

**Meeting Notes**  
Public Meeting on Regional Dialogue Policy Proposal  
Bonneville Power Administration  
The Mountaineer, 300 Third Ave. W.  
Seattle, Wash. – 3:00 p.m. to 7:00 p.m. – August 1, 2006  
Attendees: Approx. 27 (not including BPA)

These notes seek to summarize oral testimony given Aug. 1, 2006, in Seattle, Wash., at the Bonneville Power Administration's public meeting on its Regional Dialogue Policy Proposal.

This summary is not intended to be a verbatim transcript. It will become part of BPA's official record.

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### Opening Remarks

**Mark Gendron, Vice President for Requirements Marketing, Bonneville Power Administration (BPA)**, convened the public meeting at 3:30 p.m. Attached is a list of attendees.

Gendron and **Scott Wilson, BPA's Regional Dialogue project manager**, welcomed attendees and encouraged oral comments at the meeting and, if desired, separate written comments. The agency's Regional Dialogue Policy Proposal (Proposal) was released for public review on July 13, 2006. The official comment period will end Sept. 29, 2006.

Gendron summarized the Proposal and opened the floor for public comment, to begin with the Proposal's section on "Service to Publics."

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### Public Comments

**Darcie Larson, Associate Director of the Save Our Wild Salmon coalition**, had a time conflict and was permitted to testify first, out of sequence, on the Proposal's "Renewables" section.

She said the Proposal pits renewable energy advocates against fish advocates, and it creates a false choice between salmon recovery and renewable energy production. She urged BPA not to "single out salmon protection because of [system] wind integration needs."

She encouraged BPA to remove the four Lower Snake River dams and replace their output with clean energy alternatives. Removing the dams, she said, would reduce wasteful spending on barging and would lower other costs. She said a full version of her comments is available online.

## **“Service to Publics”**

**Jorge Carrasco, Superintendent of Seattle City Light (SCL)**, said his utility has reached out to its large customers to educate them about the Proposal.

Carrasco said he is pleased with the way BPA has conducted the Regional Dialogue process. He thanked the agency for being open and for providing ample opportunity for input and to reach consensus.

Seattle is grateful for the benefits BPA has provided the region, he said, in terms of offering cost-competitive rates that are the envy of other regions. He said SCL purchases about 36-40 percent of its load requirement from BPA and this power has helped keep rates low.

SCL is engaged in integrated resource planning, he said, noting the timeliness of the Proposal and how the certainty it provides will assist their resource acquisition efforts. SCL wants to count on being able to buy from BPA an amount of power comparable to its historic purchase levels.

Carrasco praised BPA’s energy efficiency programs and said SCL has been responsible for utilizing about 40 percent of BPA’s total conservation budget since the early eighties. He hopes SCL can remain active with BPA in the conservation arena.

He said the issues of power allocation and conservation and renewables stand out as being especially important.

**Alan Meyer, Weyerhaeuser**, asked a clarifying question about the topics of consumer resources and High Water Marks mentioned on p. 18 of the Proposal. Scott Wilson explained that a utility’s entitlement to BPA power (“net requirement”) equals the utility’s total retail load less its generation, including consumer resources applied to their load as of FY2010.

## **“IOU Benefits”**

**Tom DeBoer, Director of Rates and Regulatory Affairs for Puget Sound Energy (PSE)**, said his utility will be separately submitting detailed written comments.

BPA has done an admirable job on its Proposal, DeBoer said, and PSE agrees with much of what’s in it. He said they are still examining the issue of the level of proposed benefits for residential and small-farm consumers of investor-owned utilities like PSE.

BPA’s recently announced wholesale power rate reduction for its public customers contrasts with elements of the Proposal that he said would translate to a rate increase for IOUs’ residential consumers. He reiterated that his utility will be “looking at the level of benefits” proposed for them.

## **“Conservation and Renewables”**

**David Kerlick of the Sierra Club’s energy committee** observed that in the real estate business, success depends on “location, location, location.” In the energy field, the three most important things are “conservation, conservation, conservation.” He said, “More of a carrot than is enumerated in the Proposal is needed to incentivize conservation.”

