Public Meeting Notes
Bonneville Power Administration
Regional Dialogue Policy Proposal
"DSI Service," Rates Hearing Room, Portland, Oregon
10:00 a.m. – September 8, 2006
Attendees: Approx. 100 (not including BPA)

These notes are intended to summarize oral comments given at the Bonneville Power Administration's (BPA) public meeting on the "DSI service" component of its Regional Dialogue Policy Proposal (Proposal). This summary is not a verbatim transcript. It will become part of BPA's official record.

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Opening Remarks

Public affairs specialist Mike Hansen of BPA's media relations office convened the meeting at 10:00 a.m. Attached is a list of attendees.

Hansen welcomed the assembly and went over the day's three-pronged agenda – (1) to present findings of the recently commissioned economic study on BPA's direct service industrial (DSI) customers, (2) to provide a forum for the public to ask clarifying questions about the study, and (3) to receive public comments on BPA's three service alternatives for possible future (post-2011) DSI service.

Hansen introduced **Allen Burns, vice president of BPA's bulk marketing and transmission services hub**, the organization responsible for business relationships with the DSIs.

Burns encouraged comments and discussion of DSI issues and welcomed attendees' suggestions on post-2011 DSI service. He noted that in BPA's Proposal the agency had not come out with a "hard, fast, concrete proposal," but rather presented a limited "range of options" for public consideration. He said BPA wants to "wait and hear the discussion today before making a decision" on DSI service, and to consider the "economic impact on the region of one alternative versus another, and getting your take on it."

The close of comment on the Proposal, including DSI service alternatives, is Sept. 29, 2006. Persons wishing to comment on any issue in writing may do so, in addition to testifying at today's hearing, he said.

Burns introduced two individuals who would be presenting the recently published findings of a DSI economic study commissioned by the Northwest Power and Conservation Council (NPCC) and financed by BPA. Burns indicated BPA would accept clarifying questions in the morning portion of the agenda but would not be taking public comment on the study results or DSI service options until later in the day.

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DSI Economic Study

Massoud Jourabchi, manager of economic analysis of the Northwest Power and Conservation Council, went over the DSI economic study selection process and responded to clarifying question.

He introduced principal study consultant **William B. Beyers, University of Washington, Professor and Chair, Department of Geography**.

Beyers walked attendees through a graphical overhead presentation (handouts were provided and are available on BPA's RD website) on the study and answered technical clarifying questions. He stated that the DSIs were the "lowest class" of preference customer under the law.

He said the principal purpose of the development of hydroelectric power in the region was to create jobs in the aftermath of the Great Depression. But, he said, "economics have [over time] caught up with the concept of DSI power supply, and [the region] has had a reduction" in DSI power sales. "We do not have a basis for making long-run estimates of what will occur in the aluminum industry," he noted.

As to conclusions, he said the study suggests a short-term net gain in jobs, with less impact over the long haul because job losses in the aluminum sector will likely be offset by infilling from other industries. "If market conditions for aluminum drastically change, the outcomes of the study" would be invalid, he added.

Members of the public asking clarifying questions of Beyers and Jourabchi during their presentations were:

- **Linc Wolverton** of the Industrial Customers of Northwest Utilities (ICNU),
- **Kevin O'Meara** of the Public Power Council,
- **Alan Meyer** of Weyerhaeuser,
- **Howard Schwartz** of Washington State,
- **Scott Corwin** of PNGC Power,
- **Buz Ketcham** of Cowlitz Co. PUD,
- **Melinda Davison** of ICNU,
- **Dick Helgeson** of the Eugene Water and Electric Board, and
- **Jack Speer** of Alcoa.

In his questioning, **Scott Corwin** of PNGC commented that the study should correct its written conclusions regarding what the Northwest Power Act says about DSI service and the aluminum smelters' status as one of three classes of "preference customers" having access to BPA power.

The presentation and questioning concluded at approximately noon. After a one-hour lunch break, Allen Burns opened the floor for public comment and also introduced **Scott Wilson of BPA**, the agency's DSI account executive and RD project manager.

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Public Comments

Jack Speer of Alcoa distributed a handout of his presentation. He said Alcoa is the world's leading aluminum producer, with two smelters in the Northwest, at Ferndale and Wenatchee. The Ferndale plant purchases 100 percent of its power supply from BPA and now operates at one-third capacity; Wenatchee is served by two sources: half of its power requirement is furnished by

BPA, the other half by Chelan PUD. The Wenatchee plant is operating at half capacity (i.e., no federal power is currently being supplied).

