

DSI Workshop

■ Agenda

- Introductions / Overview 1:30 – 1:35pm
- Overview of the Draft Contract 1:35 – 1:50pm (15 minutes)
- Comments Incorporated in Draft Contract 1:50 – 2:10pm (20 minutes)
- Clarifying Questions 2:10 – 2:45pm (35 minutes)
- Break 2:45 – 3:00pm
- Open Discussion 3:00 – 4:20pm (80 minutes)
- Updated Timeline 4:20 – 4:30pm (10 minutes)
- Adjourn 4:30pm



DSI Workshop

Overview of Draft Contract

- In the Oct 20th workshop, BPA proposed to use the Framework as a set of principles to negotiate a power sales contract with Alcoa.
- What are the objectives of this draft contract?
 - Provide a balanced approach to DSI service
 - Offer Smelters reasonable chance of survival, but not a guarantee, while producing a small but positive net employment impact for the region
 - Limit BPA's financial exposure, thereby mitigating impacts on other power customers

DSI Workshop

Overview of Draft Contract

- The Major Terms of the Draft Contract
 - 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.
 - If BPA does not make market purchases to serve Alcoa, BPA pays certain shutdown costs.
 - Price Caps limit BPA's purchase cost – averaging \$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.
 - Alcoa will pay the IP rate set in each rate case
 - Alcoa Assumes Supplier Risk
 - Alcoa Assumes market price risk if it curtails through Liquidated Damages calculation



DSI Workshop

Overview of Draft Contract

- Draft contract provisions from the proposed Framework consistent with Comments
 - Draft contract prohibits resale of Firm Power. (Section 21.1)
 - BPA affirmatively commits that all power acquisitions to support its obligations to Alcoa will be flat blocks of power acquired for one month or longer. (Section 4)
 - BPA limited its carbon mitigation costs by requiring those costs to be included in the price caps. (Section 8.2)
 - BPA shall only reallocate up to 70 average megawatts of any firm power made available by the reduction of another direct-service industry smelter customer's entitlement pursuant to a corresponding section of such other customer's contract in effect after September 30, 2011. (Section 10.6)
 - What constitutes a curtailment is clarified and whether BPA makes curtailment payments is limited to BPA curtailments if it unable to acquire power. (Section 10.1)
 - The types of qualifying employment expenditures are better specified and BPA right to verify is more clear (Sections 9.1 & 9.3)



DSI Workshop Overview of Draft Contract

- How is the draft contract different from the proposed Framework?
 - a) The true-up for the last seven years is based on the actual IP rate from Phase 1 and not a forecasted IP rate. (Exhibit C)
 - b) Alcoa is required to provide a portion of the Administrator's reserves for firm power loads in the Region. (Section 10.2)
 - c) Alcoa is required to post a letter of credit as security immediately after BPA makes its initial market purchase. (Sections 5.5 & 6.2.5)

DSI Workshop

Overview of Draft Contract

- How is the draft contract different from the proposed Framework? (cont.)
 - d) On mitigation of environmental implications on BPA's other customers as a result of the acquisitions:
 - The draft contract specifies that BPA will not make a plant specific acquisition from a coal-fired resource to support its obligations to Alcoa in the draft contract. (Section 8.2)
 - BPA is not obligated to convey to Alcoa any value associated with environmental attributes absent an order to do so. (Section 17.2.4)

DSI Workshop Overview of Draft Contract

- How is the draft contract different from the proposed Framework? (cont.)
 - e) On clarifying the impact of Columbia Falls Aluminum Company choosing not to participate:
 - Alcoa cannot seek a reallocation of CFAC's power unless:
 - 1) CFAC enters into a Regional Dialogue contract,
 - 2) CFAC fails to operate for 36 consecutive months under that contract, and
 - 3) other conditions in the contracts regarding a reallocation are met. (Section 10.6)

DSI Workshop Clarifying Questions

DSI Workshop Open Discussion

- A key question to consider for today's open discussion and in formal comments to the Administrator's decision process:
 - In particular, BPA is interested in hearing from participants whether it has adequately addressed the specific terms and financial safeguards necessary to limit BPA's financial exposure?
- 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 December 22, 2008.

DSI Workshop Updated Timeline

- What is the planned timeline for considering the Draft Contract?
 - **December 5, 2008:** BPA issued draft contract.
 - **December 5 – December 22, 2008:** BPA conducts public process on the draft contract.
 - **December 23 – early January:** Contract finalized if BPA decides to move forward. ROD finalized.
 - **Week of January 12-16, 2009:** BPA issues ROD and BPA / Alcoa sign contract if BPA decides to proceed.
 - **Mid-January – 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.

