

LONG-TERM TRANSMISSION SERVICE AGREEMENT

between

**PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY,
WASHINGTON**

and

ALCOA INC.

And

ALCOA POWER GENERATING INC.

DATED AS OF

This LONG-TERM TRANSMISSION SERVICE AGREEMENT (“Transmission Agreement”) is executed on _____ (“Execution Date”), by and among the Public Utility District No. 1 of Chelan County, Washington (the “District”), and Alcoa Inc., a Pennsylvania corporation, and Alcoa Power Generating Inc., a Tennessee corporation (“APGI”). Alcoa Inc., and APGI may be referenced in this Transmission Agreement individually or collectively as “Alcoa.” The District, Alcoa and APGI are sometimes referenced in this Transmission Agreement individually as “Party” and collectively as “Parties.”

RECITALS

The District owns and operates the Rocky Reach Hydroelectric Project on the Columbia River, located approximately seven miles upstream from Wenatchee, Washington. The Rocky Reach Project is covered by License No. 2145, issued pursuant to Part I of the Federal Power Act. That License expired on June 30, 2006, and is subject to renewal in proceedings before the Federal Energy Regulatory Commission (FERC). The District is currently operating the Rocky Reach Project pursuant to annual licenses until a long-term license is issued by FERC. The District has sold to APGI Rocky Reach Replacement Power equal to a portion of the Output of the Rocky Reach Project under a long-term contract that expires on October 31, 2011.

The District also owns and operates the Rock Island Hydroelectric Project on the Columbia River, located approximately twelve miles downstream from Wenatchee, Washington. The Rock Island Project is covered by License No. 943, issued pursuant to Part I of the Federal Power Act. That License extends until December 31, 2028.

The District, Alcoa and APGI have entered into a new Power Sales Agreement, dated as of _____ (“Power Sales Agreement”), pursuant to which the District will sell to Alcoa a percentage of the Output of the Chelan Power System as defined in and under the terms of the Power Sales Agreement commencing on November 1, 2011, and July 1, 2012, respectively for the Rocky Reach Project and Rock Island Project. This Transmission Agreement is intended to provide for the transmission of the Output by the District across the Chelan Transmission System to various Transmission Points of Delivery for use by APGI and Alcoa Inc. at the Wenatchee Works, to sell the Output to third parties and to transmit power from third parties to Wenatchee Works as set forth in the Power Sales Agreement and this Transmission Agreement.

The District, Alcoa Inc. and APGI intend to enter into an Interconnection Agreement to establish the terms and conditions for the continued interconnection of the Chelan Transmission System and Alcoa facilities at the Wenatchee Works. The Parties intend that the Power Sales Agreement, this Transmission Agreement and the Interconnection Agreement constitute a set of wholesale arrangements whereby the District and Alcoa will utilize specified portions of Output in the exercise of their respective contractual rights and obligations as parties to the Pacific Northwest Coordination Agreement in order to provide Output for consumption by Alcoa at Wenatchee Works and for other purposes throughout the term.

NOW, THEREFORE, in recognition of the foregoing recitals and in consideration of the covenants contained herein, the Parties hereby agree as follows:

ARTICLE I. DEFINITIONS

Section 1.01. Definitions. As used in this Transmission Agreement (unless otherwise defined herein), terms with initial capitalization, whether singular or plural, shall have the meanings set forth in (i) the Power Sales Agreement, including Appendix B thereto (provided, that references to “this Agreement” in the definitions of such terms in the Power Sales Agreement shall, for purposes of this Transmission Agreement be deemed to be references to this Transmission Agreement); (ii) in this Article I; and (iii) where they appear elsewhere in this Transmission Agreement.

“*Ancillary Service*” means voltage-regulation, spinning-reserve, non-spinning reserve, replacement reserve, voltage-support, black-start and any other interconnected-operation service that the District might provide, under applicable FERC policies, to support the transmission of Output from resources to electric loads, while maintaining reliable operation of the Chelan Transmission System in accordance with Prudent Utility Practice and the Reliability Criteria.

“*Audit Period*” has the meaning specified in Section 7.03.

“*BPA*” means the US Department of Energy, Bonneville Power Administration, or any entity succeeding to BPA’s responsibilities regarding the Federal Columbia River Transmission System.

“*CEA Agreement*” means the agreement entitled “Agreement Regarding Canadian Entitlement” executed by the District and Alcoa as of October 13, 1997, as this agreement may be amended or replaced from time to time, whereby Alcoa, in its capacity as a purchaser of Equivalent Energy, makes specified amounts of energy available to the District for the purpose of assisting the District in meeting its obligations as a signatory to the “Canadian Entitlement Allocation Extension Agreement,” executed by the District and BPA as of April 29, 1997.

“*Chelan Transmission System Revenue Requirement*,” or “*CTSRR*,” means, for each year such calculation is required under Section 5.02, the District’s determination of its cost of owning, operating, maintaining, repairing and upgrading the Chelan Transmission System, minus the District’s revenues for the relevant 12-month period from (i) any Direct Assignment Facility, and (ii) firm and nonfirm wholesale transmission services unrelated to the transmission services provided either to Alcoa under this Transmission Agreement or to any other Share Participant under any comparable transmission agreement entered into by such Share Participant and the District in connection with a Related Power Sales Agreement. CTSRR excludes costs and revenues associated with the Project Transmission Facilities listed in Appendix C to the Power Sales Agreement. CTSRR shall be determined in accordance with the Uniform System of Accounts.

“*Curtailment*” means a cessation, interruption, discontinuation, or reduction of Transmission Service, continuing for as long as necessary to accommodate any circumstance covered either by Section 3.02 or Section 3.03.

“*Default*” means, with respect to either Party, any of the conditions or circumstances causing such Party to be in “default of this Transmission Agreement” pursuant to Article XI.

“*Direct Assignment Facility*” means any transmission facility, substation, or related equipment constructed and operated by the District for the sole use or benefit of a single customer pursuant to a contract between the District and that customer. Under this Transmission Agreement, Direct Assignment Facilities are part of the Chelan Transmission System for purposes of calculating CTSRR. Direct Assignment Facility includes, but is not limited to, any additional transmission facility, substation, or related equipment to be constructed and operated by the District for the purpose of transmitting power to Wenatchee Works with which Purchaser would meet any power requirements associated with a fourth potline that Purchaser may wish to operate within that facility.

“*Equivalent Energy*” means the amount of deliverable electric energy expressed in megawatt hours as determined by Section 1 of Appendix B of the Power Sales Agreement. The Equivalent Energy supplied by the District may be from any source and not necessarily from the Chelan Power System.

“*FERC*” means the Federal Energy Regulatory Commission, or its successor.

“*Interconnection and Parallel Operations Agreement*” or “*Interconnection Agreement*” has the meaning set forth in the Recitals of this Transmission Agreement.

“*Interest*” shall be calculated in accordance with the methodology specified for interest on refunds in FERC regulations at 18 C.F.R. §35.19(a)(2)(iii), as revised or replaced from time to time.

“*Lake Chelan Project Capacity*” means the sum of nameplate capacity ratings as reported from time to time by the District to FERC for each unit at the District’s Lake Chelan hydroelectric project.

“*Loss Factor*” has the meaning specified in Section 3.08.

“*Mid-Columbia Hourly Coordination (MCHC)*” means the 1997 Agreement for Hourly Coordination of the hydroelectric projects on the Mid-Columbia (or its successor agreement). This agreement coordinates the hydraulic operation (generation, flows and storage) among the projects of multiple owners.

“*Output Capacity*” means the sum of nameplate capacity ratings as reported from time to time by the District to FERC for each Unit at Rock Island and each Unit at Rocky Reach.

“*Pacific Northwest Coordination Agreement (PNCA)*” mean the agreement among Northwest parties for the coordinated operation of the Columbia River system on a seasonal and monthly basis as further defined and discussed in Appendix B to the Power Sales Agreement among the Parties.

“*PNSC*” means the Pacific Northwest Security Coordinator, a non-profit corporation organized under the laws of the State of Washington for the purpose of providing

security coordination services regarding the transmission systems of the Pacific Northwest, or its successor organization.

“*Power Sales Agreement*” has the meaning set forth in the Recitals of this Transmission Agreement.

