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Alcoa power sales contract introduced

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PUD commissioners Monday reviewed a proposed power sales contract with Alcoa to start in 2011 that would provide power for its Wenatchee aluminum smelter through October 2028.

The contract would provide Alcoa with electricity equal to 26 percent of the output of Rocky Reach and Rock Island dams, in exchange for the company paying 26 percent of the cost of producing and delivering the power, plus other costs.

Marc Pereira, Alcoa's energy vice president, complimented the PUD and General Counsel Carol Wardell on the four-year negotiations leading to the proposed contract.

"It's not often that you get to this stage and feel that all the parties are winners," he said, noting the benefits for the company, its employees and the PUD. He also noted, "The community wins by keeping the facility in the region and benefiting from all the economic activity that goes with it."

With an average water supply, 26 percent of the dams' output would supply approximately enough energy to operate three pot lines. The plant is now running two lines.

If approved, Alcoa will also pay an estimated \$22.9 million of an \$89 million capacity reservation charge within 30 days of signing, with the balance deferred as long as the plant continues to run three pot lines.

PUD commissioners tabled final consideration of the new power sales contract until July 14. State law requires power sales agreement to be tabled for at least 10 days.

The agreement is based on [terms approved](#) by PUD commissioners in December 2007, with some changes made based on commission and community feedback. An outline of [major points of the proposed power sales contract](#) and two related agreements are posted on the PUD Web site, along with background information.

PUD offers land for Castlerock trail head

The city of Wenatchee will be able to build a trail head for hiking to Castlerock on a portion of land the PUD land bought nine years ago at the head of Castlerock Avenue for a future substation. With the 25-year agreement the city can apply for a grant for about half \$150,000 cost of a gravel access road, small parking lot and restroom. The balance of the money will come from city real estate excise taxes.

In exchange, the city agrees to maintain the property, which will provide official access to a Castlerock trail in Wenatchee's western foothills being developed with the Chelan-Douglas Land Trust.

Steve Currit, PUD District Services director, said there is more than enough space on the parcel for the trail head, the substation and possible future expansion. The section to be used for the trail head is sloped and not suited for building. The PUD can reclaim the trail head if the city fails to maintain it or if needed by the PUD to meet future regulations.

In other business, commissioners:

- Heard an update on due diligence for the purchase of the Cashmere electric system and agreed to extend the closing date from June 30 to Sept. 30, 2008. The city requested more time to continue obtaining required easements, and the extension will give the PUD more time to verify them. The city asked the PUD to purchase the Cashmere system in April 2007.
- Sold a 7.4-acre parcel of land in Rock Island to Don Barth for the appraised value of \$210,000. Barth, who operates the Rock Island Golf Course, will use the land to expand the course from nine to 18 holes. Commissioners declared the land, which lies north of the intersection of Saunders and Delaware avenues, surplus to PUD needs on June 2.
- Held their quarterly update on meeting strategic objectives outlined in the board's Balanced Scorecard. Commissioners Randy Smith and Dennis Bolz will work on a code of conduct and bring options back to the full board for discussion.
- Heard from Fleet Manager Gary Lentsch that Chelan PUD's share of sales from last week's vehicle auction with Grant County PUD were \$220,000, nearly double the receipts from the last joint auction in 2006.
- Agreed to move ahead of schedule and order two more turbine runners and wicket gates for the next phase of the modernization project in the first powerhouse at Rock Island Dam. Up to six of the 10 units are being rebuilt to improve efficiency and reliability.

The next meeting of the PUD commission will begin at 11 a.m. on Monday, June 23, in the boardroom at PUD Headquarters, 327 N. Wenatchee Ave.

Most PUD commission meetings are recorded, and a link to the audio is available on the PUD's home page at www.chelanpud.org.

*Kimberlee Craig
Public Information Officer
509-661-4320, direct line
509-679-6858, cell
kimberlee.craig@chelanpud.org*

[Link to board meeting.](#)

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