Speer asked what factors BPA should consider in making a decision about post-2011 DSI service and summarized them, analogously to how a realty agent might describe residential property in terms of the importance of its location – “fairness, fairness, fairness.”

He said it’s only because of “historical serendipity” that Alcoa in 1940 became served directly by BPA, in the absence of a local utility. He said the principle of fairness under the Northwest Power Act (Act) called for a “redistribution of some of Bonneville’s values and functions to reach an allocation” of power after the law’s enactment, and that the Act sought to “reach something fair and longstanding” for the DSIs. “Even the [7(b)(2)] rate test assumed the DSIs would have been served by preference utilities without the Act,” he said, adding there is “no justification” for discontinuing power service to the aluminums.

He outlined some of the benefits the region’s aluminum plants have provided, including part of the overall justification for the government’s building of the federal Columbia River power and transmission systems.

He said a “fair level of service” for the DSIs would be “enough power to operate at high production levels.”

As to other customers’ concerns about BPA’s proposed 560-average-megawatt (MW) level of service to the DSIs, Alcoa by itself, he said, needs 625 MW above the amount of power now furnished by Chelan PUD. In that sense, 560 MW is “reasonable,” especially considering the industry once used 3,000 MW. “Five-hundred-and-sixty will give us a chance to survive,” he said. “Bonneville’s [other] ratepayers still see 2,440 MW of load-reduction benefits.”

As to economic benefits, Alcoa produces metal, but “we don’t control the price. The only way to operate is to control input costs. Contracts for power costs and raw materials are important to our survival.”

He explained briefly the current service arrangement, in place between 2006 and 2011, under which Alcoa is receiving a financial benefit to buy down the cost of market purchases from a level of $60 a megawatt-hour (MWh) to $36.

The DSIs, he said, “provide some of the best jobs in the Northwest. Our rate will be 33-90 percent higher than [that charged] to utility customers.” The short-term service approach provides “a bridge to make substantial investments [in plant facilities] because we have some stability.” He noted a CRU study that predicts world aluminum markets will grow. “The studies,” he said, “show Alcoa would operate [if served] at Tier 1 power, but it would close at market rates.”

He compared delivered power rates to aluminum factories around the world ($23/MWh) as they stacked up against what Alcoa would pay in the short-term agreement ($52/MWh). “We can [only] be competitive in the long term with Bonneville power.”

The Conway study estimates 3,310 jobs would result if Alcoa operated at full strength, he said, with 840 of those as direct employs, with a potential of close to 6,000 jobs across the region. The aluminum companies, he said, are an “important economic force in the small communities” in which they are located. “Even under upper-bound assumptions, job gains outpace jobs lost” if companies are served at Tier-1-equivalent rates.”

He described that BPA’s surplus sales to California are in an amount larger than what the DSIs need.

He also said national objectives are to maintain jobs, improve the balance of trade, and reduce dependence on foreign strategic materials – all would be furthered by serving the DSIs.

"We will be reducing greenhouse gases," he noted, through improved efficiency of operations as well as through the increased use of lightweight aluminum metals in the transportation sector, resulting in a savings in CO_2 emissions over the life of the vehicle.

As to the appropriate level of service, "the answer" is that BPA should use "up to 560 MW when establishing the High Water Marks (HWM) of preference utilities. Consider our [DSI] load as preference customer loads."

In conclusion, he said fairness dictates that aluminum loads be treated like other loads. The 560 MW is a reasonable number and "gives us a chance." That amount of power at Tier 1 "will be good for the economy and maintains national objectives."

BPA's Allen Burns asked whether Speer has given any thought to potential benefits that could accrue to the region by serving the DSIs with interruptible power.

Speer said the DSIs have traditionally provided such a benefit and "we could do that in the future at a level that makes sense." He reminded attendees of the power crisis, how "we shut down production but maintained our work force. It was a win-win. We could do that again going forward."

Marilyn Showalter is the executive director of the Public Power Council. She said the PPC represents consumer- and government-owned utilities in the four Northwest states.

"Our ratepayers' money," she said, "would go toward subsidizing of power that would go to the aluminum companies." She said she is the daughter of a union organizer and recognizes the importance of jobs. "But I think everyone's jobs are important."

"What is Bonneville's role in saving jobs if they can be saved in the 2011-2027 period?" she asked. "We're in a different era than in looking backwards."