“*Regional Transmission Organization*,” or “*RTO*,” means an organization approved by FERC in accordance with the requirements of 18 C.F.R. §35.34, or successor regulation, and organized for the consolidation, coordination, planning, operation, maintenance, expansion or use of transmission facilities of various owners on a regional or inter-regional basis.

“*Reliability Criteria*” means the criteria, promulgated by the North American Electric Reliability Council, Western Electric Coordinating Council, any Electric Reliability Organization or regional entity (as the latter two entities are described in the Energy Policy Act of 2005, 16 U.S.C. §824o(a), or other applicable law, regulation or administrative order), that are required to be followed in order to maintain the interconnected transmission networks of the District, Alcoa, BPA and other transmission operators.

“*Transmission Service*” has the meaning specified in Article III.

“*WECC*” means the Western Electricity Coordinating Council or a successor entity, or such other entity or entities responsible for regional reliability as determined by the District.

Section 1.02. Interpretation, Technical Meanings and Conflicts. Sections 1.02, 1.03 and 1.04 of the Power Sales Agreement are hereby incorporated by reference and made a part of this Transmission Agreement (provided, that references to “this Agreement” in the definitions of such terms in the Power Sales Agreement shall, for purposes of this Transmission Agreement be deemed to be references to this Transmission Agreement).

ARTICLE II. EFFECTIVE DATE; TERM; AND JOINT AND SEVERAL OBLIGATIONS

Section 2.01. Term. The Parties intend that this Transmission Agreement shall be coterminous with the Power Sales Agreement. If the Power Sales Agreement is terminated for any reason, this Transmission Agreement shall also be concurrently terminated. This Transmission Agreement shall become effective as of the Signing Date determined in accordance with the Power Sales Agreement. Unless terminated early by the District pursuant to Section 12.01, the term of this Transmission Agreement (“Term”) shall extend from the first Project Availability Date and continue throughout the term of the Power Sales Agreement. On the day that termination of this Transmission Agreement becomes effective, the District’s obligation to provide Transmission Service to Alcoa and Alcoa’s obligation to take-or-pay for such service shall cease.

Section 2.02. Survival. All payment and indemnification obligations incurred or that occurred prior to termination of this Transmission Agreement shall survive termination of this Transmission Agreement until satisfied in full.

Section 2.03. Joint and Several Liability. All obligations under this Transmission Agreement shall be construed as joint and several obligations of Alcoa Inc. and Alcoa Power Generating Inc.

ARTICLE III. TRANSMISSION SERVICE

Section 3.01. General Specifications. Commencing on the respective Project Availability Dates and continuing throughout the Term, the District shall provide Transmission Service to (i) transmit Output to which Alcoa is entitled under the Power Sales Agreement from Transmission Points of Receipt to Transmission Points of Delivery for use of energy at the Wenatchee Works and for sale to or purchase from third parties as contemplated by the Power Sales Agreement, and (ii) participate in bidirectional power flows over the Chelan Transmission System relating to Output as part of coordinated-system operations under the MCHC and the PNCA for as long as Alcoa shall remain a signatory to either of those agreements, and (iii) participate in bidirectional power flows over the Chelan Transmission System as necessary for Alcoa to fulfill its obligations to the District under the CEA Agreements. Exhibit A to this Transmission Agreement specifies each Transmission Point of Delivery. Exhibit A may be modified only by mutual agreement of the Parties in accordance with Section 15.03.

Section 3.02. Transmission Service Under Coordinated System Operations. The Parties acknowledge that the Transmission Service provided under Section 3.01 is subject to directives and instructions to the District from BPA, PNSC and other third parties designated to implement coordinated system operations under the MCHC and the PNCA (collectively the “Coordination Authority”). Any operating directive or instruction relating to the transmission of Output or Ancillary Services, made or given to the District by any Coordination Authority, shall be deemed conclusively to have been made or given by Alcoa for purposes of this Transmission Agreement. The District shall not be in Default of its obligations under this Transmission Agreement if, and to the extent, it is in compliance with any directive or instruction from any Coordination Authority, including a directive or instruction that results in a Curtailment.

Section 3.03. Transmission Service Interruption. Consistent with Prudent Utility Practice, and notwithstanding anything in Sections 3.01 or 3.02 to the contrary, the District may unilaterally effect a Curtailment of Transmission Service, to the extent Alcoa or the District deems necessary, to (i) respond to a District System Emergency; (ii) avoid failure in, or a material interference with, the normal operation of the transmission, distribution or delivery systems of any Party or any third party, that, absent such Curtailment, would result in a District System Emergency or in an emergency regarding Alcoa’s electric system; (iii) enable the District, acting in accordance with Prudent Utility Practice, to inspect, alter, maintain, relocate, or repair any part of the Project Transmission Facilities or any part of the Chelan Transmission System that is relevant to the District’s Transmission Service to Alcoa, (iv) comply with the Reliability Criteria; or (v) respond to acts or omissions of Alcoa or any third party, which are reasonably expected to present imminent threat of damage to property or personal injury, regardless of whether such act or omission would constitute a default under this Transmission Agreement.

Section 3.04. Notice Regarding Curtailments. Each Party shall use reasonable efforts in accordance with Prudent Utility Practice to notify the other Party as soon as practicable of any condition on, or affecting, its electric system that has caused, or is likely to cause, a Curtailment and to minimize the duration of any such Curtailment.

Section 3.05. Access to Alternative Transmission Paths. During hours in which the Equivalent Energy is less than the Wenatchee Works power requirements, the District shall use Commercially Reasonable Efforts to accommodate Purchaser's requests to redirect the transmission service available to Purchaser under this Transmission Agreement as Purchaser may request, on a nonfirm basis, for the purpose of transmitting electric power from third party suppliers in order to meet that portion of the power requirements at Wenatchee Works not then being supplied with Equivalent Energy ("Alternative Transmission Service"). This Alternative Transmission Service will be provided on a nonfirm basis, unless the District determines in its sole discretion at the time of the request, that short term firm service is then available. Alcoa shall preschedule all Alternative Transmission Service, whether short term firm or nonfirm in accordance with the District's then-prevailing scheduling procedures. Service provided under this Section 3.05 shall be at no additional cost to Alcoa, except for reimbursement of any incremental costs to the District under Section 4.02, compensation to the District for the cost of any new Direct Assignment Facility that may be required in order to accommodate such requests and compensation for losses under Section 3.08.

Section 3.06. No Ancillary Services Provided.

(A) **Ancillary Services other than Reactive Power and Voltage Control.** Except as otherwise provided in Section 3.06(B) or in the Power Sales Agreement, the Parties acknowledge and agree that Alcoa shall make separate contractual arrangements with the District or third-party transmission providers for any and all Ancillary Services necessary to support the District's Transmission Service under this Transmission Agreement. Notwithstanding any law or administrative regulation to the contrary, and except as provided in Section 3.06(B), Alcoa hereby relinquishes and waives, throughout the term of this Transmission Agreement, any claim or right it may have to receive Ancillary Services from the District relating to the Transmission Service provided under this Transmission Agreement; provided, however, that nothing in this Section 3.06 shall otherwise diminish or affect Alcoa's rights to receive Output under the Power Sales Agreement.

(B) **Reactive Power and Voltage Control.** The Parties acknowledge and agree that all reactive capacity and Energy associated with the usage of reactive power (kVAR and kVARh) to support voltage-control at the Alcoa Wenatchee Works plant shall be as provided in the Interconnection Agreement.

(C) **Alcoa's Reporting Obligation to the District.** Commencing 90 days before the first Project Availability Date, and as a continuing obligation thereafter throughout the Term, Alcoa shall provide the District with a copy of each agreement by which it has satisfied its ongoing obligations under Section 3.06(A) to procure Ancillary Services during the Term.

(D) **Additional Charges for Alcoa's Failure to Arrange Ancillary Services.** If, at any time throughout the Term, Alcoa fails to make or maintain separate contractual arrangements for Ancillary Services in satisfaction of its obligations to the District under Section

3.06(A) or Section 3.06(B), then, from the first day of the month in which such failure occurs and continuing until the last day of the month during which Alcoa shall have demonstrated to the District's reasonable satisfaction that it has resumed full compliance with Section 3.06(A) and Section 3.06(B), the District shall impose on Alcoa an additional charge for each Ancillary Service that Alcoa has failed to arrange. Each additional Ancillary Service charge shall be equal to 110 percent of the amount derived by applying the then-current BPA rate(s) for each Ancillary Service to the relevant capacity and/or Energy billing determinants for Alcoa under the Power Sales Agreement and this Transmission Agreement.

