Deferred charges are due if plant shuts down.

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

26% of Rocky Reach & Rock Island output.

Some charges were deferred up front recognizing value to community.

Brief Overview of Power Sales Agreement.

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

Power can only be used at Wenatchee Works.
## Deferred contract charges encourage restart

### Deferred charges due if shutdown:

<table>
<thead>
<tr>
<th>Duration</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 90 days</td>
<td>$0</td>
</tr>
<tr>
<td>6 months (mid-June 2016)</td>
<td>$4.3 million</td>
</tr>
<tr>
<td>12 months (mid-Dec. 2016)</td>
<td>$8.6 million</td>
</tr>
</tbody>
</table>

### 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

Aluminum Prices Over Last 2 Years

Shutdown Announcement

Source: London Metals Exchange (LME)
Alcoa Corporate Split
Creating two publicly-traded companies

Alcoa Corporation
“upstream assets”
NYSE ticker “AA”

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 customers-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.