known outside of Alcoa.

5. Only a select group of individuals within our businesses have access to the information requested by Data Requests 2 through 12. Alcoa employs a system guarding the access of information within Alcoa itself. In fact, within Alcoa's secure internal network, information regarding energy usage and capacity demand is among the most protected data. Access requires an additional password beyond the internal network generally, and that access must be provided by a member of the energy group – only two employees can grant such access. The only employees with access to the type of information requested here are a select group who specialize in the subject matter has access to information regarding energy audits, feasibility studies, energy efficiency programs and costs, and process changes. Energy efficiency programs and the process of deciding what measures to employ is information confined to a select group of individuals. Alcoa only allows a small group of relevant employees within Alcoa to have knowledge of its budget and decisions surrounding our budget. Only a select group of Alcoa employees are allowed to have knowledge about our use of Alcoa's interruptible rates, and decisions about energy efficiency projects, renewable energy and CHP efforts. Only certain people within Alcoa know of money spent on the operating portions of our business. The policy is made known that employees on a need-to-know basis are not to redistribute or share the information. When we work with utilities on such matters, we seek to obtain confidentiality agreements with them, and with suppliers and consultants relating to energy issues we require strong confidentiality provisions in our contracts.

6. In addition to the technical, cultural, and policy efforts described above to maintain the secrecy of Alcoa's proprietary and trade secret information, Alcoa notes that this information is not even shared with other members of

ICEE or other intervention groups, both for competitive reasons and to avoid any issues under federal antitrust laws. Alcoa takes the confidentiality of this information so serious that it goes to extraordinary lengths to protect it: a private contract Alcoa entered in Iowa was proposed by the counter-party to have an exception to the confidentiality for official requests by agencies of the state of Iowa. Alcoa sought (and obtained) a letter from the Iowa Attorney General with assurances as to the contours of protection for the information in the unlikely event it was requested by a state agency.

7. It is difficult to calculate the value of the information requested by Data Requests Two through Twelve to our company and our competitors but it is in the billions of dollars. Similarly, it is difficult to calculate the cost of compiling this trade secret information. Alcoa employs large numbers of people all over the world who have created this information, knowledge and expertise over decades. This information drives all of our decisions and if this information was known it could be used to effectively drive us out of business.

For example, the value of Alcoa's energy usage and capacity demand information cannot be calculated. If our competitors knew this information they could devise means and plans to put Alcoa out of business and the value of Alcoa to society is immeasurable. As for the information requested such as energy audits and feasibility studies, their value to Alcoa is immeasurable because they drive our ability to cost-effectively function in the market. The same is true for all of the management decision information requested by these data requests.

Even if a bond could be posted to back-up any claim of EI that it would safeguard the information, there is no reliable way to estimate the damages that could be incurred if entire production processes or plants were rendered useless by disclosure of trade secret information. The damage would extend to similar operations beyond Iowa.

By "reverse engineering" how much energy we use for various processes or knowing how much it costs for us to produce our products a competitor would be able to unfairly achieve dominance in our field of operation. The value of the information requested by Data Requests Two through Twelve is immeasurable.

8. The cost to design and produce the information requested by Data Requests Two through Twelve, such as trade-secret expertise about process, budget, energy usage and management-decision making is immeasurable. Scientists, engineers, and a vast number of experts have worked many hours to produce it. The cost to acquire and implement the expertise that fuels Alcoa and the way it operates is very significant.

9. The information requested by Data Requests Two through Twelve, such as budget, energy usage, capacity demand, energy efficiency technologies, management decisions, and use of interruptible programs is all technical,

detailed information that has been designed specially to meet the business needs of Alcoa.

It is not easily acquired and duplicated by our competitors. In fact, as described above, it is not available to others outside of Alcoa and to only a select group within Alcoa. Alcoa makes general information available to the public but the specific information required by Data Requests Two through Twelve is carefully not made available to ensure that it is not duplicated by our competitors.

10. While I have not focused on it much above, the requests are also onerous and overly broad – 10 years of data at the level of granularity requested is an immense amount of data, including some that is archived and not readily accessible, and some known primarily by employees who have retired or changed jobs. It is disproportionate to the scope of ICEE’s intervention (and certainly to Alcoa, who is not actually a party in its own capacity). I have not focused on this because the bigger concern is the extreme sensitivity of the information, which actually is more acute the more recent the information is, so it is not fixed by limiting the request to, say, the most recent three years. Nonetheless, the Board should be aware of how extensive the requests are. I understand that in the past 24-hours EI has offered to shorten the time period; as I explain above, that only solves a part – the less important part – of the problem. In any event, the initial, objectionable breadth and size of the request is one reason (among several) why this dispute has persisted.

11. I note that EI has asserted that its requests in several instances are related to Mr. Brubaker’s testimony for ICEE. As a member of the steering committee, I was involved in and am familiar with that testimony and I strongly disagree. For example, EI argues that DR 7 – seeking highly detailed information on individual company decision making processes – is justified by Mr. Brubaker’s testimony that industrial energy demand has decreased 17% over an eight-year period. The testimony, however, merely cites a national study (obviously highly aggregated) and notes that IPL’s own study that is in the record shows a similar trend in its territory. Nothing in that discussion of macro-level trends addresses individual companies, and knowing a few individual company details in isolation would not prove or disprove the larger studies (which Mr. Brubaker never claimed to have worked on, so this is not relevant to cross-examining him). Moreover, the point of the testimony and the studies was to show what has been happening in the larger market – not how it is happening at the most granular level, which is the very different issue raised by DR 7. The other EI requests are similarly tangential to what ICEE’s testimony actually said.

12. Finally, as someone who in involved in the decisions as to whether Alcoa participates in Board proceedings, I am concerned that allowing such extensive discovery of individual members of intervention groups will discourage such groups by taking away part of their purpose, and thereby reduce participation

from those who may have a useful perspective and whose participation may assist the Board. If discovery can go well beyond the limited scope of the intervention or the testimony in support of the intervention, if non-regulated entities can be forced to open their processes to the same degree as the Board-regulated entity, if the focus can be moved from approval of IPL's plan to Alcoa's energy management, and if the price of intervention is both the tangible cost of massive discovery and the loss of secrecy of highly proprietary information, that surely impacts my decision (and I have to think the decision of others in my position at other companies) in the future. I believe that would make the Board's processes less informed, not better, and is a policy outcome everyone should want to avoid.

David Ciarlone by VP

David Ciarlone

Subscribed and sworn to before me this _____ day of
_____, 2013.

Notary Public