Section 3.07. No Third-Party Transmission Services Provided. Procurement of, and payment for, any transmission services that Alcoa may require from BPA or any other third party transmission owner or operator regarding the transmission of Output from and beyond a Transmission Point of Delivery on the Chelan Transmission System shall be the sole and exclusive responsibility of Alcoa, and not the responsibility of the District. Alcoa shall obtain all third-party transmission services it deems necessary for its receipt of Output and to allow it to fulfill all obligations under the MCHC and the PNCA. The failure of Alcoa to procure or pay for such third-party transmission services shall not excuse Alcoa from performance of its other obligations under this Transmission Agreement.

Section 3.08. Losses. The District shall account for transmission and transformation losses on the Chelan Transmission System by applying the Loss Factor as follows:

- (i) For all energy metered during any hour by the District or by BPA at Wenatchee Works, regardless of whether such energy relates to Equivalent Energy or to Alternative Transmission Service under Section 3.05, losses shall be determined by multiplying the Loss Factor by such metered amounts of energy, and Alcoa shall compensate the District in kind by deducting such losses from the total amount of Equivalent Energy available to Alcoa during that hour; provided, however, that if the Equivalent Energy available to Alcoa during that hour is insufficient to cover such losses, then Alcoa shall compensate the District in payments at the Mid-Columbia index price for firm energy during that hour.
- (ii) For all Excess Energy not recorded during any hour by the District's meters located at Wenatchee Works, but instead sold by the District on behalf of Alcoa in accordance with Section 5.03(B) of the Power Sales Agreement, hourly amounts of Excess Energy shall be reduced for losses by applying the Loss Factor, and Alcoa shall receive credit only for the net hourly amount of such Excess Energy; provided, however, that if the Excess Energy available to Alcoa during that hour is insufficient to cover such losses, then Alcoa shall compensate the District in payments at the Mid-Columbia index price for firm energy during that hour.

The initial Loss Factor shall be 0.463 percent, subject to revision by the District from time to time, but no more frequently than once every year with regard to the three potline operation at Wenatchee Works in effect as of the Execution Date, by application of the methodology summarized in Exhibit B. Any change to, or replacement of, the methodology used by the District to determine the initial Loss Factor shall be subject to Alcoa's consent, which shall not be unreasonably withheld or delayed. The methodology used to derive the initial Loss Factor is

summarized in Exhibit B. In addition, due to the metering and other transformer issues at substations, the Parties agree that a transformation loss factor will be included in the Interconnection Agreement.

Section 3.09. Direct Assignment Facilities. The Parties may amend this Agreement to provide for the District's construction and operation of one or more Direct Assignment Facilities for the sole use or benefit of Alcoa. A description of District facilities directly assigned to Alcoa as of the date of this Transmission Agreement is included in Appendix D.

ARTICLE IV. ALCOA'S TAKE-OR-PAY OBLIGATION FOR TRANSMISSION SERVICE

Section 4.01. Basic Unconditional Obligation. Commencing as of the date on which Transmission Service is initially provided pursuant to Section 3.01 and continuing each month throughout the Term, Alcoa shall take or pay for Transmission Service made available by the District in the dollar amounts derived by application of Article V and in the manner specified by Article VII to this Transmission Agreement. Such take-or-pay obligation shall be absolute, regardless of (i) variations in actual power flows relating to Output to which Alcoa may be entitled under the Power Sales Agreement, or (ii) the occurrence of any Curtailment relating either to Section 3.02 or Section 3.03.

Section 4.02. Incremental Costs Relating to Section 3.05. Alcoa shall reimburse the District for any incremental costs that may be reasonably incurred by the District in accommodating any requests for Alternative Transmission Service made under Section 3.05.

ARTICLE V. COMPENSATION FOR TRANSMISSION SERVICE

Section 5.01. Determination of Alcoa's Compensation Fraction. Alcoa shall compensate the District for Transmission Service under this Transmission Agreement by paying a pro rata share ("Compensation Fraction") of the Chelan Transmission System Revenue Requirement. Alcoa's Compensation Fraction shall be determined according to the following formula:

$$\text{Compensation Fraction} = \frac{\text{Purchaser's Percentage} * \text{Output Capacity}}{\text{Output Capacity} + \text{Lake Chelan Project Capacity}}$$

The Compensation Fraction shall be redetermined by the District from time to time to account for changes in any variable in the formula specified above in this Section 5.01, including any increase in Purchaser's Percentage of Output Capacity relating to any mandatory step-up resulting by operation of Section 5.14 of the Power Sales Agreement, effective as of the date of the step-up.

Section 5.02. Determination of Alcoa's Take-Or-Pay Obligation. No later than June 1 of each year during the Term, commencing with 2011 (the year of the initial Project Availability Date), the District shall calculate the Chelan Transmission System Revenue Requirement ("CTSRR"), in accordance with the methodology specified in Exhibit C to this

Transmission Agreement, based on audited financial data for the preceding fiscal year. This CTSRR shall apply to all Transmission Service during the subsequent 12 consecutive months (July through June); provided, however, that the initial CTSRR shall be calculated by October 1, 2011, and shall apply to Transmission Service during November and December of 2011 through June of 2012. Alcoa's take-or-pay obligation under this Transmission Agreement shall be based on CTSRR and the Compensation Fraction, each determined from time to time in accordance with this Article V, and derived according to the following formula:

$$\text{Monthly take-or-pay amount} = \frac{\text{CTSRR} * \text{Compensation Fraction}}{12}$$

If and to the extent the District incurs any obligation to refund all, or any part of, a contribution in aid of construction or other prepayment made by a transmission customer of the District other than Alcoa regarding any component of the Chelan Transmission System constructed after the Execution Date, then such refund shall thereupon be included in the calculation of CTSRR. The District shall, in its arrangements with any third party regarding any Direct Assignment Facility, recover all of its direct costs for such facility and, as determined by the District in a Commercially Reasonable manner, all of its indirect costs, if any, that are included in the calculation of CTSRR pursuant to this Transmission Agreement. Nothing in the immediately preceding sentence shall confer on Alcoa any rights or benefits under any such third party arrangements.

Section 5.03. *Extraneous Facilities.* The Parties acknowledge and agree that, as of the Execution Date, the entire Chelan Transmission System is used in the provision of the Transmission Service. If the District subsequently constructs or acquires any new transmission facility or generator-interconnection facility exclusively for the purpose of receiving power from a new power resource unrelated to the Chelan Power System, and not for the purpose of providing the Transmission Service (including, but not limited to, coordinated-system operations) as determined by the District in a Commercially Reasonable manner, then the District shall exclude the costs and any revenues associated with such transmission facility or generator-interconnection facility from the calculation of CTSRR under Section 5.02, unless and until changed circumstances thereafter cause that facility to become used in the provision of the Transmission Service.

Section 5.04. *Taxes.* To the extent not recovered as part of CTSRR, Alcoa shall reimburse the District for any federal, state, municipal, or other taxes, fees, or charges levied by any Regulatory Authority upon Alcoa's purchase or the District's furnishing of Transmission Service, including without limitation any taxes, fees, or charges that are imposed or approved by any Regulatory Authority after the Signing Date.

ARTICLE VI. TRANSMISSION SCHEDULING

Section 6.01. *Transmission Scheduling Under Coordinated Operations.* For as long as the District remains a party to the MCHC, scheduling of Transmission Service under this Transmission Agreement, including any temporary changes in Transmission Point(s) of Receipt and Transmission Point(s) of Delivery requested under Section 3.05, shall conform to

the requirements for scheduling energy deliveries specified in Appendix B, Section 4, of the Power Sales Agreement.

Section 6.02. Transmission Scheduling Apart From Coordinated Operations. At least 180 days prior to the date as of the District ceases to be a party to the Mid-Columbia Hourly Coordination Agreement, the District shall specify new procedures under which Alcoa or the District shall thereafter schedule Transmission Service under this Transmission Agreement.

