



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER SERVICES

January 13, 2009

In reply refer to: PT-5

To regional customers, stakeholders and other interested parties:

The Bonneville Power Administration, Public Utility District No. 1 of Whatcom County, Washington, and Alcoa have signed an agreement to amend, for the balance of FY 2009, the FY 2007 - 2011 power sales contract by and between them (2007 Block Contract).

On December 17, 2008, the United States Court of Appeals for the Ninth Circuit invalidated BPA's monetization of the sale under the 2007 Block Contracts, inasmuch as BPA failed to base the monetization on the Industrial Firm Power (IP) rate. The immediate impact of this was that BPA would not be able to make additional payments under the 2007 Block Contract in its original form, and BPA concluded that payments must be suspended pending an amendment. This meant the next payment scheduled for January 13, 2009, could not be made without amending the agreement. The amendment was negotiated from the principle that it had to be consistent with the Ninth Circuit decision. Those negotiations lead to an agreement with Alcoa, but so far we have not been able to reach agreement with Columbia Falls Aluminum Company.

BPA decided it was necessary to move quickly to implement the amendment and avoid, if possible, any unnecessary interruption of smelter operations, especially given the difficult economic times and potential loss of additional jobs. Alcoa's announcement of substantial worldwide layoffs and CFAC's announcement of a likely plant closure reinforced our view that it was important to act quickly. As a consequence, a limited amount of time was available for public comment. While we would have preferred to afford customers more time to comment on the proposed amendment, BPA believed it had to move quickly due to the circumstances. All this was accomplished over a short period, and BPA posted the proposed agreement for comment just prior to the New Year's holiday. Even with this accelerated schedule, the January payment will still be somewhat delayed.

This amendment is an interim action that applies to payments through FY 2009 only. We now have time to address the FY 2010-11 period under the 2007 Block Contract, and will use that time to more thoroughly engage with the public on the terms for any amendment or replacement agreement for the FY 2010-11 period.

BPA understands it must address the look-back issue associated with payments made under the 2007 Block Contract during the FY 2007-08 period, and intends to engage the region once we have an opportunity to consider all these arrangements more thoroughly.

If you have additional questions about this issue, please call Mark Miller at (503) 230-4003 or Heidi Helwig of the Public Affairs Office at (503) 230-3458.

Sincerely,

//s// Allen L. Burns

Allen L. Burns,
Vice President, Bulk Marketing