

AMENDMENT THREE TO POWER SALES AGREEMENT

This Amendment Three to Power Sales Agreement is dated this ____ day of _____, 2016 (the "*Effective Date*") by and between Public Utility District No. 1 of Chelan County, Washington (hereinafter referred to as the "*District*"), Alcoa Power Generating Inc. ("*APGI*") and Alcoa Corp. ("*Alcoa*") (APGI and Alcoa being hereinafter jointly and severally referred to as the "*Purchaser*," and collectively with the District, the "*Parties*" or individually, a "*Party*").

RECITALS

The District, APGI and Alcoa Inc. ("*Former Alcoa*") have heretofore entered into a Power Sales Agreement dated as of July 14, 2008, which was thereafter amended by that certain Amendment One to Power Sales Agreement dated as August 23, 2011 and by Amendment Two To Power Sales Agreement made effective as of March 31, 2014, each between the District, APGI and Former Alcoa (collectively the "*Original PSA*"). Pursuant to the Original PSA, the District has supplied energy for Former Alcoa's aluminum plant in Chelan County known as Wenatchee Works ("*Wenatchee Works*"). Former Alcoa has undergone a restructuring pursuant to which Former Alcoa conveyed its worldwide aluminum operations, including Wenatchee Works, to Alcoa Corp., and has assigned to Alcoa Corp., and Alcoa Corp. as assumed, all of Former Alcoa's rights and obligations under the Original PSA. The District has consented to such assignment, subject to Alcoa Corp.'s assumption of Former Alcoa's obligations under the Original PSA, as amended hereby, and the satisfaction of certain other conditions. Alcoa Corp. has agreed, and by the execution hereof, hereby evidences its agreement, to assume and perform such obligations, and wishes to continue purchasing Output as defined in the Original PSA from the District for use at Wenatchee Works, using a methodology as set forth therein as herein modified.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein provided, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties agree to amend the Original PSA as follows:

1. *Revision of Parties.* From and after the Effective Date, all references to "Alcoa" in the Original PSA shall mean and refer to Alcoa Corp., and all references to "Purchaser" in the Original PSA shall mean and refer, jointly and severally, to Alcoa Corp and APGI.
2. *Revision to Recitals.* The phrase ("*Wenatchee Works*") appearing at the end of the second sentence of the Recitals to the Original PSA is deleted.
3. *Amendments to Definitions.* In addition, the following definitions in Section 1.01 of the Original PSA are hereby amended in their entirety to read or, as the case may be, are hereby added in alphabetical order, as follows:

"*Letter(s) of Credit*" means one or more clean, irrevocable, transferable direct pay or standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a credit rating at all times of at least A- from S&P or A3 from Moody's, in a form acceptable to the District and, when issued, having an expiry

date of not less than six (6) months. Costs of a Letter of Credit shall be borne by the Purchaser.

“*Performance Assurance*” means collateral in the form of either cash, Letters(s) of Credit or Qualified Investments, deposited with the District, or an escrow agent selected by the District and reasonably satisfactory to the Purchaser, and held pursuant to a collateral deposit agreement in form and substance reasonably satisfactory to the District, in an amount equal to the sum of (a) the greater of (i) the highest three (3) months of Periodic Payments due hereunder in the twelve (12) months preceding the date of calculation, *or* (ii) the amount that the District estimates will be the sum of the highest three (3) months of Periodic Payments that will become due hereunder in the twelve (12) month period immediately following the month in which such calculation is made and (b) the greater of (i) an amount equal to the Shutdown Settlement Amount for the applicable fiscal year in which the calculation is made (to be adjusted each fiscal year thereafter during which collateralization is required, based on the amounts shown in Column B of Appendix E, as adjusted by “Amendment Two to Restated and Amended Industrial Power Sales Contract” dated 7/14/08), which amount shall be deemed zero upon the payment in full of the Shutdown Settlement Amount, *or* (ii) an amount equal to \$40 million. The initial payments required to be made by the Purchaser on or before the initial Effective Date or the first Project Availability Date under Sections 7.01(A) and (B), respectively, shall not be included as part of the Periodic Payments for purposes of the calculations made pursuant to this definition. At the written request of either Party based upon a change in facts or circumstances, the other Party agrees to negotiate in good faith amendments (increases and decreases) to the Performance Assurance amounts described in this clause, to the extent warranted.

“*Wenatchee Works*” means the aluminum plant located in Chelan County, Washington, which is owned and operated by Purchaser or a WW Subsidiary.

“*WW Subsidiary*” means a direct, wholly owned subsidiary of Alcoa to whom Alcoa has transferred and assigned the Wenatchee Works operations, *provided that* (i) Alcoa has provided the District with not less than 30 days advance written notice of such intended assignment and (ii) the District has consented to such assignment, such consent not to be unreasonably withheld, conditioned or delayed.

4. *Affirmation of Representations in Section 4.01.* The representations set forth in Section 4.01 of the Original PSA are hereby reaffirmed by each of the Parties as if given on the date hereof (with Alcoa Corp. affirming as of the date hereof, the representations previously applicable to Former Alcoa).