ARTICLE VII. BILLING AND PAYMENT

Section 7.01. Billing and Payment Procedures. On or prior to the tenth (10th) day of each Month, the District shall submit to Alcoa, by electronic or facsimile transmission, a monthly invoice setting forth for the preceding Month Alcoa's charges for Transmission Service, as calculated pursuant to formulae contained in Sections 5.01 and 5.02 and the Loss Factor specified in Section 3.08, plus any taxes payable by Alcoa under Section 5.04, plus any incremental costs recoverable by the District pursuant to Section 4.02. Alcoa shall pay the amounts then due as shown on the District's invoice, by electronic funds transfer to the District's account as the District's Treasurer may instruct. All payments shall be due and payable to the District by 5:00 p.m. (local Pacific time) on the twentieth (20th) day of each Month in which the District's monthly invoice is received, or if such day is not a Business Day, on the next succeeding Business Day (the "Due Date"). Failure of the District to submit an invoice as scheduled shall not release Alcoa from liability for payment upon future delivery of the invoice. Overdue payments shall accrue Interest compounded daily, from the due date until the date payment is received by the District. When payments are received by mail, bills shall be considered as having been paid on the date funds have cleared the District's operations account, as reasonably determined by the District.

Section 7.02. Accounting. The District shall cause proper books and records of account to be kept regarding each amount payable by Alcoa under this Article VII. Such books and records of account shall be kept in accordance with the rules and regulations established by any Government Authority authorized to prescribe such rules including, but not limited to, the Division of Municipal Corporations of the State Auditor's Office of the State of Washington or such other Washington State department or agency succeeding to such duties of the State Auditor's Office. The District shall also maintain books and records in conformity with GAAP and in accordance with the Uniform System of Accounts prescribed by FERC or such other federal agency having jurisdiction over electric utilities owning and operating properties similar to the District's electric properties. The District shall cause such books and records of account to be audited by independent certified public accountants, experienced in electric utility accounting, to be retained by the District. The audits to be made by such certified public accountants, as above mentioned, shall be made annually and shall cover each Fiscal Year during the term of this Agreement. At Alcoa's written request, the District shall deliver a copy of each such annual audit, including any recommendations of the auditors, to Alcoa promptly after it is received by the District.

Section 7.03. Audit by Alcoa. Anytime within 24 months after (a) the submission of any invoice to Alcoa pursuant to Section 7.01 of this Transmission Agreement, (b)

any cessation, interruption, discontinuation or reduction of Transmission Service to Alcoa under this Transmission Agreement, or (c) failure to account for transmission and transformation losses as provided for in Section 3.08 (“Audit Period”), the District shall provide or cause to be provided all information that Alcoa may reasonably request to audit such invoice or to investigate the cessation, interruption, discontinuation, or reduction of Transmission Service or failure to account for losses. Audits and investigations may be conducted by Alcoa from time to time or an independent auditor or consultant engaged by Alcoa, at Alcoa’s sole cost and expense, and upon reasonable notice and during normal business hours within the Audit Period. To the extent any audit or investigation involves issues common to other Share Participants, Alcoa shall coordinate the exercise of its rights under this Section 7.03 with the exercise of similar rights by the other Share Participants in order to minimize administrative burdens on the District; provided, however, that a failure to coordinate by other Share Participants shall not deprive Alcoa of the independent exercise of its rights under this provision. Any audit or investigation shall, at the option of Alcoa and at its expense, be performed by designated employees, consultants or agents of Alcoa that Alcoa determines in its discretion are experienced in utility practices. Upon request, the District will be entitled to review the complete audit report and any supporting materials.

Section 7.04. Correction. The District shall correct any material error in a monthly invoice discovered by either Party within the Audit Period. Errors for which correction shall be made include, but are not limited to, miscalculation of Compensation Fraction under Section 5.01 or CTSRR under Section 5.02. Alcoa shall either be credited with, or pay, the difference, depending on whether the correction decreases or increases the amount due under the corrected invoice. Any invoice that has not been disputed by Alcoa within the Audit Period shall be deemed accurate and in full conformity with this Transmission Agreement, and the District shall thereafter have no obligation to make any correction with respect thereto.

Section 7.05. Disputes. If Alcoa disputes any invoice, it shall pay both the disputed amount and the undisputed portion thereof no later than the due date specified on the invoice. Alcoa shall promptly provide to the District a written explanation of the basis for the dispute.

ARTICLE VIII. CREDIT SUPPORT AND CREDIT ASSURANCES

Section 8.01. Financial Information. The obligation of Alcoa, as “Purchaser” under Section 20.01 of the Power Sales Agreement, to deliver specified financial information to the District in a timely fashion throughout the term of the Power Sales Agreement, shall also be an obligation imposed on Alcoa under this Transmission Agreement.

Section 8.02. Credit Assurance. Alcoa acknowledges and agrees that the provisions of Section 20.02 of the Power Sales Agreement, requiring the posting of Performance Assurances, shall also apply as an obligation under this Transmission Agreement regarding to all payments that Alcoa is required to make hereunder. Any failure by Alcoa to post a Performance Assurance required under Section 20.02 of the Power Sales Agreement with regard to the payment of charges under this Transmission Agreement shall be deemed to be an Event of Default under both this Transmission Agreement and the Power Sales Agreement and the District shall immediately have all remedies afforded to it under the Power Sales Agreement and

under Section 11 of this Transmission Agreement, including, but not limited to, termination of both the Power Sales Agreement and this Transmission Agreement.

ARTICLE IX. INDEMNIFICATION

Section 9.01. General Indemnification Obligation. Alcoa shall at all times indemnify, defend, and save the District harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties resulting from the District's performance of its obligations under this Transmission Agreement irrespective of the basis of such claims or losses.

ARTICLE X. REPRESENTATIONS; WARRANTIES AND COVENANTS

Section 10.01. Authority to Execute this Transmission Agreement. Each Party represents and warrants to the other Party that it has full authority and power to enter into this Transmission Agreement, that the Party's representative who signs below is duly authorized by it to enter into this Transmission Agreement, and that nothing herein violates any law, regulation, judicial or regulatory order, or agreement applicable to such warranting Party.

Section 10.02. Alcoa's Representations and Warranties to the District. Alcoa and APGI hereby make the following representations and warranties to the District:

(A) throughout the Term, it will not apply to FERC, pursuant to any provision of the Federal Power Act, for any change to, or modification of, this Transmission Agreement, and that it will oppose any such application by any third party; and

(B) all regulatory approvals relating to Alcoa's execution and faithful performance of this Transmission Agreement have been obtained.

Section 10.03. Mutual Representations and Warranties. Each Party, with respect to itself, represents and warrants to the other Party that at the time of signing this Transmission Agreement:

(A) it is duly organized, validly existing and in good standing (where applicable) under the laws of the jurisdiction of its formation and is qualified to conduct its business in each jurisdiction in which any terms of this Transmission Agreement are to be performed by it;

(B) the execution, delivery and performance of this Transmission Agreement are within its statutory and corporate powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party, or any laws or regulations applicable to it;

(C) this Transmission Agreement constitutes the legal, valid and binding obligation enforceable against it in accordance with its terms, subject to bankruptcy, insolvency reorganization and other laws affecting creditor's rights generally, with regard to equitable

remedies, and further subject to the discretion of the court or Regulatory Authority before which proceedings to obtain same may be pending, and to limitations on remedies against Government Authorities under the laws of the State of Washington;

(D) there are no Bankruptcy proceedings pending or being contemplated by it or, to its knowledge, threatened against it;

(E) there are no actions, suits, proceedings or investigations pending or, to the Party's knowledge, threatened against such Party, at law or in equity, before any Government Authority having jurisdiction over such Party which, if adversely determined, would individually or in the aggregate have a material adverse effect on the business, properties or assets or the condition, financial or otherwise, of such Party, or result in any impairment of such Party's ability to perform its obligations under this Transmission Agreement; and

(F) this Transmission Agreement is the result of a fair, arms-length negotiation between the Parties.