She asked for clarification of the dollar value per direct aluminum company job and observed the "direct subsidy would be $71,000 a job in a $50/MWh market, $110,000 a job at $60/MWh. This subsidy is going directly to the aluminum companies, not the Northwest." In effect, she said, the ratepayers of public power utilities are providing free employment to aluminum companies, paying for the cost of the jobs. Is that good or bad? she asked. Such support is "usually funded by tax dollars not rate dollars." She acknowledged a possible short-term benefit if support is provided, but "over the long run, local communities rebound" when jobs are lost, according to the DSI economic study.

To what end would support be given? she asked, referencing Table 6 on p. 10 of the economic study – the power rate delivered, needed to make a return on investment. "You can't operate if there's no return on investment, and the table shows that even with the maximum proposed subsidy, assuming $60/MHw prices, the company won't earn a return on its investment – so investments aren't likely to be made.

"More fundamentally," she continued, "why are we and BPA having a discussion of aluminum companies? There are many big employers in the Northwest, including Boeing, which helped in World War II, and Microsoft, Intel," and others. "In general an electric provider doesn't need to focus on that. In Bonneville's case, focus on the law because this is a federal public asset. Public utilities have the right to fulfill their needs for power at cost. Residential ratepayers of the IOUs also have a right to a process to determine benefits. Industrial customers have no right to power. This is the scheme Congress set out – set out at a time of a surplus of power."

From 2011 on, she said, the plan is to allocate out the low-cost system (Tier 1) to its users. Public power, she said, will have to meet its needs for growth with Tier 2 power at incremental rates. "There will not be enough Tier 1 power to fulfill public power's preference needs. If a subsidy is made to the aluminum companies, the price of Tier 1 power goes up. The value or price to aluminum companies would be less than Tier 2 costs. Public power ratepayers would pay the subsidy and increase Tier 1 costs, and have to buy additional power at market rates, when aluminum companies are getting power at lower rates. It's just a different era.

"You have to begin with the law. You can't just decide on 'what's fair' but what's the law. It gives public power utilities the right to power at cost. Aluminum companies have no right to that.

"The time has come for the dependency by aluminum companies to end. That's hard to say, especially to someone whose job is to end. There have been and will be plants that go under, like pulp mills and chip factories. This is what happens in the economy.

"The issue is, are public power ratepayers and Bonneville what we're about? Let the economy roll with it. We want to work out a Regional Dialogue agreement, but it's a futile idea to focus on one industry that's down to one or two plants, one or two lines, and say that for 20 years, we're going to try to save these jobs.

"You get into the absurd situation of giving more and more dollars to fewer and fewer jobs, coming from businesses and workers who don't have that advantage. That isn't what Bonneville should be about or the role of public power ratepayers to make that happen.

BPA's Allen Burns asked Showalter's thoughts on the hypothetical question, "What if the aluminum companies had been customers of utilities – if the sale were at Bonneville's rate plus a utility margin for parity – if aluminum companies had been customers of public utilities?"

Showalter responded, "For every utility, public or private, there are big consequences to both, and sometimes different outcomes if an employer comes or goes. There are infrastructure impacts." She spoke to the "rules for large new loads – they're intended to soften the effect of new loads." She described the system under which elected officials and commissions set the rates of public and private utilities, "to ensure rates are fair and justified. It's a good arrangement. But what we have here are a couple of industries who sit outside that scheme and appeal to you for a special deal."

Melinda Davison represents the Industrial Customers of Northwest Utilities (ICNU). "It's especially important to ICNU members," she said, "and ICNU strongly believes, that its time to stop subsidizing the DSIs or adopt a 20-year policy to subsidize power to customers who have no statutory right to that power. We support Marilyn [Showalter's] comments."

She said the DSI economic study did not look at "our industries' continuing to subsidize the DSIs." Before the administrator makes a decision, she urged, "do the same type of study for our industries, on job impacts. Look at the contributions our members make to our communities. We support jobs and an economically vibrant economy. Is a DSI job more important than a pulp and paper job? It's not appropriate for Bonneville not to address this. There's not enough power to go around. Don't make a distinction to support one job but not another."

