

AMENDMENT
executed by the
BONNEVILLE POWER ADMINISTRATION
and
ALCOA INC.

This AMENDMENT to the Power Sales Agreement Contract No. 13PM-10978 (Agreement) is executed by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (BPA) and Alcoa Inc. (Alcoa), a corporation organized under the laws of the State of Pennsylvania. BPA and Alcoa are sometimes referred to individually as "Party" and collectively as "Parties."

RECITALS

WHEREAS, On November 16, 2015 Alcoa notified BPA exercising its right to curtail (Curtailment Notice) its Firm Power amount from 75 MW to 10 MW starting February 15, 2016 through August 14, 2017 (Curtailment Period).

WHEREAS, On January 11, 2016 Alcoa requested to engage in discussions to amend the Agreement to allow Alcoa to acquire market power from February 15, 2016 to June 30, 2016. Per Section 5.5 of the Agreement Alcoa cannot make any market purchases from third-party suppliers to replace any portion of the amount curtailed.

WHEREAS, Alcoa and BPA wish to execute mutually favorable arrangements for the period between February 15, 2016 through June 30, 2016 which will allow Alcoa to maintain a 2.5 potline operation at the Alcoa Intalco Plant. The Parties will endeavor to negotiate long term arrangements for the remaining Curtailment Period.

WHEREAS, Alcoa's actions and contract actions have served to reject power from BPA at the IP rate due to the economic impossibility of profitably operating at current and forecasted aluminum prices during the Curtailment Period.

This Amendment No. 2 (Amendment) between BPA and Alcoa amends the terms of the Agreement.

BPA and Alcoa agree:

1. TERM

This Amendment takes effect on February 15, 2016 and will terminate at 2400 hours on June 30, 2016.

2. AMENDMENT OF AGREEMENT

BPA and Alcoa agree to amend the Agreement as follows:

- (a) Section 2.26 (“Make Whole Payment”) of the Agreement shall be deleted and replaced by the following:

“2.26 “Make Whole Amount” means the established dollar amount Alcoa is obligated to pay BPA as outlined in Section 21.3 of this Amendment. For clarification purposes the Make Whole Amount is intended to place BPA in the same economic position that would have occurred had Alcoa’s termination notice, dated March 31, 2015, remained in effect. The starting Make Whole Amount on May 1, 2015 was \$36,712,072. The Make Whole Amount shall decrease over time by the Net Revenue Amount.

Interruptions in performance for curtailments, uncontrollable forces, or for any other reason beyond BPA’s control shall not reduce, excuse, or mitigate Alcoa’s obligation to pay the “Make Whole Amount,” as provided for herein. Alcoa acknowledges that it may be necessary to adjust the “Make Whole Amount,” and the time period over which it is to be paid, as may be necessary to achieve its intended purpose, as described herein. The Parties agree to work together in good faith at all times to achieve the purpose intended by the Make Whole Amount.

Section 2.26 shall survive the termination of this Amendment. It will remain effective until the expiration of the Agreement or until both Parties mutually agree to terminate this Section 2.26.”

- (b) Section 2.27 shall be added to the Agreement as follows:

“2.27 “Net Revenue Amount” means the amount of IP power sold to Alcoa times the calculated difference between the monthly Industrial Firm Power Rate, or its successor, and the corresponding monthly historical diurnal Market ICE Mid-C Peak Day-Ahead Index and ICE Mid-C Off-Peak Day-Ahead Index (ICE Index Price). In the event that the monthly ICE Index Price for the calculated month increases above the Industrial Firm Power Rate, then that month will not be considered in the monthly reduction.

Any dollar value, above the monthly historical ICE Index Price, that Alcoa pays BPA under Confirmation Agreement No. 16PM-13213 shall also be considered in the Net Revenue Amount.

Section 2.27 shall survive the termination of this Amendment. It will remain effective until the expiration of the Agreement or until both Parties mutually agree to terminate this Section 2.27.”

