

Bonneville Power Administration



January 22, 2009

The Honorable Patty Murray
United States Senate
Washington, DC 20515

Dear Senator Murray:

As you know, the Bonneville Power Administration (BPA) and Alcoa have worked for several months on a new long-term contract for service to the company's Intalco plant near Ferndale, Washington, pursuant to a non-binding Memorandum of Understanding (MOU) the parties executed last October. Under that MOU, both BPA and Alcoa attempted to establish a long-term Regional Dialogue contract for the years from 2012 to 2028.

While both BPA and Alcoa worked very hard to reach an agreement, the parties were unable, within the time allotted, to settle on terms that would serve the long-term interests of both parties adequately. The current economic recession, which has reduced worldwide demand for aluminum and cut the price of aluminum by more than half in the last several months, has caused Alcoa to reassess the risks of operating its facilities at less than optimal levels. Based on this analysis, Alcoa was unable to sign a contract based on the proposed framework but remains committed to working with BPA to secure a long-term contract.

In the meantime, BPA and Alcoa have agreed to an amendment of the current service contract for the remainder of Fiscal Year 2009 that responds to last month's ruling of the United States Court of Appeals for the Ninth Circuit.

While the MOU has now terminated, BPA will continue to discuss with Alcoa and the region the potential for future service for both the remainder of the current contract period, which continues through Fiscal Year 2011, as well as the longer-term, post 2011 Regional Dialogue timeframe.

Both Alcoa and BPA value their longstanding relationship and the regional economic significance of operations at the Intalco plant. The impact on Northwest jobs is a crucial consideration in BPA's deliberations regarding service to its Direct Service Industry customers. We will keep you informed about the progress of further discussions. Thank you for your continued interest in this important issue.

Sincerely,

/s/ Stephen J. Wright

Stephen J. Wright
Administrator and Chief Executive Officer
Bonneville Power Administration

/s/ John Thuestad

John Thuestad
President U.S. Primary Products
Alcoa

bcc:

Adm. Chron. File- A-7

C. Brannon- DK-7

S. Baskerville-DKN-WASH

K.Hunt-DKR-7

R. Roach-L-7

P. Norman -P-6

A. Burns -PT-5

Official file -DKR-7

D.Marker:trj:x3549:1-22-09:(W:RegRel/Congress/letters/09/NW Delegation/Joint letter to PNW Delegation re-Suspension of Negotiations for long term ALCOA contract.doc)