

July 30, 2009

Allen Burns, Acting Deputy Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208

Dear Mr. Burns,

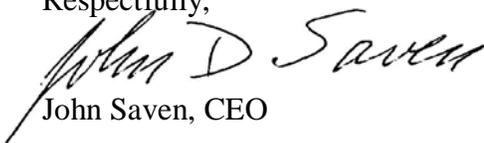
On December 22, 2008, and again on June 22, 2009, Northwest Requirements Utilities (NRU) submitted extensive comments on a proposed power sales agreement between BPA and Alcoa, Inc. Our comments addressed the defects in the draft contract. NRU is now presented with a new Draft Term Sheet for a power sales contract between Alcoa and BPA. Since the December and June comments, however, NRU has seen nothing materially different to change our previous position, which found that any sale to the DSIs that imposes costs on public power customers is unacceptable. We also support the comments of the Public Power Council.

The July 17, 2009, Draft Term Sheet suggests changes to the proposed Alcoa sale that do not improve the draft contract, and in fact compounds the financial risks for preference customers. We provide the following examples:

- The liquidated damages provisions of the draft contract, previously inadequate, are now absent from the term sheet.
- There is no mention of \$20 million in credit assurance originally in the draft contract.
- The less than clear commitment in the draft contract to require a \$200 million capital investment over ten years by Alcoa is absent.
- There is new, confusing, and open-ended language on the term sheet that affords Alcoa an immediate exit right in the event that costs associated with renewable energy standard obligations, “carbon taxes or charges, greenhouse gas mitigation costs, or other similar environmental or regulatory charges are not recovered by BPA through rates but are to be paid by Alcoa under the terms on the contract.” (point 5) Does this mean that if BPA enters such a contract, and Alcoa terminates, then those costs must be paid by BPA’s remaining customers?

While NRU staff recommends that BPA address these technical concerns, we are not inferring that their successful resolution would address the basic underlying deficiencies of the contract that we identified in our previous communications with you on this matter.

Respectfully,



John Saven, CEO

Cc: NRU Members