Kerlick said that through its Tier 1 pricing, BPA is giving benefits to utilities. He urged the agency not to opt for “short-sighted coal” resources for which “people aren’t paying the price for the destruction of the planet.”

Reliance on coal, he said, is a “false economy.” Instead, BPA should “maximize its investment in conservation and, secondly, renewables.” Nuclear plants wouldn’t be economical if owners had to insure them at market rates, he said.

“Guide people to a true, long-term economy,” he concluded.

**Stan Price, Executive Director of the Northwest Energy Efficiency Council (NEEC)**, said he was pleased to see that BPA proposes to include conservation costs in its Tier 1 rate, and that BPA will not provide disincentives to utilities to do conservation.

“The two-tier rate system can provide good economic signals to do conservation,” he said, “but it will not guarantee by itself that requisite amounts will be achieved.” He said the Proposal “lacks specificity and certainty” to guarantee conservation will be used to meet utility load growth.

BPA’s conservation policy, he said, has been “steady as you go.” While it’s been “meritorious, it leaves open the question whether the utility community at large will meet load growth with conservation.”

He referenced an Edison Electric Institute press release citing significant efficiency accomplishments in the industry between 2001 and 2004. He said the region has more work to do and that there is a “vast, untapped potential to achieve energy efficiency post 2011.” BPA should work toward the “most aggressive energy-efficiency agenda possible.”

He added the agency should “rise to the occasion to meet the imperative and assure all cost-effective conservation in the Pacific Northwest is achieved.”

## “DSI Service”

**Jack Speer, Vice President for Governmental and Energy Affairs at Alcoa**, said the federal government has made a huge investment in the Northwest. Now BPA is proposing a new way to allocate “the fabulous system.” He said, “Finding a fair way to accomplish that has to be the number one priority.” Many stakeholders are involved in the decision, he said, among them the government, tribes, fish and wildlife and environmental interests, “the economy,” utilities, the residential customers of investor-owned utilities, and the Direct Service Industrial (DSI) customers.

In answer to the question of “what’s fair for the aluminum companies,” Speer said Alcoa took service directly from BPA in 1940 even before Clark PUD had come into existence, setting a precedent for other DSI service. This difference between our load and other loads, he said, puts an aura on allocation that is of concern to us; it puts Alcoa in a category where it does not belong.

Alcoa has provided jobs, aluminum for airplanes in the war effort, and power reserves that have benefited the region, according to Speer. His company’s Intalco plant in Ferndale, Wash., has historically relied on BPA for its power supply, he said. Alcoa’s Wenatchee works takes half its supply from BPA, the other half from Chelan PUD.

Speer said a recently commissioned economic study for BPA indicates over 3,000 jobs are tied to Alcoa’s operations, 840 directly and 2,470 indirectly, with a \$67 million annual payroll

impact. If these plants were to operate at full capacity by utilizing the 560 megawatts of power BPA is proposing to sell the DSIs, 5,630 jobs would be created. But, he said, this is not feasible if the power is priced at an effective rate of \$36 per megawatt-hour to operate one third of the Intalco plant rather than the \$27 price available to utilities for the entire plant. He cited BPA's recent offer of a power sales contract at favorable rates to DSI customer Port Townsend Paper.

Aluminum prices are at high levels, Speer said, but at the end of the current contract in 2011, Alcoa will need "something different when you're allocating power." He cited a CRU Strategies study that concluded the plants are viable if they have access to BPA power at current prices. If they don't, and are forced to pay a market rate of \$60/MWh, he said it would be unlikely Alcoa could operate.

Speer said that BPA should sell Tier 1-priced power to preference utilities and include aluminum load in their High Water Marks, so that the power could be resold to aluminum plants, "just like other industries."

"We're not here to say give us everything and not make compromises," Speer said. "Give us a chance to operate. Considering the 3,000 megawatts that was once served, 560 is not an unreasonable amount."