Section 10.04. Compliance Covenant. Each Party covenants and agrees to take whatever action it, in good faith, deems reasonably necessary and within its reasonable control to ensure that the representations related to it under Clauses A through C of Section 10.03 will not be violated in any material respect during the Term.

ARTICLE XI. DEFAULT

Section 11.01. Default by the District. The District shall be in default of this Transmission Agreement if, and only if, and to the extent that, it intentionally refuses to provide the Transmission Service for Output to which Alcoa is entitled under the Power Sales Agreement. For purposes of the foregoing, the District will be deemed to have intentionally refused to provide Transmission Service if and only to the extent that during any hour in which Output to which Alcoa is entitled under the Power Sales Agreement is available for delivery to Alcoa under the Power Sales Agreement; and (a) the Chelan Transmission System has the transfer capability to transmit such Output but nevertheless the District refuses to do so with full knowledge and intent that such action is inconsistent with Alcoa's rights under this Transmission Agreement and in blatant disregard for its express obligations hereunder; or (b) the District has sold firm transmission to another person or entity with full knowledge and intent that such action is inconsistent with Alcoa's rights under this Transmission Agreement and in blatant disregard for the District's express obligations hereunder and such action causes the District to be unable to perform its obligations under this Transmission Agreement. Any actions taken by the District pursuant to (i) Section 3.03 or (ii) a Coordination Authority directive, action or instruction under Section 3.02 shall not be deemed to be an intentional act by the District for purposes of this Section 11.01.

Section 11.02. Default by Alcoa. Alcoa shall be in default of this Transmission Agreement if it:

(A) fails to make, when due, any payment required pursuant to this Transmission Agreement if such failure is not remedied within three (3) Business Days after receipt of written notice, as required in Article XIV; or

(B) an Event of Default described in Section 8.02 has occurred and is continuing.

(C) Any Event of Default by Alcoa of any obligation imposed on it under the Power Sales Agreement shall also constitute a Default by Alcoa under this Transmission Agreement. Alcoa shall have no separate cure period under this Transmission Agreement during which to cure any such Event of Default of the Power Sales Agreement.

Section 11.03. Other Defaults by Alcoa. In addition to the Events of Default specified above in Section 8.02 and Section 11.02, Alcoa shall be in default of this Transmission Agreement if it:

(A) breaches any other material term of this Transmission Agreement;

(B) makes an assignment or any general arrangement for the benefit of creditors, or files a petition or otherwise commences, authorizes, or acquiesces in the commencement of a proceeding or cause of action under any Bankruptcy or similar law for the protection of creditors, or has such petition filed against it and the petition is not withdrawn or dismissed within 90 days after filing; or otherwise becomes bankrupt or insolvent (however evidenced); or

(C) is unable to pay its debts as they fall due.

Section 11.04. Cure Period. Except for Defaults covered by Section 11.03(B), for which no cure period is provided, and Sections 11.02(A) and 11.02(C) for which separate cure periods are provided, a defaulting Party shall have a cure period of 30 calendar days, commencing on the day on which the other Party notifies the defaulting Party thereof in writing. Such notice shall be effective upon receipt. Absent cure to its satisfaction within the specified period, the non-defaulting Party may then pursue its remedies under Article XII.

ARTICLE XII. REMEDIES

Section 12.01. Default by Alcoa. Upon the occurrence of a Default by Alcoa that remains uncured upon expiration of any specified cure period, the District may, by written notice to Alcoa, (i) terminate this Transmission Agreement, and (ii) exercise such other rights and remedies to which it may be entitled at law or in equity. No remedy will be deemed exclusive of any other right or remedy, and each remedy shall be cumulative and in addition to any other right or remedy provided for hereunder or otherwise legally available.

Section 12.02. Default by the District. If the District is in Default under Section 11.01, Alcoa shall be entitled, as its sole remedy, (i) to an order of specific performance, directing the District to fulfill its obligation to transmit Output under this Transmission Agreement, and (ii) upon demonstration by Alcoa that the District has sold Output to third

parties during any hour in which the District is, or was, in Default, recovery of any revenues received by the District from such third-party sale. For purposes of making the demonstration required by the second clause of the foregoing sentence, the Parties acknowledge that a sale of energy by the District to a third party during any hour in which Output is not being transmitted under the Transmission Agreement does not mean, ipso facto, that the District has sold Output to such third party. The Parties hereby acknowledge and agree that equitable relief, in the form of specific performance, would be appropriate remedy for any Default by the District under this Section 12.02, upon demonstration by Alcoa of the factual grounds to substantiate such remedy.

Section 12.03. Failure by the District to Perform Certain Obligations. The Parties shall attempt in good faith to resolve any dispute raised during the Audit Period relating to (i) any invoice, submitted to Alcoa pursuant to Section 7.01, (ii) the accounting by the District for transmission and transformation losses as provided for in Section 3.08, or (iii) the performance by the District of its obligations under Section 3.04, 3.05, 5.02, 7.02 or 7.03, by convening one or more discussions involving each Party's senior responsible officials. After an initial meeting, the Parties shall continue to meet thereafter as often as they reasonably deem necessary to exchange information and to attempt to resolve the dispute. If the matter has not been resolved within 30 calendar days of the first meeting, then Alcoa may seek relief from a court or Regulatory Authority of competent jurisdiction, directing the District to make any appropriate correction under Section 7.04, if appropriate to resolve the dispute at issue, or to grant any petition by Alcoa for specific performance, upon demonstration by Alcoa of the factual grounds to substantiate such remedy. The District agrees that Alcoa shall be entitled, as a remedy for the District's failure to make any appropriate correction under Section 7.04 or to perform its obligations under Section 3.04, 3.05, 3.08, 5.02, 7.02 or 7.03, to an order of specific performance directing the District to remedy such failure or to fulfill such obligations, and the Parties hereby acknowledge and agree that equitable relief, in the form of specific performance, would be appropriate remedy, upon demonstration by Alcoa of the factual grounds to substantiate such remedy.

Section 12.04. Choice of Law. This Transmission Agreement and the rights and obligations of the Parties hereunder shall be construed and enforced in accordance with the laws of the State of Washington, without regard to that state's choice-of-law principles.

Section 12.05. Jurisdiction and Venue. Each Party hereby irrevocably consents to the jurisdiction and venue of the federal court located in the Eastern District of Washington, in connection with any action arising out of or in connection with this Transmission Agreement, except as otherwise provided in Section 12.03 with respect to Alcoa's right to seek relief from a Regulatory Authority. The substantially prevailing Party in any judicial proceeding relating to a dispute arising under, or relating to, this Transmission Agreement shall be entitled to recover all of its costs, including reasonable attorney fees.

Section 12.06. Duty to Mitigate. Each Party has a duty to mitigate damages and shall use Commercially Reasonable Efforts to minimize any damages it may incur as a result of the other Party's Default under this Transmission Agreement.

Section 12.07. Limitation of Liability. Except as otherwise specifically provided in this Transmission Agreement, neither Party shall have any liability for direct, consequential, incidental, punitive, exemplary, or indirect damages, lost profits, lost or damaged

product or data, or other business interruption damages, whether by statute, in tort or contract, under any indemnity provision, or otherwise, even if the Party subject to liability has been advised in advance of the possibility of those damages. The limitations on remedies imposed by this provision are without regard to the cause or causes of the event or action causing damage and without regard to the basis of such claims or losses.

Section 12.08. Disclaimer of Warranties. Except as otherwise expressly set forth herein, the District disclaims any and all warranties beyond the express terms hereof, including any implied warranties of merchantability or fitness for a particular purpose, and all other warranties with regard to all Output made available to Purchaser pursuant to this Agreement are hereby expressly disclaimed.

The Parties confirm that the express remedies and measures of damages provided in this Agreement against the Purchaser, and the express limitations as to remedies and damages provided in this Agreement with respect to the District, in each case satisfy the essential purposes hereof. For breach of any provision hereof for which an express remedy or measure of damages is provided, such express remedy or measure of damages shall be the sole and exclusive remedy, the obligor's liability shall be limited as set forth in such provision and all remedies or damages at law or in equity are waived. Except as otherwise expressly provided herein, the obligor's liability shall be limited to direct actual damages only, such direct actual damages shall be the sole and exclusive remedy and all other remedies or damages at law or in equity are waived.

