

How Other States Have Addressed Similar Hydropower Issues with Alcoa

GOVERNOR SPITZER ANNOUNCES HYDROPOWER DEAL BETWEEN STATE AND ALCOA INC. Landmark Agreement Will Retain Hundreds of North Country Jobs

Governor Eliot Spitzer today announced that an agreement has been reached with Alcoa, Inc., which has committed to maintaining hundreds of North Country jobs through 2043 in exchange for the continuation of low-cost hydropower to its Massena plants. **Alcoa, Inc.** - St. Lawrence County's largest employer and the world's leading producer and manager of primary aluminum, fabricated aluminum and alumina facilities - **agreed to invest approximately \$600 million for the major overhaul of its Massena East smelter and to retain approximately 1,065 jobs between its East and West Massena plants for at least 30 years.**

The agreement provides that, as of July 2013, the **New York Power Authority (NYPA)** will continue to supply **478 megawatts** of power for 30 years, and may, under certain economic conditions continue the contract for an additional ten years. The Alcoa power accounts for approximately 60 percent of the St. Lawrence-Franklin D. Roosevelt Power Projects' generating output.

"This agreement signifies the importance of Alcoa to the North Country economy, reflects my Administration's strategy to capitalize on distinctive regional assets and needs and demonstrates the significant value of low-cost hydropower for economic development purposes," said Governor Spitzer. "The loss of Alcoa would have crippled the local economy, and this agreement ensures that these important jobs will remain in New York State for years to come. The agreement also reflects a partnership between business, labor and government aimed at promoting growth in the North Country."

Additionally, Alcoa will fund a \$10 million "North Country Economic Development Fund," which would be jointly administered by NYPA and Empire State Development. It will be used exclusively for creating jobs and capital investments in the region, including the counties of St. Lawrence, Franklin, Essex, Jefferson, Lewis, Hamilton and Herkimer.

Bernt Reitan, Alcoa Executive Vice President and Group President, Global Primary Products said: "Thanks to the efforts of Governor Spitzer and his team, NYPA, and elected officials, this truly is a great day for Massena, the North Country and the state of New York. Today we have passed a significant milestone, helping ensure that Alcoa's Massena Operations and its employees will remain a part of the region."

Frank S. McCullough, Jr., Chairman of NYPA said: "With this Agreement in Principle, the framework is now in place to ensure Alcoa's long-term operation in Massena and the protection of vital North Country manufacturing jobs. Alcoa was the Power Authority's first customer and continues today as the cornerstone of the region's economy. I commend Governor Spitzer for his efforts to achieve a balanced settlement that promises significant benefits for Northern New York."

Roger B. Kelley, President and Chief Executive Officer of NYPA said: "Our thanks to Governor Spitzer and his team, who, working together with our team from NYPA, helped us reach a fair and

comprehensive agreement with our partners at Alcoa in the face of some very complex and challenging issues. We want to ensure that Alcoa remains an essential and thriving North Country industry for many years to come."

Darryl Aubertine, State Assemblymember said: "For the past 2 years, I and my colleagues in the Assembly Majority have been pushing hard for a contract extension between the NY Power Authority and Alcoa. This agreement is crucial to maintaining the economic stability in our region and lays the foundation for future growth and expansion. This new deal means the retention of hundreds of existing jobs and the continuation of over \$250 million Alcoa contributes to the North Country economy and the promise of further investment. After years of hard work, it's fulfilling to see this deal concluded."

James Wright, State Senator and Chairman of the Committee on Energy and Telecommunications said: "This historic agreement is truly a state and community partnership, which has been worked on over two administrations. I appreciate Governor Spitzer's personal commitment to ensuring Alcoa stays in the North Country. To all the organized labor leaders, community officials and local officials--a huge thank you. Without your steadfast commitment, this could not have been achieved. Now everyone can enjoy their families during the holidays knowing the economic future of the region has been anchored for decades to come."

Joseph A. Griffo, State Senator said: "This new contract solidifies this relationship well into the 21st century. The jobs at Alcoa tied to this power have a much wider impact than just Massena and St. Lawrence County. The Massena Operations are one of the cornerstones for the economy of the entire North Country region. I commend Gov. Spitzer, the Power Authority and ALCOA for their persistence in settling this contract. It is wonderful news and it comes at a crucial time when we are facing other challenges in maintaining a steady supply of jobs for this area of the state."

Dede Scozzafava, State Assemblymember said: "Since I was elected to the Assembly, boosting the economy has been one of my top priorities. Now with this agreement between Alcoa and the New York Power Authority, low-cost hydropower will be provided to the Alcoa plants in Massena. This is exactly the type of cooperation we need between the public and private sectors to help the Upstate economy. I anticipate more agreements in the future that will move St. Lawrence County forward."

Eugene Nicandri, Chairman of the North Country Redevelopment Task Force said: "This is great news for the North Country. It gives the community a basis for moving forward in this century. It is a reinvention for the community and helps secure the economic base going forward."

