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November 6, 2008

MEMORANDUM

- **TO:** Council Members
- **FROM:** Terry Morlan Director, Power Planning
- **SUBJECT:** Presentation by Alcoa on Proposed Principles for Electricity Service from Bonneville.

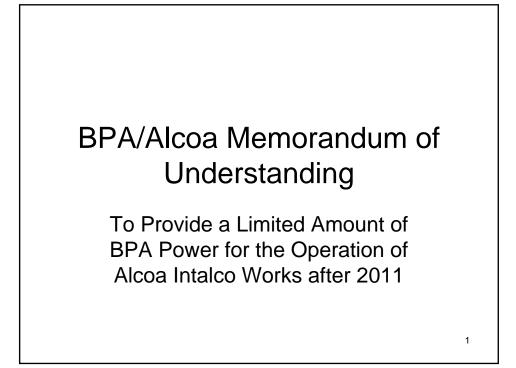
Alcoa Aluminum will make a presentation to the Council on principles for a proposed power sale from Bonneville to Alcoa starting in October 2011. If Bonneville decides to go ahead with this sale, it would need to augment the federal power system to provide the additional capability. Council members have been provided information on this from Bill Hannaford during the past few weeks.

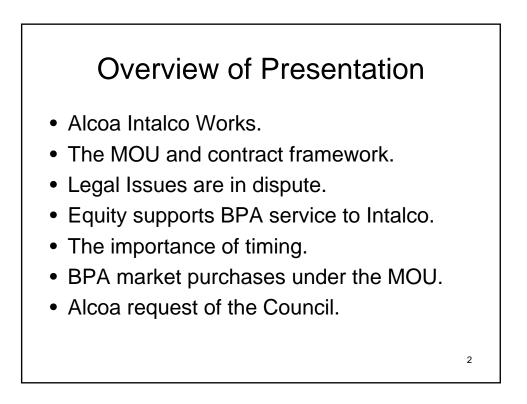
The proposed amount of the sale would be 240 megawatts. If this power is acquired for more than five years, it would require that Bonneville initiate a section 6(c) process under the Act to determine consistency of its proposed acquisition with the Council's Fifth Power Plan. Following the Bonneville Administrator's determination under a 6(c) process, the Council would have a choice of whether or not to make its own 6(c) consistency determination.

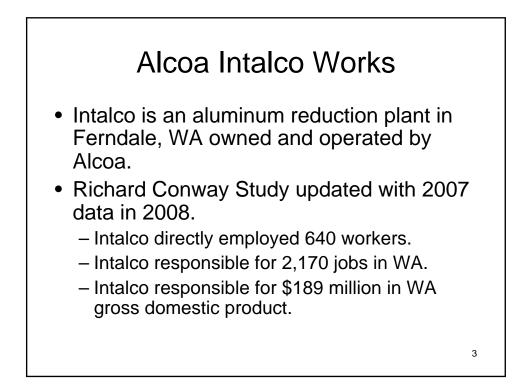
If Bonneville decides to make the power sale to Alcoa, the extra cost of the capability would be assigned to Bonneville's other tier one rates. This will likely prove unpopular among Bonneville's utility customers as they decide about signing Regional Dialogue contracts.

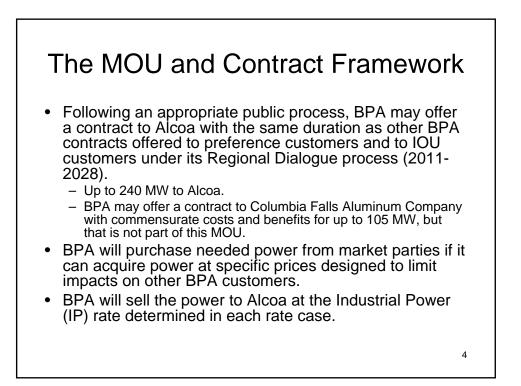
We have invited the Public Power Council to offer its views on the proposal following the Alcoa presentation. The Power Committee packet contains more information.