Section 12.09. Cross-Termination. This Transmission Agreement is inextricably linked to the transmission of Output for use by Alcoa at its Wenatchee Works. If the District exercises its right pursuant to the Power Sales Agreement to terminate the Power Sales Agreement, then the District shall also have the right to terminate this Transmission Agreement, regardless of whether there has been a separate Event of Default by Alcoa relating to this Transmission Agreement, by providing to Alcoa written notice thereof.

ARTICLE XIII. ASSIGNMENT

Section 13.01. General Requirements. Neither Alcoa nor APGI may assign any of its rights under this Transmission Agreement or delegate any of its obligations under this Transmission Agreement without the prior written consent of the District, which consent may be withheld in the exercise of its sole discretion. The District may, without the consent of Alcoa, pledge or encumber this Transmission Agreement or the accounts, revenues or proceeds thereof in connection with any financing or financial arrangements; provided, further that the District may transfer its obligations to maintain and/or operate its transmission system with the prior written consent of Alcoa, which consent shall not be unreasonably withheld. Any attempted assignment of this Transmission Agreement in violation of this provision shall be void.

Section 13.02. Special Provision Regarding an RTO. Notwithstanding Section 13.01, in the event the District elects, in its sole discretion, to participate in an RTO or otherwise transfer operational control of the Chelan Transmission System to an RTO, then the RTO shall succeed to the rights and obligations of the District under this Transmission Agreement.

**ARTICLE XIV.
NOTICES**

Any notice required by a Party under this Transmission Agreement shall be in writing and shall be deemed delivered (1) when sent via U.S. Mail, postage prepaid, certified mail, return receipt requested; (2) when sent via overnight delivery service requiring a signature from the Party receiving the notice; or (3) when hand delivered. In the event notice is required under this Transmission Agreement, it shall be addressed as follows:

If to the District: General Manager
 327 N. Wenatchee Avenue
 Wenatchee, WA 98801

with a copy to:

 General Counsel
 327 N. Wenatchee Avenue
 Wenatchee, WA 98801

If to Alcoa: General Manager
 6200 Malaga-Alcoa Highway
 Malaga, WA 98828

Either Party may change the name or addresses of its designee by giving written notice to the other Party pursuant to this Article XIV.

**ARTICLE XV.
GENERAL**

*Section 15.01. **Entirety.*** This Transmission Agreement constitutes the entire agreement between the Parties regarding the Transmission Service that is the subject matter of this Transmission Agreement.

*Section 15.02. **Binding Effect.*** This Transmission Agreement shall bind, inure to the benefit of, and be enforceable by the Parties and their respective successors and permitted assigns.

*Section 15.03. **Amendments.*** No amendment, modification or change to this Transmission Agreement shall be enforceable unless reduced to writing and hereafter executed by both Parties.

*Section 15.04. **Non-Waiver.*** No waiver of any breach in the performance of any provision of this Transmission Agreement shall be construed as a waiver of any other breach.

Section 15.05. Severability. In the event that a Regulatory Authority of competent jurisdiction determines that any material provision of this Transmission Agreement is unlawful, invalid or unenforceable, the remainder of this Transmission Agreement shall be deemed to have been terminated on the date of such determination and all rights and obligations of the Parties, from and after such determination, shall cease and become void. The parties agree that any rights or obligations arising or accruing hereunder prior to the date of such termination shall continue to apply and be enforceable in accordance with the terms of this Transmission Agreement. In furtherance of the foregoing, each Party agrees that it will not, directly or indirectly, challenge any material term or provision of this Transmission Agreement (whether by way of validity or enforceability, in whole or in part, or otherwise) and will not join with, aid or assist any third party, directly or indirectly, in initiating any such challenge, in any forum or jurisdiction whatsoever. Any violation of this covenant by either Party shall be considered a material breach for which there shall be no right to notice or cure period.

Section 15.06. Headings. Headings used in this Transmission Agreement are for convenience only and shall not affect the meaning or interpretation of the provisions of this Transmission Agreement.

Section 15.07. Preparation of Agreement. This Transmission Agreement shall be considered for all purposes as having been prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the manner in which this Transmission Agreement was negotiated, prepared, drafted, or executed.

Section 15.08. No Third Party Beneficiaries. The Parties do not intend to create any rights on the part of any third party with regard to this Transmission Agreement.

Section 15.09. No Joint Venture. Nothing contained herein shall be construed as creating a partnership or joint venture between the Parties. Neither Party shall be responsible in any way for the debts or obligations of the other Party; it being the express intent of the Parties that their relationship is that of independent contractors to a contract.

Section 15.10. No Dedication of Facilities. No undertaking by the District to Alcoa under any provision of this Transmission Agreement shall constitute a dedication of the District's transmission system (or any portion thereof) to the public or to Alcoa. Nothing in this Transmission Agreement shall be construed to grant Alcoa (i) any right of ownership regarding the Chelan Transmission System, or (ii) any right of control over conduct or timing of the operation, maintenance, repair, renewal, addition or improvement to, or replacement of Chelan Transmission System facilities, or the financing for any of the foregoing.

Section 15.11. Conflict. If there is any conflict between this Transmission Agreement and the Power Sales Agreement, the Power Sales Agreement shall control.

IN WITNESS WHEREOF, the Parties, by their respective duly authorized representatives, have executed this Transmission Agreement on the date shown in the first paragraph thereof. This Transmission Agreement shall not bind either Party until executed by both Parties in accordance with the provisions of this Transmission Agreement.

**THE PUBLIC UTILITY DISTRICT NO. 1
OF CHELAN COUNTY, WASHINGTON**

By: _____
Richard Riazzi

Title: General Manager

ALCOA INC.

By: _____

Title: _____

ALCOA POWER GENERATING INC.

By: _____

Title: _____

EXHIBIT A

SPECIFICATIONS FOR LONG-TERM FIRM TRANSMISSION SERVICE

1. **GENERAL DESCRIPTION OF TRANSMISSION POINTS OF RECEIPT AND TRANSMISSION POINTS OF DELIVERY.** The Parties agree that this Exhibit A will require amendment due to provisions to be negotiated in the Interconnection Agreement regarding the McKenzie and Valhalla substations.

Table 1(a) White River – Rocky Reach Transmission Line Point of Delivery

Delivering Party	Transmission Point of Receipt	Transmission Point of Delivery	Transmission Point of Delivery Control Area	Receiving Party
District	Rocky Reach 230 kV Bus Bar, McKenzie 115 kV Bus Bar and Valhalla 115kV Bus Bar	White River – Rocky Reach 230 kV Transmission Line	Puget Sound Energy	Alcoa

Table 1(b) Anderson Canyon – Beverly Transmission Line Point of Delivery

Delivering Party	Transmission Point of Receipt	Transmission Point of Delivery	Transmission Point of Delivery Control Area	Receiving Party
District	Rocky Reach 230 kV Bus Bar, McKenzie 115 kV Bus Bar and Valhalla 115kV Bus Bar	Anderson Canyon – Beverly 115 kV Transmission Line	Puget Sound Energy	Alcoa

Table 1(c) Maple Valley - Rocky Reach Transmission Line Point of Delivery

Delivering Party	Transmission Point of Receipt	Transmission Point of Delivery	Transmission Point of Delivery Control Area	Receiving Party
District	Rocky Reach 230 kV Bus Bar, McKenzie 115 kV Bus Bar and Valhalla 115kV Bus Bar	Maple Valley – Rocky Reach 230/345 kV Transmission Line	BPA	Alcoa

Table 1(d) Chelan Rocky Reach – Columbia #2 Transmission Line Point of Delivery

Delivering Party	Transmission Point of Receipt	Transmission Point of Delivery	Transmission Point of Delivery Control Area	Receiving Party
District	Rocky Reach 230 kV Bus Bar, McKenzie 115 kV Bus Bar and Valhalla 115kV Bus Bar	Rocky Reach – Columbia #2 230 kV Transmission Line	BPA	Alcoa

Table 1(e) Chelan Rocky Reach – Columbia #2 Transmission Line Point of Delivery

Delivering Party	Transmission Point of Receipt	Transmission Point of Delivery	Transmission Point of Delivery Control Area	Receiving Party
District	Rocky Reach 230 kV Bus Bar, McKenzie 115 kV Bus Bar and Valhalla 115kV Bus Bar	Rocky Reach – Columbia #2 230 kV Transmission Line	Grant County PUD	Alcoa