She said she agrees with Jack Speer's comment about fairness. She pointed out that Alcoa's return on capital reflects the highest quarterly profit in any year of its 115 years of existence and that the financial reports point to the financial security of Alcoa. She referenced a Morning Star report that expects a near-record quarter and year. "What is the equity of having local Northwest industries supporting a company that is financially robust and well off? Columbia Falls has $32.4 billion in assets, held by a company in Switzerland. The Goldendale plant is a private firm owned by high net-worth individuals and equity funds. Port Townsend Paper is a direct competitor with several ICNU members. If they would get cheaper power, it's not a matter of sound public policy."

The smelters are owned by financially sound corporate entities, she said. "Despite their soundness, the Northwest smelters are on the edge. It's unlikely they will survive in the long term. You're asking our members to be at risk to support an industry doubtful to survive in the long run."

The conclusions and recommendations of the DSI study, she said, indicated no significant drop in regional employment and income if the DSI smelters close down. "BPA's document – its Regional Dialogue Proposal – weighs the sustainability of family wage jobs," she said. "It leads you to conclude the DSI subsidy should end."

Luke Loeffler of Rep. Rick Larson's office in Whatcom Co. read a statement from the congressman that spoke to the need to "maintain family wage jobs" and to recognize aluminum companies' "economic contribution to the region. The decision will have real consequences to real people."

He stated that the aluminums "don't need a better rate than other Bonneville customers, but we fear what happens if jobs go away." He said he hopes for a "fair solution."

Kevin Scott of Port Townsend Paper said the mill was built in 1928 and has been in continuous operation since then. It is the largest employer in Jefferson Co., with 315 full-time employees.

He said his firm impacts the local economy. It produces paper that is sold outside the region, but "with economic impacts that bring dollars into the region."

He described the plant's cogeneration facility that supplies 30 percent of its needs and the operation's 90-percent load factor.

Port Townsend Paper is the only pulp-and-paper customer that is a DSI, he said. "We compete with pulp and paper elsewhere that have 25-percent lower rates than us. We need 17 MW of power for 315 jobs. We can't scale our operations up or down."

He said the short-term contract will "serve the region well and keep the mill running." Good-paying jobs are important, he added. "If served at market rates, Port Townsend will be at a disadvantage to other pulp-and-paper mills and would be forced to close." He urged BPA to offer power at a price "close to" Port Townsend's (current) rate. "A direct sale is easier to manage, but there's a requirement still to buy at close to the PF rate."

Doug Smith, assistant general manager at Grays Harbor PUD, said that over the past 20 years, three large industries announced their closure, with the loss of about 400 direct jobs. He spoke to the number of family wage jobs lost in Grays Harbor's service area. "If someone would have offered those plants $71,000-110,000 per employee per year, they wouldn't have closed. Industries come and go. We hope for a turnaround in Grays Harbor." Weyerhaeuser didn't get $71,000 per employee, he said, yet they subsidized other jobs in the Northwest.

"We don't want our industries to be fighting an uphill battle. Don't charge one industry to give to another. Create a level playing field. Don't subsidize aluminum companies post 2011."

Jim Stromberg, the power manager at Columbia Falls Aluminum Company (CRAC), said, "The public policy question before us is fairness. We should maximize economic health. The study concluded there would be a net gain of employees and income – a 'do-no-harm' thing at worst." Fairness, he said, dictates not being cut out [but] serving a customer that's "stuck by Bonneville" over the years. "Reinstitute the balance struck in the Pacific Northwest Act that insisted that Bonneville serve the DSIs."

He said there was a "flipside" in terms of "rate savings" because DSI load is now 20 percent of its former level. His company has gone from 345 MW of BPA service to zero. "The balance of the Act should be restored. Look for a sustainable solution. Five-hundred-sixty MW of PF-equivalent-price power is the way to go," especially since loads are less than half what they could be.

BPA's Allen Burns asked if CFAC is "ready to sign a 20-year take-or-pay contract, even if aluminum prices drop, and will you continue to operate?"

Stromberg replied, "We faced that question once before. [BPA's] Walt Pollock mitigated the take-or-pay risk. We can find a solution – not necessarily that one. We want to return to our higher level of production." He mentioned the possibility of re-upping a contract every five years. "No one can predict what will happen, [but] we'd step up to that."

Jack Speer of Alcoa stated, "If Alcoa were offered a contract on that same basis, we'd sign that contract for 20 years and make sure the plant is sustainable in the long run."