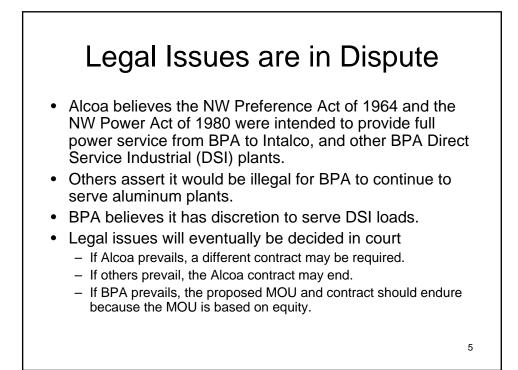
You should also be aware that Bonneville would make the same offer to Columbian Falls Aluminum Company. However, it is less likely that Columbia Falls would want actual power and would instead prefer a financial agreement similar to the current agreements with Bonneville. The financial agreements would not require augmentation of Bonneville's system and would not, therefore, trigger a 6(c) process.

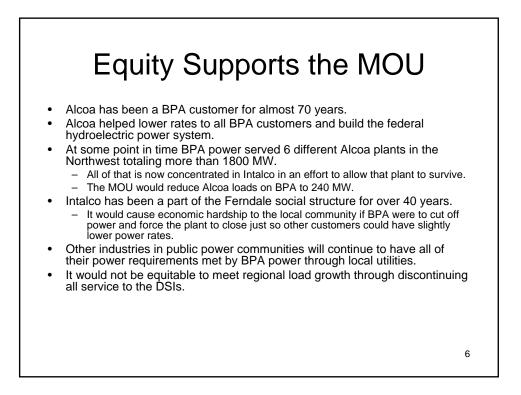


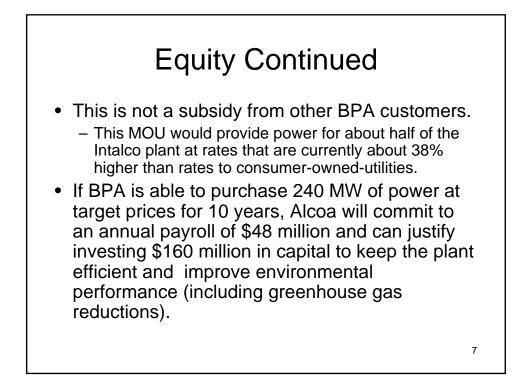


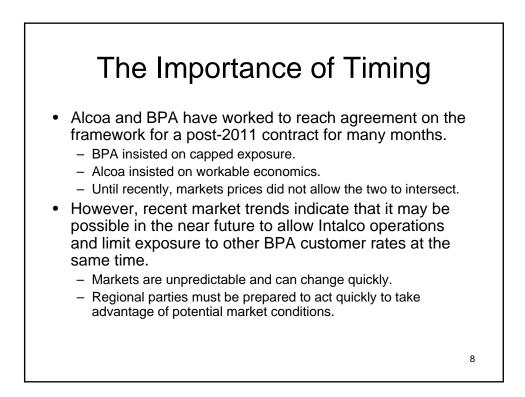


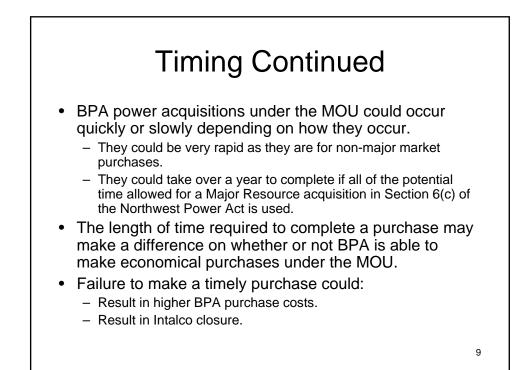


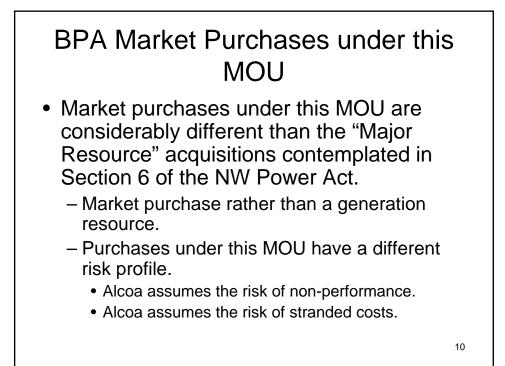


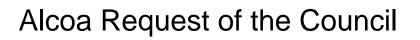












- Please work with BPA to minimize the process time necessary for BPA to acquire power under the MOU.
- Please eliminate any duplication of processes involving BPA and the Council.
 - BPA will go through a public process concerning the proposed MOU, framework and contract with Alcoa.
 - Any Council process should concentrate on BPA purchases and not duplicate BPA processes on the BPA/Alcoa contract.

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