

Highlights: Alcoa proposed term sheet

Term

- If approved, contract would begin when existing contract expires in 2011 and would run through Oct. 31, 2028 – 17 years

What Alcoa would receive (partial list)

- 25 percent of the energy produced at Rocky Reach and Rock Island dams (no guarantee of specific amount of power)
- Approximately enough energy in average water years to operate three pot lines (about 450 - 490 jobs)

What Alcoa pays (partial list)

- 25 percent of annual costs to operate and maintain the two dams, including payment of existing and future debt, no matter how much energy actually received. Take and pay contract.
- Up-front payment of \$17.5 million (\$21 million if Alcoa gets 26 percent of combined energy output) payable upon approval
- \$2.5 million in working capital for each project, amount may be increased as necessary
- Debt coverage fund (15% of maximum annual debt service)
- Debt reduction and capital recovery payments
- Credit rating premium based on differential in credit ratings
- Transmission charges and costs of interconnection

What if Alcoa shuts down?

If Alcoa shuts down for 90 days (not due to uncontrollable circumstances), they would pay \$8.6M. If the shutdown lasts 18 months or a second 90-day shutdown occurs, Alcoa will owe the balance of the Shutdown Settlement Amount. This amount is \$87M in 2012 and decreases over time as Alcoa remains in operation. If Alcoa is shut down, the District will retain 100 percent of the net proceeds of power sales after costs of operation are paid.

Can Alcoa use the power elsewhere or sell it on the market?

No. If Alcoa uses less than its share of available power to operate the Wenatchee plant, the District and Alcoa will split the proceeds of market sales of the surplus energy based upon operating levels. Any monies “received” by Alcoa will be held by the District as a credit to be used for future (and some past) market purchases made by Alcoa for the Wenatchee plant operation. Cash is not paid to Alcoa from any surplus sales.

Can the District terminate the contract?

Yes, if (a) Alcoa defaults in performing any material provisions; or (2) Alcoa operates the plant at less than 175 aMW (approximately less than two pot lines) 18 months or longer.