Scott Corwin of PNGC Power stated that his 15-member company serves 300,000 people in seven states. He spoke of the need to go "back to basics – you're going to have a policy call. Will it work, is it worth it? In getting to 20-year contracts, the goal is stability. Without a subsidy to the aluminum companies there won't be a drop in the economy or employment – that's in the last line of your report, their bottom line." He said this is not to ignore the impact on individuals – "but there are individuals on both sides of the line. If you subsidize someone at $70,000-100,000 a job, is it worth it to other customers?"

He said that in some years surplus doesn't exist. "Don't repeat the 2000-2001 period and augment at the cost of billions of dollars. Can Alcoa compete when Canada offers $13 power?" he asked. "I don't know." He said there was a "lot of risk long-term to continue the policy. Is it sustainable? The benefit just isn't there long term."

Bill McMahon of Weyerhaeuser in Springfield testified his firm employs 200 people, down from 400. "We've felt pressures in our industry, which has gone from 19 to 13 industries. I have witnessed 120 coworkers leave when part of the plant was shut down."

He said power is the second or third most costly commodity, one they try to control. "When I hear industries are getting preferential treatment, it's of concern to me," he said. "Other industries must compete as we do. It shouldn't be Bonneville that decides whether an industry should survive or not.

"Keep the DSIs out of the equation and let fair market prices dictate the outcome."

Ned Piper, commissioner at Cowlitz PUD, said Weyerhaeuser is vital to his area. "It survives without a Bonneville subsidy. Subsidy is wrong. Does 'treated like other Northwest industries' mean 'not subsidized'?" he asked.

Irene Ringwood representing Alcoa replied, "Jack [Speer] means Alcoa would be no more subsidized than Boeing [and others] who buy from the local PUD. We're asking for the same deal."

Piper responded, "Well, I'm not in favor of that."

Steve Knight, the general manager of Columbia Falls Aluminum Co., said his firm has been a DSI purchaser since 1955. "It's a matter of life and death. No issue is more important to our strategic future." He said the range of options presented "did capture what would work for CFAC."

He said he hoped the financial payment will work as a "stopgap for five years," but he believes it is not appropriate for the long run.

"Why serve the DSIs?" he asked. "Why not?!"

"In 1980, Bonneville wanted the DSIs to be directly served. Bonneville insisted on direct service." He said BPA has the legal right to serve his plant and has done so since 1955. "[But now] Bonneville will break the string and provide financial benefits."

He said the Northwest has been blessed to have the Bonneville system, with its affordable power, although prices have increased. "The debate is not about subsidizing a group, but singling out and eliminating a group. We care about the community and offering high paying jobs. Bonneville, don't turn us away. We'd love to sign a 20-year contract."

Robert Young, an economist for Alcoa, challenged the usage of the word "subsidy." He said to "look at the reports: any time you supply power at less than the marginal cost, it's a subsidy. That's implicit in most arguments. If Bonneville provides cost-based power at the PF rate, is it a subsidy? Do new plants pay the marginal cost of power? No, it's a blended rate."

He said that the "obvious strategy is to develop a list of customers to stop serving." In contrast, "at the IOUs, if they serve a new load, they raise the cost of power [to others] and just serve it."

He said Intel's operating margins are 40-45 percent. "Their stock is showing astronomical returns." He mentioned the Google plant's being sited in The Dalles and the residents there are wearing "happy faces." "They're trying to stay below a New Large Single Load. Why not go through the same process of counting employees per megawatt with Google? Why this contorted process?"

He said Alcoa has been a BPA customer for a long time. "The rate effects of serving 560 MW are minimal. Change the debate a little bit and preserve the jobs we have."

Craig Anneberg, vice president of Norpac's newsprint mill, described the plant's origin in the mid-1970s as a joint venture. It has become the largest newsprint manufacturer in North America, he explained, with 500 employees located in the middle of the Longview complex, which totals 1,800 employees. They spend $120 million a year on salaries, plus $150 million annually paid to contractors.

The newsprint industry is mature and competitive, he said. There have been many closures. Low-cost mills will survive in the future. His firm purchases 250 MW of electricity, equating to three percent of BPA's system load. They have installed many energy-conservation projects in concert with the local PUD.

"The mill needs low-cost electricity to be competitive," he said, citing rises in rates from $4/MWh to $31/MWh, a 680-percent increase; at the same time, his company could raise its prices only 50 percent. "A $1/MW increase in power translates to $2 million in increased costs."

He said there is global competition. "Keep electricity costs from further escalation."

BPA's Allen Burns asked him whether Cowlitz PUD passes the BPA rate through to Norpac.