**Pat Flaherty of the International Association of Machinist and Aerospace Workers (IAMAW) at Alcoa's Intalco Works** in Ferndale, Washington, referenced Jack Speer's testimony. "The numbers of Jack's are Alcoa's numbers," he said. "We relate [more] to jobs." Flaherty said Intalco's employment has dropped from 1,200 to 440 jobs and that the plant is running at one-third capacity.

If his company receives a power allocation to assure full production, translating to 1,400 people employed, the Ferndale community will "thrive." He said the local school district is facing a \$2 million shortfall, with twenty people recently let go from the payroll and not replaced.

"It's not all Intalco's fault," he acknowledged, "but the tax base is not there. People are leaving because of the uncertainty." He said Ferndale has lost much employment to industries in nearby areas.

In summary, Flaherty urged, "Look at the impact on Ferndale and Wenatchee."

**Mike Rousseau, plant manager at Alcoa's Intalco Works in Ferndale**, said the "fundamental question is, 'Why service to the DSIs?'" He said the aluminum industry is growing and thriving and "Alcoa's facilities are viable facilities."

The corporation, he said, has made a commitment to support its operation. "We wouldn't have signed a [power] contract for another five years if we didn't think we'd be viable."

"It's about jobs," he continued, "and also about making our community a better place." We are not a dying industry, he said, but will thrive if given power as was done the last 65 years.

"We aren't getting a sweetheart deal," he said. "Our rates are among the highest in the world, with the best facility in the world." He urged BPA to come to consensus on a level of power service to Alcoa's two facilities that makes use of "the full 560 megawatts."

"Alcoa has been a good customer through the hard times and the good times," he concluded.

**Toni Potter of the Seattle League of Women Voters** expressed concern about pollution and global warming. "Support clean air," she advised. "Efficiency and renewables are the way to go."

She said, “BPA should require utilities to have clean energy before they can get BPA energy. The Northwest should do their part in reducing global warming.”

### **“Cost Control and Dispute Resolution”**

No comments.

### **“Open Comments”**

**Vicki Henley, Alcoa chief steward for the IAMAW machinist’s union**, voiced support for the Proposal’s DSI service alternative number 3 if power service were to be at Tier 1.

She said Alcoa should not be viewed as a new customer in terms of pricing because “we were here before some PUDs.”

She acknowledged the difficulty in reaching consensus, “but we’re here to serve people. Power to the people.” In conclusion, Henley said, “Our hope is BPA will take into consideration to look at door number 3 for the DSIs.”

**Pat Flaherty of the IAMAW** said he is concerned about greenhouse gases and BPA’s disposition of what its termed “excess power.” “We don’t think it’s there,” he said.

“‘Excess power’ bothers us,” he continued. “We need to be served before excess power goes to other parts of the country. People in the Northwest need to have access to it.”

**Rich Feldman of Apollo Alliance**, a business coalition, said BPA has a central role in being the lead resource to organizations for renewables and conservation. “The centralized approach is incredibly valuable,” he said.

“If BPA allocates power,” he continued, “we’re concerned about our sense that having a renewables package for Tier 2 customers is important. BPA’s role is essential to securing reasonable rates and to meet future demands in our state.”

**Marc Krasnowsky of the NW Energy Coalition (NWECC)** said his group has “worked closely with BPA and the Council to further renewable resources and to mitigate the damage from the federal hydro system.” He said the region has thus far acquired 3,000 megawatts of energy savings, “enough to power three Seattles.”

He referenced the Council’s fifth power plan that states growth in demand can be met with efficiency and renewable energy. “Consider the proposal in the context of planning,” he said. Letting utilities decide how to meet their own load growth, he said, calls into question whether they will meet the region’s efficiency goals.

He congratulated BPA for meeting half the region’s target for renewables called for in the power plan and for funding conservation out of Tier 1 rates.