5. *Amendment to Section 4.01(B)(i).* Section 4.01(B)(i) is hereby amended in its entirety to read as follows:

(i) Purchaser has, directly or through its WW Subsidiary, all regulatory authorizations necessary to operate Wenatchee Works, that such regulatory authority is not subject to appeal or intervention, that Purchaser is in material compliance with all permits, licenses and other provisions of law required in such operations and that

Purchaser will continue to fully materially comply with the same during the term of this Agreement; and

6. Amendment to Section 5.03(B). Section 5.03(B) of the Original PSA is hereby amended in its entirety to read as follows:

(B) Limitation on Availability and Use of Output. The Output provided pursuant to this Agreement shall be used by Alcoa or by the WW Subsidiary, to the extent permitted by Section 5.04(A) below, solely at Wenatchee Works. Except as specifically provided in this Agreement, Purchaser will not be entitled to receive or resell any portion of Purchaser's Percentage of Output that is not needed in connection with the Wenatchee Works for primary aluminum reduction operations. Any Output in excess of those needs will be retained by the District and sold in a manner that the District in good faith determines to be commercially reasonable. Proceeds received from the sale of such Excess Energy will be applied as set forth herein. The operational criteria for accumulating and using credits that may become available from the sale of such Excess Energy are set forth below. The operational criteria and credit allocations set forth in this Article will not in any way affect Purchaser's unconditional obligations to pay Net Costs or other amounts due under this Agreement.

7. Section 5.04(A). Section 5.04(A) of the Original PSA is hereby amended in its entirety to read as follows:

(A) Purchaser shall not have the right to remarket any Excess Energy or use Output other than as set forth herein to meet the energy needs of the Wenatchee Works primary aluminum reduction operations; provided, however, that if Alcoa has transferred title to Wenatchee Works to a WW Subsidiary and if Purchaser has given the District not less than 30 days advance written notice of the transfer pursuant to Section 5.03(B), Purchaser may sell or transfer such Output to the WW Subsidiary, but only to the extent (i) Wenatchee Works is and remains wholly owned by the WW Subsidiary and (ii) such Output is needed at the Wenatchee Works in connection with its aluminum reduction operations in Chelan County.

8. Amendment to Section 5.13. Section 5.13 of the Original PSA is hereby amended in its entirety to read as follows:

Section 5.13. District's Right to Terminate. The District may, in its sole discretion, terminate this Agreement, if (i) Purchaser's (or the WW Subsidiary's) operations at Wenatchee Works consumes less than 175 aMW for 18 consecutive months regardless of the cause or circumstance and without any adjustment of any type including any adjustment for Uncontrollable Circumstances; or (ii) either Purchaser or the WW Subsidiary formally announces that it has elected to abandon Wenatchee Works or to permanently shutdown its Wenatchee Works operations, or (iii) Purchaser announces that Wenatchee Works operations have been sold to a third party operator (unless the District has agreed in writing and in its sole discretion to the assignment in conformance with Section 13.01 of this Agreement). The District's termination of this Agreement pursuant to this Section 5.13 shall not be deemed to be a default by either Party.

9. Acknowledgement with Respect to Section 7.01(A). The Parties hereby acknowledge and agree with respect to the payments due or to become due under Section 7.01(A) that (i) an initial Shutdown has occurred and is continuing, (ii) the Shutdown Date occurred on December 18, 2015 and (iii) the Initial Shutdown Amount will become due on December 18, 2016.

10. Amendment to Section 15.01(D). Section 15.01(D) of the Original PSA is hereby amended in its entirety to read as follows:

(D) the Bankruptcy of such Party or, in the case of Purchaser, including the Bankruptcy of the WW Subsidiary;

11. Amendment to Section 22.01. Section 22.01 of the Original PSA is hereby amended by deleting the reference to "Alcoa, Inc." in the sixth (6th) line thereof and replacing it with "Alcoa Corp." The address will remain unchanged.

12. Effective Date; Preservation of Original PSA; Reaffirmation. Except as modified and amended by the terms hereof, the terms and provisions of the Original PSA are hereby incorporated herein by reference as if expressly set forth herein, are hereby reaffirmed and shall remain in full force and effect. The parties acknowledge that no other amendment or modification to the Original PSA, whether oral or in writing, has been made from the date of its execution.

13. Assumption of Liabilities and Obligations. For the avoidance of doubt, Alcoa Corp., by its execution hereof, hereby assumes and agrees to pay and perform the duties, obligations and liabilities of Former Alcoa under the Original PSA, as modified hereby, whether arising before or after the execution hereof.

14. Authority to Sign. Each individual signing this Amendment Three on behalf of a Party warrants that he or she has the full power and authority to sign on behalf of and bind that Party.

15. Execution. This Amendment Three may be executed in any number of counterparts and by the Parties on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Amendment Three as of the date first above written.

“District”

**Public Utility District No. 1
of Chelan County, Washington**

By: _____
General Manager

Date: _____

“Purchaser”

Alcoa Power Generating Inc.

By: _____
Title: _____

Date: _____

Alcoa Corp.

By: _____
Title: _____

Date: _____

#48313221_v5

WORKING DRAFT