

Alcoa Seeks to Dismiss Yadkin Project Appeal, Apply for New Water Quality Certificate

BADIN, NC, August 28, 2012 — Alcoa Power Generating Inc. (APGI) announced today it has filed a motion for an order dismissing without prejudice its appeal concerning the 401 water quality certificate for the Yadkin Hydroelectric Project. If the court grants the motion, APGI will submit a new request for a 401 certification for the Project in an effort to speed up a regulatory process that has been delayed by legal issues for more than three years.

The Yadkin Project received a 401 certificate from the North Carolina Division of Water Quality in May 2009, but it was appealed and later revoked. APGI's appeal of the revocation is currently pending in the North Carolina Office of Administrative Hearings.

"It's time for a fresh start," said Kevin Anton, Alcoa's Chief Sustainability Officer. "While we strongly believe that our original water quality certificate was correctly issued and wrongly revoked, we want to file a new request that clearly reconfirms our commitment to meeting North Carolina water quality standards. This motion to dismiss is the first step in that process."

APGI has worked for the past two years to resolve issues regarding the certificate with the Division of Water Quality and Stanly County. When negotiations finally stalled, APGI began looking for new ways to move the process forward.

Monitoring Shows Significant Water Quality Improvements at Yadkin Project

A new 401 application would provide state environmental officials a new opportunity to evaluate the water quality enhancements proposed by APGI in 2008 and take into account new data that show significant water quality improvements at the Yadkin Project.

APGI has regularly monitored dissolved oxygen levels — a key indicator of water quality — in the tailwaters below its dams. The monitoring data indicates that water quality at the Yadkin Project has improved dramatically since APGI invested more than \$5 million in turbine upgrades and other enhancements designed to increase the amount of oxygen in the water.

At Narrows Dam, for example, the level of dissolved oxygen below the dam meets one state water quality standard 100% of the time and another 99% of the time. That represents a 115% improvement since additional technology was installed at Narrows in 2007-2008.

"There should be no doubt that we will meet the state's water quality standards," Anton said. "The technology we have implemented has been effective and gives us full confidence that our technology will continue to improve dissolved oxygen conditions at the Yadkin Project."

APGI has already completed upgrades at three turbines at Narrows Dam and has committed to invest an additional \$80 million to continue improving water quality at the Yadkin Project,

beginning with a \$40 million investment at High Rock Dam, as a condition of the 401 water quality certificate.

Water Quality Certificate Required for Yadkin Relicensing

The water quality certificate is an important part of the ongoing relicensing effort for the Yadkin Project and certification that the Project will meet water quality standards is an important element of the Federal Energy Regulation Commission (FERC) licensing process.

FERC staff recommended in April 2008 that APGI be issued a new long-term license.

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