Anneberg said there is a small adder.

Terry Smith has worked for Columbia Falls Aluminum Co. for 32 years. Its 150 employees are "some of the best paying jobs in the state of Montana." He said two-to-three jobs are created by, or related, to each aluminum job.

"Jobs are important to those tied to aluminum. If we're shut down, it's of concern to all of us. Aluminum is important to all." Without the plant, more aluminum would need to be imported, he said, and good jobs would be lost to other countries forever.

"I hope CFAC continues to be a customer at an affordable rate and left to survive," he concluded.

Mike Rousseau, Alcoa plant manager at Intalco, said, "I've heard the word 'subsidy.' We're not asking for a subsidy. We're asking for the same rate as you, Weyerhaeuser."

He said the reports say the economy in the region can support the aluminum industry. "We have strong customers here in the Northwest. They manufacture bike parts, window frames, ladders [and the like] – all produced in the region. We want the same rates as everyone else.

"We're not asking for extra power to purchase. Bonneville has surplus power – 2,500 surplus MW. We're asking 560 MW for the industry. We are not asking for special treatment. It's not up to the federal government to pick what industries to survive. Let existing industries survive."

To supply aluminum industries, he said, acknowledging there are some "bubble industries" in the region, "puts us on the same playing field."

Alan Meyer of Weyerhaeuser said he is grateful that BPA is looking at both sides of the equation. "We're talking about 1,200 jobs for the aluminum companies. We're trying to protect 12,000 jobs. We're still cutting back on jobs. We don't have large profits; we're looking at which facilities to close."

As to Jack Speer's presentation, Meyer said that if aluminum companies were to purchase power from the local utility like other industries, the Northwest Power Act deems them a new load, to be served as a New Large Single Load, unless contracted for or committed to. "That's the mechanism in the law that allows aluminum companies to buy from the local utility."

He said a new chlor-alkali company his firm participates with became an NLSL. "Go by what the law says."

Gregg Jones, the president of the steel workers local 320 at CFAC, said he has worked for the company for 32 years, since he was 18. Jobs there are among the highest paying in the Flathead Valley. There are many second- and third-generation employees at the plant, he said. His brother was laid off due to high power rates.

"CFAC needs power at affordable rates," he said, "not a subsidy. We need a better shot at power to survive the hard times."

Greg Erickson at Alcoa's Ferndale plant said he's been an employee for 40 years, and has worked with the union almost as long. He's been talking to senators and has learned that the aluminum companies have been thanked for saving the Northwest from blackouts. "We're the big fuse," he said. "We would have liked to been thanked over the last 40 years, not criticized in this meeting. Think of what our company has done for others over the last 50 years.

"I would like Alcoa and Columbia Falls to still be here in 20 years."

Brian Doyle of Columbia Falls Aluminum Co. has worked in the aluminum trades for 32 years. He said he's seen the company go from 1,500 people to 160, with one potline remaining operational. He said the company has provided good paying jobs, a good living, and benefits for the Flathead Valley. He urged BPA to "supply power at a cost-based basis."

Vicki Henley of Alcoa, a union worker with local 2379, said, "It's hard to hear your job being cut down by people throwing up numbers that mean something to them and nothing to me."

She said we've known for 65 years that aluminum companies are high energy users. "Let's compare apples to apples; it's hard not to get defensive."

"I speak for the workers trying to earn an honest living. I need a job to pay my power bill. I get confused about the complaint, 'they're paying for this.'"

The right for BPA to "throw any industry off the grid should be illegal if it is not," she said. "Read the Act; it says, 'serve the region.' Read your rocks [on display in BPA's entryway]: 'Serving your industries and mills.' It doesn't say, 'except.'

"Bonneville asked and wanted the aluminum companies to stay. Is this the thanks we get?

"'Subsidy'? We get kicked off the grid and told 'go get power'!"

She referenced the financial support the DSIs are receiving from BPA to buy down market prices. "It's about being fair. We all live in the region. Bonneville needs to serve us. We're not some rotten adopted child. We deserve respect; we deserve better than that. Who's it going to be next – are you going to go after Weyerhaeuser?

"Don't sacrifice the DSIs for everyone else. This problem was not caused by the DSIs."

Irene Ringwood of Alcoa said, "I have a problem with the term 'subsidy.' There's no subsidy here – no more than [for] Boeing, Weyerhaeuser, [who are] getting power from the local PUD. I hate to see anyone use the term 'subsidy' – it won't do any good.