He said the Northwest Power Act of 1980 says to achieve cost-effective conservation and renewables “before turning to fossil fuels.” BPA, he said, is proposing “a radical change in direction that is at odds with the Act.” By shifting load growth responsibility to utilities, BPA’s plan is “fraught with dangers for utilities and customers.”

“With 130 utilities making independent power decisions,” he said, “[they will choose] the wrong resources and too few or more resources. It will cost consumers dearly.” Without a mandate to prioritize resources, he said, the Proposal will lead to increased use of fossil fuels. He cited two recent utility plans to acquire coal plant output – one by Energy Northwest, one by Idaho Falls.

“Without BPA, we will face boom-and-bust cycles that have been the hallmark of other economies. Don’t go forward with this risky scheme.

“But if you do, add protections,” he said, to address load growth whereby utilities must commit to efficiency as a quid pro quo for receiving 20 years of “incredibly low-cost power.”

“If BPA offers Tier 2, offer only renewables and conservation rather than a menu of resources.”

Contracts should require adequate resources through mandatory compliance with the Council’s standards, he said.

“BPA should help utilities acquire all cost-effective conservation in utility service territories.” He called on BPA to exact a commitment that utilities will follow the priorities of the Northwest Power Act, the same as BPA would have.

He added that BPA has shown “great foresight” by committing \$21 million a year to facilitate new renewables. However, he continued, the \$21 million should be a minimum, not a cap – an amount necessary to meet the region’s goals. “Out of a \$2.6 billion budget, that commitment is quite modest.”

BPA should acquire “some” renewable power prior to 2011, he said. “Site banking puts renewables at risk.”

Moreover, he added, “BPA is driving a wedge between renewables advocates and the salmon culture. Renewables development must not be held hostage to fish,” and BPA should state there are “‘many constraints’ on the system, not just this one.”

“If Bonneville is truly spilling, you should advocate for real solutions,” he said, “including removing the four dams and replacing them with clean energy. The proposal, if done wrong, puts us at risk for a dirty energy future.”

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With no other persons wishing to give testimony, the meeting was adjourned.

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*Respectfully submitted,*  
Rodney A. Aho, Notetaker  
Bonneville Power Administration  
(503) 230-3634

Attendees  
Regional Dialogue Public Meeting  
Seattle, Wash. – August 1, 2006

1.	Buller, Carol	Seattle City Light
2.	Carrasco, Jorge	Seattle City Light
3.	Chestnutt, Judy	Alcoa
4.	DeBoer, Tom	Puget Sound Energy
5.	Feldman, Rich	Apollo Alliance
6.	Fisken, Alec	Seattle City Light
7.	Flaherty, Pat	Alcoa
8.	Gaines, Bill	Seattle City Light
9.	Hartman, Suzanne	Seattle City Light
10.	Hausman, Eric	University of Washington
11.	Henley, Vicki	Alcoa
12.	Hooper, Seth	Weyerhaeuser
13.	Johnson, Sara	Puget Sound Energy
14.	Kallstrom, Jeff	Snohomish PUD
15.	Kerlick, David	Sierra Club
16.	Krasnowsky, Marc	NW Energy Coalition
17.	Larson, Darcie	Save Our Wild Salmon coalition
18.	Meyer, Alan	Weyerhaeuser
19.	Munz, Paul	Seattle City Light
20.	Owens, Michael	Snohomish PUD
21.	Piliaris, Jon	Economic & Financial Strategies
22.	Potter, Toni	League of Women Voters
23.	Price, Stan	NW Energy Coalition
24.	Rousseau, Mike	Alcoa
25.	Skov, Thor	NW Energy Coalition
26.	Speer, Jack	Alcoa
27.	Toulson, Dana	Snohomish PUD
28.	Aho, Rodney	BPA
29.	Burbank, Nita	BPA
30.	Clarke, Stuart	BPA
31.	Gendron, Mark	BPA
32.	Kitchen, Larry	BPA
33.	Lee, Carie	BPA
34.	Miller, Tom	BPA
35.	Reich, George	BPA
36.	Thompson, Garry	BPA
37.	Wilson, Scott	BPA