



Columbia Falls Aluminum Company
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Columbia Falls, Montana 59912
(406) 892-8221

October 31, 2006

Stephen J. Wright, Administrator
Bonneville Power Administration
Public Affairs Office – DKC-7
P. O. Box 14428
Portland, OR 97293-4428

Ref: Columbia Falls Aluminum Company Comments on the BPA Long Term Regional Dialogue Policy Proposal dated July 13, 2006 (Proposal)

Dear Mr. Wright:

Columbia Falls Aluminum Company (CFAC) sincerely appreciates the opportunities afforded to us and the public to provide input to Bonneville Power Administration (BPA) on the important issue of post-2011 service to the Direct Service Industries (DSI). Through the Regional Dialogue process, BPA has heard the salient points on all sides of the issue; so this comment letter is brief. CFAC and our employees, families and the community anticipate a favorable and fair decision by BPA on this issue.

The concept of fairness is paramount in the upcoming DSI decision.

CFAC has been a continuous customer of BPA for over 50 years, even through periods of adverse (to CFAC) power markets. The company would like to anticipate another 50 years, but under constrictions similar to those in the current contract, both term and substance, no company would be able to make rational long-term investments. CFAC recommends that BPA enter into contracts with terms of the full twenty years allowable by law.

Since the 1990s, BPA has reduced service to DSI customers from 3,147 MW to the current contract of 560 MW, which is a financial benefit rather than physical power. The Aluminum smelters have in essence augmented the system to the tune of 2,587 MW. This has resulted in a significant saving to the other rate payers. It is fair and justifiable for BPA to settle on the current 560 MW service level as a long-term commitment to the DSIs. CFAC understands the BPA allocation of 560 MW and enthusiastically endorses BPA providing physical power to CFAC through Flathead Electric Cooperative (FEC) at a price approximately equal to Tier 1 of the PF rate, as described in the Proposal. Depending on the CFAC share of the 560 MW total (140 – 170 MW), the plant could run at 40% to 50% capacity, leaving the remainder to be sought in the marketplace.

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While there are many details to work out, a BPA decision that allows CFAC the opportunity to remain a viable part of the Flathead, Columbia Falls and Montana economies is a good business decision for all concerned: The United States retains a portion of its domestic aluminum production capacity, Montana retains a major manufacturer with its tax base, Columbia Falls retains the high paying jobs and a vibrant local economy and CFAC remains viable. The Regional Employment and Economic Impact Study (Contract 2006-061) quantifies the long understanding that the aluminum smelters are, in fact, good for the Northwest and its economy.

I and the employees of CFAC endorse BPA providing Tier 1 physical power under a twenty year contract to the sole aluminum smelter in Montana. In all fairness, BPA should look favorably on this alternative. Thank you for your consideration.

Regards,

A handwritten signature in cursive script that reads "Stephen J. Knight". The signature is written in dark ink and is positioned above the typed name.

Stephen J. Knight
Vice President and General Manager