"I hope the discussion stays in the region, but eventually it has to go to D.C. The delegation will be involved. 'Subsidy' emboldens the Northeast-Midwest Coalition and OMB and GAO. It hurts all our causes to use the term 'subsidy.' The Northwest isn't subsidized; neither are the DSIs."

Leif Jensen of Alcoa said, "Let me reiterate: a lot of workers are [here] to put a face on the issue. You have to look at the bottom line, but look at the faces."

The Ferndale plant, he said, has a big impact, where people are dependent on jobs. "The use of the word 'subsidy' is entirely wrong. We're asking for the same deal other companies get – plain and simple.

"I read the rocks out there too: public power was put in place to serve public need. Give us all the same rate."

Mike Dotten of the law firm Heller Ehrman LLC represents Alcoa. "The continued provision of cost-based power to customers that have been here since 1940 is not a subsidy," he said. "[If so,] then everybody here is getting a subsidy."

Dotten said the region was "fighting because of the power insufficiency [the Northwest Power Act sought to solve, under which] Bonneville would step up and provide transmission and power for the whole region. [Now,] the region somehow decided Bonneville shouldn't provide new generation to supply power to the entire region. It's [a] difficult [position] for Bonneville to sustain legally, having argued to have the right and obligation to serve the DSIs at the time of the passage of the Northwest Power Act, [and now] taking a position of forcing the DSIs to go to the market."

The DSI class benefited the region, he said. "Public power was able to meet its load growth because of the DSI load reductions over the last several years. The lost aluminum-worker jobs have subsidized load growth in the region.

"Go back to the Act's intent – how it provided for a common obligation to supply power" to meet the region's needs. "It's not a zero-sum game. Some have argued that BPA should be content to replace aluminum worker jobs eliminated if the DSIs don't get power. But if jobs will develop in the rural areas of the Northwest as anticipated, and you preserve the aluminum jobs as a base, then there is a net employment and economic gain. That's how the region rebounded from the Depression – by using Bonneville to encourage economic development across the board."

Stanley Edwards, an employee at Weyerhaeuser and union president, said, "We don't want to see anyone lose jobs." He said that in 1976, 720 people were employed, but now the figure has dwindled to 260. "A lot of this was due to operating costs.

"I don't know a lot of the politics," he said, "but as a labor leader, I want to find a solution to keep Alcoa and other industries working." [Applause]

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Wrap-up

Mike Hansen of BPA closed off discussion, there being no further testimony. He mentioned BPA's Sept. 29 deadline and urged attendees to submit written comments.

BPA's Allen Burns observed that the assemblage "didn't get to consensus – that was wishful thinking, perhaps – but we had a good airing of views. They are important and helpful to Bonneville."

He said he appreciated individuals taking the time to attend and the opportunity for everyone to "hear both sides of the argument."

In conclusion, he stated, "I'd like to challenge folks: is there some alternative that'd be a better fit for both sides" than was presented today?

The meeting was adjourned at 3:08 p.m.

* * *

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

Attendees

BPA Regional Dialogue Public Meeting
"DSI Issues," Portland, Ore. – Sept. 8, 2006

1. Anneberg, Craig	Norpac/Weyerhaeuser
2. Bailey, Marilyn	Alcoa
3. Beaudry, Haley	Columbia Falls Aluminum Co.
4. Beck, Barbara	Clark Public Utilities
5. Beyers, Bill	University of Washington
6. Bind, Bob	Alcoa – Intalco
7. Blackwelder, Wayne	Alcoa
8. Bleakney, Leann	NPCC
9. Boomer, Linda	Franklin PUD
10. Broyan, Carl	Alcoa
11. Carr, Luis	Alcoa
12. Carr, Esequiel II	Alcoa
13. Carr, Esequiel III	Alcoa
14. Carr, Geoff	NRU
15. Corwin, Scott	PNGC Power
16. Danlph, Tia	Alcoa
17. Davison, Melinda	ICNU
18. Diehl, Lana	Alcoa
19. Dotten, Michael	Heller Ehrman LLP for Alcoa
20. Doyle, Brian	Columbia Falls Aluminum Co.
21. Draeger, Donald	Assoc. of Western Pulp & Paper Workers
22. Dudkina, Julia	Alcoa
23. Early, Michael,	ICNU
24. Edwards, Stanley	Weyerhaeuser Co.
25. Erickson, Greg	Alcoa
26. Ewing, Robert	Alcoa – Intalco Works
27. Farmer, Glenn R.	Alcoa
28. Forsythe, Dean	Alcoa
29. Garnett, Lee	OPB Radio
30. Helgeson, Dick	Eugene Water & Electric Board
31. Henley, Vicki	Alcoa/IAMAW
32. Hersch, Craig	Alcoa – Intalco
33. Huber, Bob	Alcoa
34. Hullett, Barry	Alcoa – Intalco
35. Janda, Jack	Wash. PUD Assoc., Pres.
36. Jaspers, Janet	Chelan PUD
37. Jensen, Leif	
38. Johnson, Erick	for PNGC Power
39. Jones, Gregg A.	Columbia Falls Aluminum Co.
40. Jourabchi, Massoud	NPCC
41. Keller, Oksana	Alcoa
42. Keller, Rick	Alcoa
43. Kessler, Dana	Alcoa

