

Chelan County PUD and Alcoa Power Sales Agreement

Status Update

Tri-Commission Meeting
August 30, 2016



PUD
CHELAN COUNTY

26%
of Rocky Reach &
Rock Island output

Deferred charges
are due if plant
shuts down

Some charges were
deferred up front
recognizing value to
community

Brief Overview of Power Sales Agreement

Deferred charges
reduced over time
as plant operates,
provides jobs and
community benefits

Power can only be
used at Wenatchee
Works

Alcoa pays actual
costs of O&M plus
amounts for capital
and debt reduction

Deferred contract charges encourage restart

Deferred charges due if shutdown:

Less than 90 days

\$0

6 months (mid-June 2016)

\$4.3 million

12 months (mid-Dec. 2016)

\$8.6 million

If **not** restarted within 18 months from shutdown date (due mid-June 2017):

Additional \$67 million
(balance of deferred charge)

What happens to the power while the plant is shut down?

Alcoa continues to have contractual rights to the 26% share of output

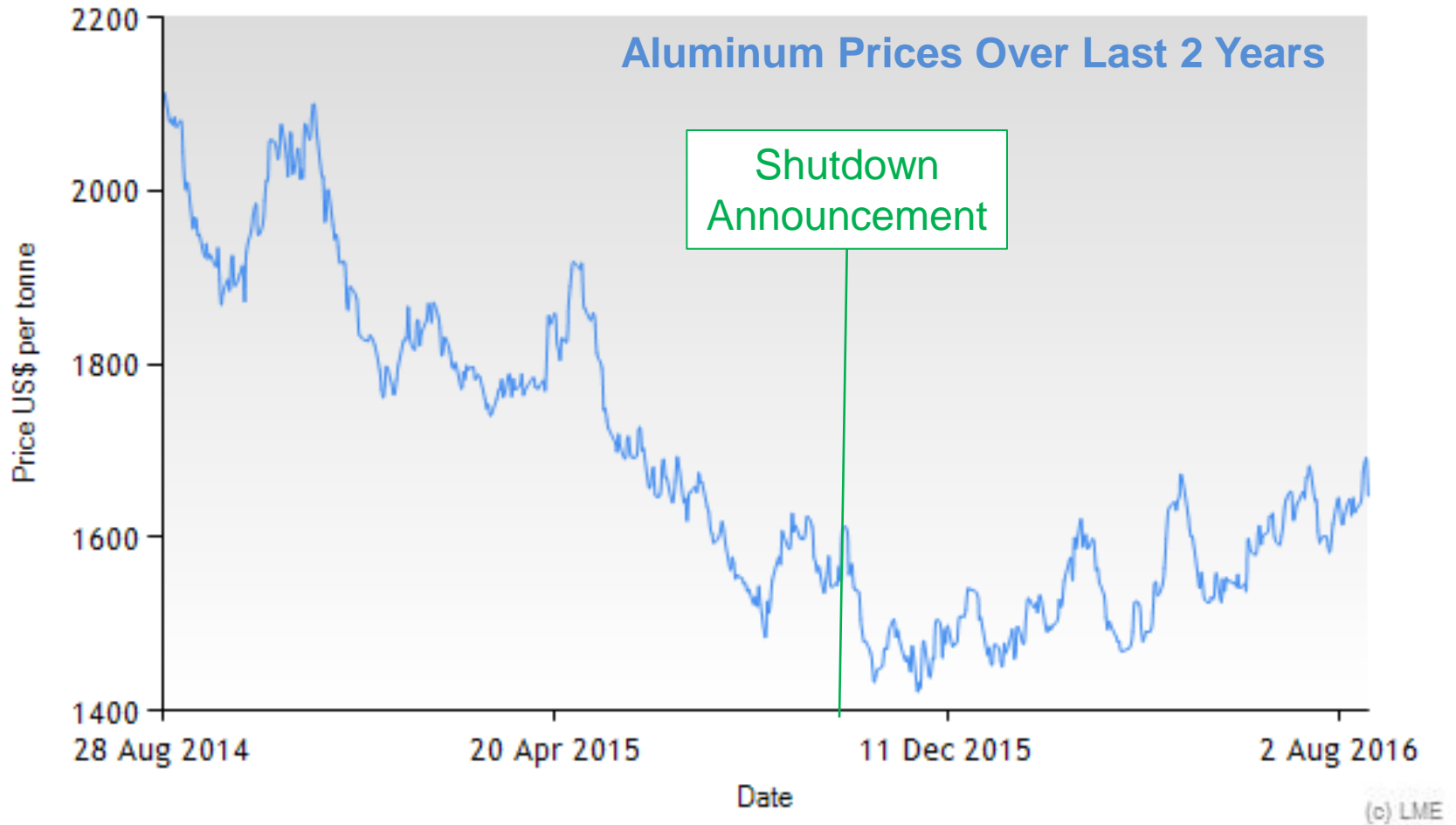
District sells unused power in the wholesale market on Alcoa's behalf

Proceeds from sales first applied to the monthly contract costs owed by Alcoa

Any surplus proceeds above contract costs would be retained by the District

Any shortfalls would be paid by Alcoa

Plant future is dependent on global aluminum prices



Source: London Metals Exchange (LME)

Alcoa Corporate Split

Creating two publicly-traded companies



Alcoa Corporation
“upstream assets”
NYSE ticker “AA”



ARCONIC
Innovation, engineered.

Arconic Inc
“downstream assets”
NYSE ticker “ARNC”

Targeting completion in Q4 2016

Wenatchee Works becomes a new entity –
Wenatchee Works LLC under Alcoa Corporation

PUD requested more information and are working
together on assignment of our contract

Summary

The contract is designed to encourage operation of the Wenatchee Works to provide jobs and community benefits

The contract provides financial protection for PUD customer-owners in the event of a short-term or long-term shutdown

The future of the plant is primarily dependent upon global aluminum prices which are difficult to predict

We support restart and will serve the plant consistent with our contract

Our focus is for our customers and community to have a neutral or positive impact from the Alcoa split