- (c) Section 4.4 (Surplus Power Sale) shall be added to the Agreement as follows:

“4.4 Surplus Power Sale

BPA shall make available surplus power in the amount of 300 aMW, and Alcoa Power Marketing, LLC (subsidiary of Alcoa, Inc.) shall purchase such surplus power on a take-or-pay basis. The terms of the market purchase will be specified in Confirmation Agreement No. 16PM-13213.

- (d) Section 5.5 (No Purchases from Third Parties During Curtailment) shall be deleted and replaced by the following:

“The operation and effect of Section 5.5 shall be suspended during the term of this Amendment. To the extent this section constitutes or operates as a waiver of any of BPA’s rights under Section 5.5 of the underlying Agreement, such waiver is operative only for the term of this Amendment and shall not be construed as a waiver of any right to enforce any waived provision after the expiration of the term of this Amendment, nor shall it be construed as a precedent, promise, or commitment of any kind to waive any such right or rights after the expiration of the term of this Amendment.”

- (e) Section 5.8 (Curtailment Requirement Suspension) shall be added to the Agreement as follows:

“Section 5.7 shall be suspended during the term of this Amendment; however, the Curtailment Notice shall be deemed to remain in effect during the period of this Amendment and will count towards Alcoa’s 24 month cumulative right to curtail per Section 5.2.”

- (f) Section 18.8.1 of the Agreement shall be deleted and replaced by the following:

“18.8.1 Notwithstanding anything in this Agreement to the contrary, BPA may require that Alcoa provide BPA with an irrevocable standby letter of credit in the amount of \$30,000,000, issued in a form and by a bank acceptable to BPA. Such letter of credit shall have an expiration date one year from its date of issuance, and BPA may require replacement letters of credit so that a letter of credit is in place on a continuous basis for the term of this Agreement. The minimum amount of replacement letters of credit will be established by the product of: i) the then prevailing highest monthly average applicable IP rate; ii) 75 MW; iii) 103 days; and iv) 24 hours (e.g. $\$38/\text{MWh} * 75 \text{ MW} * 103 \text{ days} * 24 \text{ hours} = \$7,045,200$).

With the execution of this Amendment, Alcoa’s existing letter of credit in the amount of \$30,000,000 shall remain in place as of the time of execution of this Amendment. However, Alcoa may replace this letter of credit with a smaller denomination, provided that the amount of the letter of credit does not drop below a value equal to the sum of: i) the

minimum amount of replacement letters of credit and ii) the Make Whole Amount at the time the letter of credit is replaced. The parties may, by mutual agreement, reduce, eliminate or modify the denomination of the letter of credit.

If Alcoa fails to provide any letter of credit requested by BPA pursuant to this section 18.8.1 and 18.8.2, then BPA may terminate this Agreement.”

(g) Section 21.3 shall be deleted and replaced by the following:

“21.3 “BPA will reduce the Make Whole Amount each month by subtracting the Net Revenue Amount from the previous month’s Make Whole Amount balance. For the purposes of calculating the Make Whole Amount going forward, as of February 1, 2016 the total Make Whole Amount owed by Alcoa was \$29,437,600. The February 1, 2016 amount was established in Table 1 of Amendment No.1.

BPA will report to Alcoa the reduced Make Whole Amount by the 15th of the following month. The remainder of the Make Whole Amount, if any, will be paid to BPA upon expiration or termination of the Agreement.

Section 21.3 shall survive the termination of this Amendment. It will remain effective until the expiration of the Agreement or until both Parties mutually agree to terminate this Section 21.3.”

3. SIGNATURES

The Parties have executed this Amendment as of the last date indicated below.

ALCOA INC.

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By /s/ Simon Baker

By /s/ Mark Miller

Name Simon Baker
(Print/Type)

Name Mark Miller
(Print/Type)

Title President Energy

Title Account Executive

Date 2/10/2016

Date 2/10/2016