44. Ketcham, Buz	Cowlitz PUD
45. Klineman, Paul	Alcoa – Intalco
46. Knight, Steve	Columbia Falls Aluminum Co.
47. Larson, Jim	Alcoa – Intalco
48. Leask, Dave	Alcoa
49. Loeffler, Luke	Congressman Rick Larsen
50. Lowy, Haley	Alcoa
51. Lunzer, Scott	Alcoa
52. Luttrell, Matt	Alcoa – Intalco
53. Mayson, Jack	REV
54. McDonald, Robert	Alcoa/IAMAW
55. McGuire, Dale	Alcoa – Intalco
56. McGuire, Erin	
57. McGuire, Sandra	Alcoa wife
58. McMahon, Bill	Weyerhaeuser Co.
59. Metcalfe, Travis	Tacoma
60. Meyer, Alan	Weyerhaeuser
61. Mitchell, Kathryn M.	Alcoa
62. Moreno, Mario	Alcoa
63. Morris, Ron	Alcoa
64. Mosbrucker, Ray A.	Klickitat Co. PUD
65. Murphree, Mike	Alcoa
66. Newell, Marcia	Alcoa – Intalco
67. Newell, Roger	Alcoa
68. O'Meara, Kevin	PPC
69. Parker, Rick	Longview Fibre
70. Petty, William	Alcoa
71. Piedmout, Joe	Alcoa
72. Piper, Edward "Ned"	Cowlitz PUD
73. Rhodes, John	AWPPW
74. Ringwood, Irene	Ball Janik LLP
75. Rousseau, Mike	Alcoa
76. Rousseau, Chris	
77. Schwartz, Howard	Washington State
78. Scott, Kevin	Port Townsend Paper
79. Showalter, Marilyn	Public Power Council
80. Sires, Debra	Alcoa
81. Sires, James	Alcoa
82. Smith, Doug	Grays Harbor PUD
83. Smith, Terry	Columbia Falls Aluminum Co.
84. Speer, Jack	Alcoa
85. Spiller, Ryan	Alcoa
86. Stollberg, John	Alcoa
87. Stromberg, Jim	Columbia Falls Aluminum Co.
88. Stuth, Andy	Alcoa – Intalco
89. Suckinger, Ted	Oregonian
90. Swarthout, Sandi	Alcoa
91. Timmer, Dan	Alcoa

92.	Vancele, Dale	Alcoa
93.	Walters, Brian	Whatcom PUD
94.	Warman, Liz	Boeing
95.	White, Joan	Alcoa
96.	Wilcox, Jessica	Snohomish PUD
97.	Wilkinson, Ronda	Alcoa
98.	Wingar, Dolores	Alcoa
99.	Wolverton, Linc	ICNU
100.	Young, Robert C.	Economists.com (Alcoa)

101.	Aho, Rodney	BPA
102.	Asgharian, Maryam	BPA
103.	Bliven, Ray	BPA
104.	Burbank, Nita	BPA
105.	Burns, Allen	BPA
106.	Chalier, Annick	BPA
107.	Clark, Harry	BPA
108.	Collins, Darby	BPA
109.	Goodwin, Helen	BPA
110.	Hansen, Mike	BPA
111.	Miller, Mark	BPA
112.	Norman, Paul	BPA
113.	Simms, Scott	BPA
114.	Wilson, Scott	BPA
115.	Wright, Jon	BPA
116.	Wright, Steve	BPA