

DSI Workshop

■ Agenda

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|-----------------------------------|---------------|
| – Introductions / Overview | 1:30 – 1:35pm |
| – Overview of Framework | 1:35 – 1:55pm |
| – Clarifying Questions | 1:55 – 2:20pm |
| – Break | 2:20 – 2:25pm |
| – Panel review (15 min per panel) | 2:25 – 3:10pm |
| – Open Discussion | 3:10 – 4:30pm |
| – Adjourn | 4:30pm |

DSI Workshop

Overview of Framework

- BPA proposes to use the Framework as a set of principles to negotiate a power sales contract with Alcoa.
- What are the objectives of the proposed Framework?
 - Provide a balanced approach to DSI service
 - Offer Smelters reasonable chance of survival, but not a guarantee
 - Produce – through the Smelters' survival – a small but positive net employment impact for the region
 - Alcoa is obligated to provide \$48 million in employment expenditures
 - Alcoa has agreed to invest \$160 million in capital improvements if there is 10 years of certainty upfront – modernizing the plant and reducing its greenhouse gas footprint
 - Limit BPA's financial exposure, thereby mitigating impacts on other power customers



DSI Workshop

Overview of Framework

- What are the major characteristics of the proposed Framework that meet these objectives?
 - Seventeen year contract (FY2012 – FY2028) with Alcoa and commensurate benefits and costs for CFAC (mechanism to provide service benefits may differ)
 - Up to 345 aMW physical power sale at the IP rate for first 10-years & up to 230 aMW for an additional 7-years (240 and 160 aMW respectively for Alcoa). Down from 560 aMW-equivalent financial benefit now (390 aMW-equivalent for Alcoa).
 - BPA would purchase from the market to meet its need:
 - BPA would not be obligated to sell IP power if it could not purchase within predefined price caps.
 - BPA purchase cost of \$93 million per year (\$65 million for Alcoa):
 - \$93 million annual cost in the first 10-years is equal to market purchase cost minus forecasted IP revenue.
 - \$73 per MWh market purchase cap represents \$65 million per year divided by MWh sold to Alcoa plus average of the forecasted IP rate for a 10-year deal.



DSI Workshop

Overview of Framework

- Important principles in the proposed Framework signed by Alcoa that enabled parties to come together:
 - Receive a contract offer at the same time BPA's other customers are offered Regional Dialogue contracts. The current schedule will provide Alcoa a contract offer within the general time frame of the other Regional Dialogue contracts.
 - Maintain a minimum of approximately 480 jobs over the contract period.
 - Ensure a continuous IP sale for 10 years to support Alcoa's commitment to make \$160 million capital investment in the Intalco smelter if there is 10 years of certainty upfront.
 - Pay the IP rate set in each rate case.
 - Pay liquidated damages based on the difference between the market purchase price and current market prices, rather than the IP rate and current market.
 - Take on the supplier credit risk, i.e. if the supplier that BPA buys the power from defaults, Alcoa would relieve BPA of its obligation to serve by curtailing or paying replacement power costs in excess of the original purchase price.



DSI Workshop

Overview of Framework

- What is the planned timeline for considering the proposed Framework and Contract?
 - **October 10-November 10, 2008:** BPA conducts public process including October 20 DSI Workshop; BPA/Alcoa develop contract language, evaluate opportunities for long term purchases, and explore potential 6(c) implication
 - **November 17, 2008:** BPA / Alcoa complete draft contract discussions.
 - **November 24, 2008:** BPA issues draft contract if BPA decides to move forward.
 - **November 24 – December 22, 2008:** BPA conducts public process on the draft contract. BPA/Alcoa continue to investigate market opportunities.
 - **December 23 – January 15, 2009:** Contract finalized if BPA decides to move forward. ROD finalized.
 - **January 16, 2009:** BPA issues ROD. BPA / Alcoa sign contract.
 - **January 16 – March 31, 2009:** BPA attempts to acquire power for 1.5 potlines (240 aMW) for the period October 1, 2011 - September 30, 2021.
 - **No later than March 31, 2009:** BPA initiates 6c on 10 yr acquisition, if needed, or proceeds with 5-year purchase.
 - **No later than December 31, 2009:** If 10-year purchase secured, BPA completes 6c review process, as necessary. Alcoa makes commitment on Intalco capital improvements.



DSI Workshop Panel Discussion

- For today's panel discussion, consider that there are many viewpoints along a continuum of opinions on DSI service benefit alternatives from offering nothing to offering power for their full plant capability at a price commensurate with other long-time BPA customers. We have three represented:
 - Scott Corwin (Public Power Council)
 - William Beyers (University of Washington)
 - Jack Speer (Alcoa)
- Please note that BPA is taking notes today, but not comments. Public comments for the record on this issue should be submitted via BPA's public comment Web site at Comment@BPA.gov or by calling (800) 622-4519. BPA is accepting written comments through Nov. 10, 2008.

DSI Workshop Open Discussion

- Two questions to consider for today's open discussion and in formal comments to the Administrator's decision process?
 - There are many viewpoints along a continuum of opinions on DSI service benefit alternatives from offering nothing to offering power for their full plant capability at a price commensurate with other long-time BPA customers. Where do you fall on this continuum of opinions and why?
 - If BPA were to move forward with this Framework, what modifications to it, if any, would participants like to see made?
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