

Backgrounder



- In 1997, as part of the claim settlement arrangements related to the British Columbia Government's cancellation of the Kemano Completion Project, Alcan received the right to transfer a portion of a power supply contract with BC Hydro to a third party.
- Alcan sold the right to supply this portion to Enron Power Marketing Inc. (EPMI), a subsidiary of Enron Corporation (Enron) for cash consideration.
- The power supply obligation is for 81 MW for the next 12 years (167 MW by the end of 2002).
- In order to obtain the consent of BC Hydro for the sale of the power supply agreement, Alcan was required to retain residual liability for certain of EPMI's obligations arising from the supply contract.
- This contingent liability is subject to a maximum aggregate amount of US\$100 million with mitigation and subrogation rights.
- Alcan's position is that any residual liability it may have would relate to the supply of power and not be in the form of a financial obligation.
- Alcan has indicated to BC Hydro/Powerex that it is prepared to assist BC Hydro/Powerex in appropriate loss avoidance or mitigation efforts.