Richard Orton, President United Steelworkers Union Local 450-A said: "I trace today's news to last year when then-candidate Eliot Spitzer made a commitment to me personally that a power contract with Alcoa would be a priority in his North Country economic revitalization plans. Together, with other community leaders, we toured the west plant and discussed the importance of these jobs to the region. The governor kept his promise. It's a great day for north country families and I'm happy to be part of it."

Larry Richards, President of United Steelworkers Union Local 420-A said: "This is great news for the working men and women in the North Country. We can finally breathe a sigh of relief and look to the future. Local 420 and Local 450 have been working hard to make this a reality and we thank all our friends who helped make this happen. As Local 420 gets set to celebrate its 75th Anniversary with Alcoa, were excited to look forward to another 30 years."

The agreement also provides that:

- Alcoa maintain a total employment level of between 1065 and a minimum of 900 jobs over the term of a 30-year contract, which would go into effect July 1, 2013, when the current power contract is due to expire;
- for the first time, NYPA could share in Alcoa's profits when aluminum prices are high by linking electricity prices to the price of aluminum;
- NYPA may proportionately reduce the power allocation if employment levels fall below agreed to levels;
- Alcoa and NYPA may, under certain economic conditions, extend the contract for an additional ten years; and
- Alcoa has two years to complete an engineering study of the proposed rebuilding of the Massena East plant or the power contract would be void.

The Spitzer administration recognizes that Alcoa's continued vitality in Massena is intertwined with the modernization of the company's operations. The St. Lawrence hydropower is the linchpin, as reflected by the company's proposed investments and job commitments in return for the low-cost power.

Alcoa's Massena operations are the longest continually operating aluminum facility in the world, serving customers in the automotive, transportation, aerospace and industrial distribution markets. Currently employing well over 1,000 individuals, the Massena operation is the largest private employer north of Syracuse, contributing \$250 million annually to the local economy in payroll, local purchases and tax payments.

CHELAN COUNTY, WASHINGTON – AGREEMENT w/ALOCA & APGI

The Chelan County, Washington, Power Sales and Transmission Agreements with Alcoa and APGI appear to have been finalized last month, June 2008. They are accessible on the Web.

The address of the Chelan PUD/Alcoa Power Sales Contract page is:

<http://www.chelanpud.org/alcoa-contract.html>

I think you will find particularly interesting the large payments to be made to Chelan County by Alcoa under these agreements as summarized in the Memo to the Chelan County Board of Commissioners about these agreements dated June 16, 2008. These payments include an initial Capacity Reservation Charge of at least \$17,500,000 when the agreement is approved by FERC, 25% or 26% of the annual operating costs (\$2.5 million or \$2.6 million annually) and debt service of Chelan County Public Utility District ("PUD"), \$87,067,603 to be paid out over 17 years at the rate of \$8,615,526, a capital recovery payment of \$1.875 million per year, a debt reduction charge of \$4 million per year, a credit rating charge, transmission charges,

http://www.chelanpud.org/documents/Memo_to_Board_re_Proposed_PSA_and_Transmission_Agreements_6-16-08.pdf

All this is up and beyond an initial \$89 million Capacity Reservation Charge that the Chelan County PUD

Here are the addresses of some of the key documents on the above-referenced Chelan PUD/Alcoa Power Sales Contract page:

Definitive Power Sales Agreement June 2008 between Chelan County, Alcoa and APGI - 83 pages

http://www.chelanpud.org/documents/Alcoa_Definitive_Power_Sales_Agreement_June_2008_FINAL.pdf

Long Term Transmission Agreement June 2008 between Chelan County, Alcoa and APGI - 32 pages

http://www.chelanpud.org/documents/Alcoa_Transmission_Agreement_June_2008_FINAL.pdf

June 16, 2008 Memo to Chelan County Board of Commissioners summarizing the agreements with Alcoa and APGI

http://www.chelanpud.org/documents/Memo_to_Board_re_Proposed_PSA_and_Transmission_Agreements_6-16-08.pdf

Here is the basic data on the two Chelan County PUD dams, Rocky Reach (1,300 megawatts) and Rock Island (624 megawatts) about which you asked:

<http://www.chelanpud.org/documents/Alcoa-TermSheetHydroProjectDescriptions10-15-07.pdf>

Rocky Reach

-

11 generators

-

Total generator nameplate capacity – 1,300 megawatts

Average yearly production (last 20 years) – 5.8 million megawatt hours

-

12 spillway gates

-

Original construction started in 1956

-

Commercial operation 1961 (seven generators)

-

Four generators added in 1969-71

-

Current power contract expiration: 2011

-

New FERC license – Est. 2008

Rock Island

-

19 generators

-

Generator nameplate capacity – 624 megawatts

Average yearly production (last 20 years) – 3.0 million megawatt hours

-

31 spillway gates

-

Original construction of First Powerhouse completed in 1933

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Capacity expanded in 1951-1953

-

Second powerhouse constructed in 1979

-

Current power contract expiration: 2012

-

FERC license expiration: 2028

There is a great deal more very interesting information about the Chelan County-Alcoa deal on this Web page.