Table 1(f) BPA Rocky Reach – Columbia #1 Transmission Line Point of Delivery

Delivering Party	Transmission Point of Receipt	Transmission Point of Delivery	Transmission Point of Delivery Control Area	Receiving Party
District	Rocky Reach 230 kV Bus Bar, McKenzie 115 kV Bus Bar and Valhalla 115kV Bus Bar	Rocky Reach – Columbia #1 230 kV Transmission Line	BPA	Alcoa

Table 1(g) Rocky Reach – Douglas Tie Transmission Line Point of Delivery

Delivering Party	Transmission Point of Receipt	Transmission Point of Delivery	Transmission Point of Delivery Control Area	Receiving Party
District	Rocky Reach 230 kV Bus Bar, McKenzie 115 kV Bus Bar and Valhalla 115kV Bus Bar	Rocky Reach – Douglas Tie 230 kV Transmission Line	Douglas County PUD	Alcoa

Table 1(h) BPA Valhalla Substation Point of Delivery

Delivering Party	Transmission Point of Receipt	Transmission Point of Delivery	Transmission Point of Delivery Control Area	Receiving Party
District	Rocky Reach 230 kV Bus Bar, McKenzie 115 kV Bus Bar and Valhalla 115kV Bus Bar	BPA Valhalla 13.8 kV Substation	BPA	Alcoa

Table 1(i) Colockum Tap Point of Delivery

Delivering Party	Transmission Point of Receipt	Transmission Point of Delivery	Transmission Point of Delivery Control Area	Receiving Party
District	Rocky Reach 230 kV Bus Bar, McKenzie 115 kV Bus Bar and Valhalla 115kV Bus Bar	McKenzie 230 kV Substation	Chelan PUD	Alcoa

Any Point of Delivery, specified above, may be designated as a nonfirm Point of Receipt in any request for a nonfirm redirect of Transmission Service under this Transmission Agreement that may be made by Purchaser pursuant to Section 3.05. Any Point of Delivery may also be used by the District as a Point of Receipt for purposes of supplying any portion of Equivalent Energy to Purchaser under the Power Sales Agreement.

2. TRANSMISSION POINTS OF RECEIPT

(a) Rocky Reach Switchyard 230 kV Bus Bar

Location: The point(s) where Rocky Reach Project Transmission Facilities interconnect with the Chelan Transmission System in the vicinity of the Rocky Reach 230 kV Switchyard.

Voltage: 230 kV

Metering: The District owns and operates metering devices located on the 230 kV circuit breakers at the Rocky Reach 230 kV Switchyard. These meters shall record the energy, real and reactive power, and instantaneous flow of power on the transmission line. Measurements shall be adjusted for transmission and transformation losses as may be specified in the Transmission Agreement.

(b) McKenzie Switchyard 115 kV Bus Bar

Location: The point(s) where Rock Island Project Transmission Facilities interconnect with the Chelan Transmission System in the vicinity of the McKenzie 115 kV Switchyard.

Voltage: 115 kV

Metering: The District owns and operates metering devices located on the 115 kV circuit breakers at the McKenzie 115 kV Switchyard. These meters shall record the energy, real and reactive power, and instantaneous flow of power on the transmission line. Measurements shall be adjusted for transmission and transformation losses as may be specified in the Transmission Agreement.

(c) Valhalla Switchyard 115kV Bus Bar

Location: The point where Rock Island Project Transmission Facilities interconnect with the Bonneville Power Administration transmission system in the vicinity of the Valhalla 115 kV Switchyard.

Voltage: 115kV

Metering: The District owns metering devices, which are operated by BPA, located on the 115kV transmission line to Rock Island powerhouse 2 and the 115kV transmission line to McKenzie switchyard. These meters shall record the energy, real and reactive power, and instantaneous flow of power on the transmission line. Measurements shall be adjusted for transformation losses as may be specified in the Transmission Interconnection Agreement.

3. TRANSMISSION POINTS OF DELIVERY

(a) White River - Rocky Reach 230 kV Transmission Line

Location: The point(s) where the Chelan Transmission System interconnects with the

Puget Sound Energy's White River – Rocky Reach 230 kV transmission line in the vicinity of the Rocky Reach Switchyard.

Voltage: 230kV

Metering: The District owns and operates metering devices at the Rocky Reach 230 kV Switchyard. These meters shall record the energy, real and reactive power, and instantaneous flow of power on the transmission line.

(b) **Anderson Canyon – Beverly 115 kV Transmission Line**

Location: The point(s) where the Chelan Transmission System interconnects with the Puget Sound Energy's Anderson Canyon – Beverly 115 kV transmission line in the vicinity of the District's Summit Substation.

Voltage: 115 kV

Metering: The District owns and operates metering devices at the Summit Substation. These meters shall record the energy, real and reactive power, and instantaneous flow of power on the transmission line.

(c) **Maple Valley - Rocky Reach 230/345 kV Transmission Line**

Location: The point(s) where the Chelan Transmission System interconnects with BPA's 230/345 kV step-up transformer facilities that in turn feed BPA's Maple Valley – Rocky Reach 230/345 kV transmission line in the vicinity of the Rocky Reach Switchyard.

Voltage: 230 kV

Metering: The District owns and operates metering devices at the Rocky Reach 230 kV Switchyard. These meters shall record the energy, real and reactive power, and instantaneous flow of power on the transmission line.

(d) **Chelan Rocky Reach – Columbia #2 230 kV Transmission Line**

Location: The point(s) where the Chelan Transmission System interconnects with BPA at 230 kV in the vicinity of BPA's Columbia Substation

Voltage: 230 kV

Metering: The District owns and operates metering devices at the Rocky Reach 230 kV Switchyard. These meters shall record the energy, real and reactive power, and instantaneous flow of power on the transmission line. All metering devices located at the Columbia substation are owned by the District and operated by BPA.

(e) **Chelan Rocky Reach – Columbia #2 230 kV Transmission Line**

Location: The point(s) where the Chelan Transmission System interconnects with Grant County PUD's Columbia – Wanapum 230 kV line in the vicinity of BPA's Columbia Substation

Voltage: 230 kV

Metering: The District owns and operates metering devices at the Rocky Reach 230 kV Switchyard. These meters shall record the energy, real and reactive power, and instantaneous flow of power on the transmission line. All metering devices located at the Columbia substation are owned by the District and operated by BPA.

(f) **BPA Rocky Reach – Columbia #1 230 kV Transmission Line**

Location: The point(s) where the Chelan Transmission System interconnects with

BPA's Rocky Reach – Columbia 230 kV line in the vicinity of the Rocky Reach Switchyard.

Voltage: 230 kV

Metering: The District owns and operates metering devices at the Rocky Reach 230 kV Switchyard. These meters shall record the energy, real and reactive power, and instantaneous flow of power on the transmission line.

(g) Rocky Reach – Douglas 230 kV Tie Line

Location: The point(s) where the Chelan Transmission System interconnects with Douglas County PUD's 230 kV system in the vicinity of the Rocky Reach Switchyard.

Voltage: 230 kV

Metering: The District owns and operates metering devices at the Rocky Reach 230 kV Switchyard. These meters shall record the energy, real and reactive power, and instantaneous flow of power on the transmission line.

(h) BPA Valhalla 13.8 kV Substation

Location: The point(s) where BPA's 115kV Valhalla substation interconnects with the 13.8kV feeders dedicated for service to Alcoa in the vicinity of the BPA 115 kV Valhalla Substation.

Voltage: 13.8 kV

Metering: BPA owns and operates metering devices on the 13.8kV feeder breakers at Valhalla Substation. The meter associated with breaker L1054 resides within the District's balancing area. The meters associated with all other 13.8kV breakers reside within BPA's balancing area. These meters shall record the energy, real and reactive power, and instantaneous flow of power on the transmission line. Measurements shall be adjusted for transformation losses as may be specified in the Transmission Interconnection Agreement.

