



Your Ref:
Our Ref: RH220208.LET
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22 February 2008

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Dear Lesley

Re: Recycled Water Supply from Gordon Rd WWTP to Alcoa Pinjarra Refinery

I write to detail the terms of the Water Corporation's (Corporation) proposal as discussed at the meeting with Alcoa on 13 February 2008 at Booragoon.

The Corporation's strategy for recycled water is to seek opportunities that substitute or liberate potable water for the WA community through the Integrated Water Supply Scheme (IWSS). If such opportunities are not available, Water Corporation invites expressions of interest for alternative uses for the recycled water, and where potable water substitution is not an outcome, the customer will be required to fund upfront the recycled water service. In the case of Gordon Rd, there is a possibility of liberating potable water.

The essence of the proposal is a trade of recycled water produced by the Corporation for potable water which is part of Alcoa's Harvey Water irrigation allocation. The recycled water will be sourced from the Corporation's Gordon Road WWTP and the potable water will be from Samson Dam.

The proposed key terms for this trade are as follows:

- 1) The Water Corporation will provide a recycled water supply of ~ 2 GL per annum to the Alcoa Pinjarra Refinery with the potential to increase this supply over time to 4 GL per annum by around 2020. The increase is subject to increased flows into the Gordon Road WWTP and the requirements of Alcoa at the refinery;
- 2) The Water Corporation will fund and develop the infrastructure required to treat and deliver the water to the refinery;
- 3) The quality of the recycled water will be reasonably subject to Alcoa requirements;
- 4) Alcoa will take the available recycled water on a best endeavours basis;
- 5) In the event that Water Corporation is unable to treat and supply waste water entering the Gordon Road WWTP, it will supply an equal volume of water to Alcoa's Pinjarra Refinery from the Water Corporation's IWSS;



- 6) Alcoa will provide to the Water Corporation a minimum quota of water from Samson Dam over a period of no more than 10 years;
- 7) The minimum quota of water will need to be delivered in equal annual instalments of no less than 4 GL per annum to facilitate source planning by the Water Corporation;
- 8) The minimum quota will be based on the principle that the Water Corporation will recoup the present value cost of its recycled water service to Alcoa from the present value of the Samson Dam water it obtains for its IWSS;
- 9) The quantity of recycled water delivered to Alcoa will be limited by the inflow to the WWTP and otherwise subject to the quantity requirements of Alcoa;
- 10) The cost of the recycled water service shall comprise of:
 - a waste water feed charge of 20c/kL; plus
 - the treatment and conveyance infrastructure cost; plus
 - the O&M cost;
- 11) The value of Alcoa's Samson Dam water for the IWSS is:
 - long run marginal cost of IWSS water which based on current Water Corporation source planning is \$1.65 /kL; less
 - the cost of getting the water into the IWSS for the term of the supply arrangement of ~10 c/kL;
- 12) Once the minimum quota for water has been supplied, (subject to clause 11) the cost of the recycled water will be:
 - a waste water feed charge of 20 c/kL; plus
 - the marginal cost of supplying the recycled water;
- 13) Water Corporation will accept payment at a rate per kL, determined in accordance with clause 10), for the waste water service in lieu of the delivery of water from Samson Dam subject to the following terms:
 - a. The Water Corporation has received the minimum annual quota of potable water for a period of no less than 5 years and Alcoa requires an additional potable water allocation for expansion of its Wagerup operations;
 - b. Alcoa requires a water supply for its current Pinjarra operations because the recycled water supply from Water Corporation is partially or fully unavailable for reasons beyond Alcoa's control; or
 - c. Both parties agree;

In the event that the payment is received in lieu of Samson Dam water, the undelivered minimum quota water will still need to be supplied to Water Corporation within the term of this arrangement;
- 14) The Water Corporation has the right to continue to purchase the 4 GL per annum Samson Dam water from Alcoa, beyond the minimum quota, on similar terms, subject to Water Corporation being able to source an appropriate water supply for Alcoa's Wagerup operations expansion;
- 15) The term of this arrangement shall be 20 years.

The terms of this proposal are subject to:

- a. The Water Corporation's final project cost estimate;
- b. Agreement between the parties of the required recycled water quality;
- c. Agreement between Alcoa, Water Corporation and Harvey Water to enable the delivery of water from Samson Dam to Water Corporation;
- d. All necessary regulatory and other approvals to effect this proposal being obtained.

This offer enables Alcoa to receive fit for purpose recycled water for its current Pinjarra Refinery operations and thereby release its Samson Dam allocation for potable use by the

WA community. It also provides Alcoa the flexibility to access the Samson Dam water or a Water Corporation substitute supply to cater for expansion of its Wagerup operations.

The Water Corporation's primary objective for treated wastewater is to substitute its use for potable water. Accordingly this proposal presents a creative opportunity for both parties to achieve corporate objectives.

The Water Corporation seeks in-principle agreement to this proposal in order to commence discussions with Harvey Water and the Department of Water.

We trust this proposal is of interest to Alcoa and look forward to further discussions and the establishment of a heads of agreement document.

Should you have any queries please contact Roman Harasymow on 9420 2600.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'R Harasymow', followed by a long horizontal line extending to the right.

Roman Harasymow
Business Development Manager