(i) Colockum Tap 230kV Substation

Location: The point on the Rocky Reach – Columbia #2 230kV line where the Chelan Transmission System interconnects with the Colockum Tap 230 kV substation in the vicinity of the Chelan 115 kV McKenzie Substation.

Voltage: 230 kV

Metering: The District owns and operates metering devices on the Alcoa 13.8kV feeders. These meters shall record the energy, real and reactive power, and instantaneous flow of power on each Alcoa feeder. Measurements shall be adjusted for transmission and transformation losses as may be specified in the Transmission Agreement.

4. NAME OF INTERVENING SYSTEMS PROVIDING TRANSMISSION SERVICE

BPA; Puget Sound Energy; and Grant PUD

5. TRANSMISSION AGREEMENT CHARGES

Transmission Charge

To be determined by the District prior to the first Project Availability Date,

subject to later redetermination by the District in accordance with the Transmission Agreement.

EXHIBIT B

Power-Flow Methodology for Calculating Loss Factor

The underlying data used to calculate the loss factor shall be the same data submitted to WECC for the seasonal transmission study process. The District's transmission losses resulting from the WECC approved operating power flow cases shall be adjusted to exclude the transmission losses associated with Project Transmission Facilities. The loss factor associated with each approved power flow case, adjusted for Project Transmission Facilities, shall be averaged to produce a single loss factor.

WECC Case	WECC Case Description	CHPD Load	CHPD Gen	CHPD Tran. Losses	Loss As % of Gen
08LW1A	2008 Light Winter – Operating Case	458	350	2.60	0.743%
08HW2A	2008 Heavy Winter – Operating Case	598	1565	9.16	0.585%
08HSP1A	2008 Heavy Spring – Operating Case	412	1224	4.38	0.358%
08LS1A	2008 Light Summer – Operating Case	304	655	1.41	0.215%
08HS4A	2008 Heavy Summer Operating Case	398	1545	6.43	0.416%

Loss Factor
0.463%
as % of Generation

The foregoing methodology and data relate to the three potline operation at Wenatchee Works in effect as of the Execution Date. In the event Alcoa decides to add a fourth potline or otherwise increases the electrical power requirements of Wenatchee Works by more than 10 MW, the District shall have the immediate right to revise both the methodology and data used to determine the Loss Factor and to apply such revised Loss Factor for all billings on and after such increase in electrical load.

EXHIBIT C

METHODOLOGY FOR DETERMINING CHELAN TRANSMISSION SYSTEM REVENUE REQUIREMENT

The Chelan Transmission System Revenue Requirement (“CTSRR”) is calculated annually as the sum of Revenue Requirement Components Nos. 1-7, minus Revenue Requirement Component No. 8 provided in Table 1 below.

Table 1

<u>No.</u>	<u>Revenue Requirement Component</u>	<u>Formula</u>
1	Transmission O&M expense, net of transmission by others	A-B
2	Allocated Tax Expense (ratio of total transmission plant investment to electric plant in service times other taxes)	$\frac{C}{E} * D$
3	Allocated A&G Expense (ratio of transmission wages expense to total wages expense net of A&G wages expense times total A&G related O&M expense)	$\frac{F}{(H - G)} * I$
4	Transmission Plant Depreciation Expense	J
5	Allocated Weighted Long-Term Debt Cost (ratio of long term interest expense to long term debt balance times total transmission plant investment)	$\frac{L}{K} * C$
6	Allocated General Plant Depreciation Expense (ratio of transmission wages expense to total wages expense net of A&G wages expense times general plant depreciation expense)	$\frac{F}{(H - G)} * M$
7	Working Capital Interest Cost (the sum of forty five days of transmission O&M expense, transmission related materials and supplies and transmission related prepayments times the weighted average cost of debt.	$\left[[(A-B) * 0.125] + P + Q \right] * N$
8	Offsetting Direct-Assignment and unrelated Transmission Revenues (to be deducted from the annualized costs of the Chelan Transmission System in calculating Alcoa’s take-or-pay obligation under Section 5.02 of the Transmission Agreement in accordance with the definition of CTSRR and Section 5.03)	O

The District shall derive dollar values for each variable shown in Table 1 of this Exhibit C, annually, using the audited financial data for the preceding fiscal year. Derivations shall be based on the following Table 2, which is subject to modification in the event of any change to the Uniform System of Accounts:

Table 2
(Annual values for expense accounts and end-of-year balance sheet accounts from the District’s audited financial data for the preceding fiscal year)

<u>Variable</u>	<u>Associated Cost</u>	<u>Derivation</u>
A	Transmission Operation & Maintenance Expense	FERC account nos. 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573 and all applicable sub-accounts for each such account
B	Transmission by Others	FERC account no. 565 and all applicable sub-accounts for such account
C	Total Transmission Plant Investment	FERC account nos. 350, 351, 352, 353, 354, 355, 356, 357, 358, 359 and all applicable sub-accounts for each such account
D	Other Taxes	FERC account no. 408 and all applicable sub-accounts for such account
E	Electric Plant In Service	FERC account nos. 301, 302, 303, 330, 331, 332, 333, 334, 335, 336, 338, 340, 341, 342, 343, 344, 345, 346, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399 and all applicable sub-accounts for each such account
F	Transmission Wages Expense	Labor and benefits included in FERC account nos. 560, 561, 562, 563, 564, 566, 567, 568, 569, 570, 571, 572, 573 and all applicable sub-accounts for each such account
G	A&G Wages Expense	Labor and benefits included in FERC account nos. 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 930.1, 930.2, 931, 935 and all applicable sub-accounts for each such account
H	Total Wages Expense	Labor and benefits included in all FERC operation and maintenance account nos. 5XX (500 series) and 9XX (900 series) and all applicable sub-accounts for each such account

I	Total A&G related O&M Expense	FERC account nos. 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 930.1, 930.2, 931, 935 and all applicable sub-accounts for each such account
J	Transmission Plant Depreciation Expense (straight-line method)	FERC account no. 403 as it relates to transmission plant and all applicable transmission-plant related sub-accounts for such account
K	Long-Term Debt	FERC account nos. 221, 223, 224, 225, 226 and all applicable sub-accounts for each such account
L	Long-Term Debt Interest Expense	FERC account nos. 427, 428, 428.1, 429, 429.1, 430, 432 and all applicable sub-accounts for each such account
M	General Plant Depreciation Expense (straight-line method)	FERC account no. 403 as it relates to general plant and all applicable general-plant related sub-accounts for such account
N	Weighted Average Cost of Debt	FERC account nos. 427, 428, 428.1, 429, 429.1, 430, 431, 432 divided by FERC account nos. 221, 223, 224, 225, 226, 231, 233, 235 and all applicable sub-accounts for each such account
O	Offsetting Direct-Assignment and unrelated Transmission Revenues	<p>(1) Offsets: The District's revenues for the relevant 12-month period from (i) any Direct Assignment Facility, and (ii) firm and nonfirm wholesale transmission services unrelated to the transmission services provided either to Alcoa under this Transmission Agreement or to any other Share Participant under any comparable transmission agreement entered into by such Share Participant and the District in connection with a Related Power Sales Agreement.</p> <p>(2) Exclusions: The costs and revenues associated with any transmission facility or generator-interconnection facility pursuant to Section 5.03 shall be excluded from the calculation of CTSRR.</p>
P	Transmission Related Materials and Supplies	FERC account nos. 151, 154 and 163 as they relate to transmission and all applicable transmission-related sub-accounts for such accounts
Q	Transmission Related Prepayments	FERC account no. 165 as it relates to transmission and all applicable transmission-related sub-accounts for such account

EXHIBIT D

Description of Alcoa's Direct Assignment Facilities

The major electrical equipment deemed Direct Assignment Facilities includes the entirety of the McKenzie 230kV – 13.8kV substation, which includes the following major electrical equipment.

3 transformers rated 60/80/100 MVA

3 – 230kV motor operated switches

5 – 13.8kV oil circuit breakers

Disconnect switches, bus, and associated meter and relay equipment

230kV Tap line from McKenzie Substation to the 230kV Rocky Reach – Columbia #2 line and 2 disconnect switches.

Additional major electrical equipment deemed Direct Assignment Facilities will be further specified in the Interconnection Agreement. The parties agree to amend this Exhibit D as necessary to conform to the Interconnection Agreement.